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.

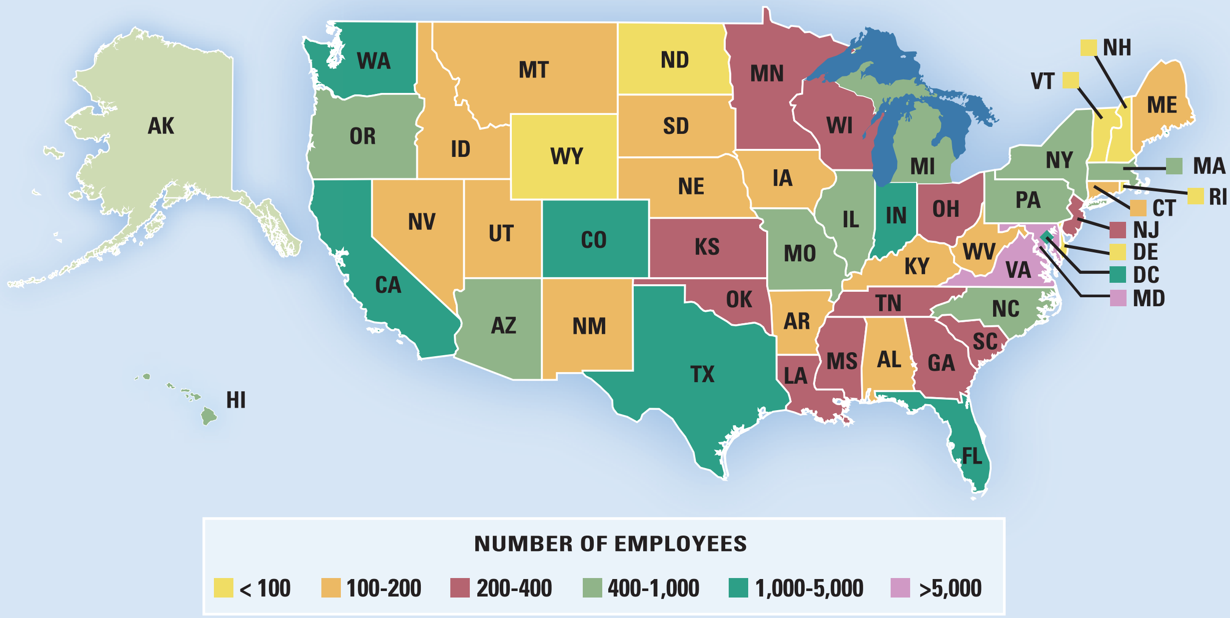
FINANCIAL RESOURCES

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

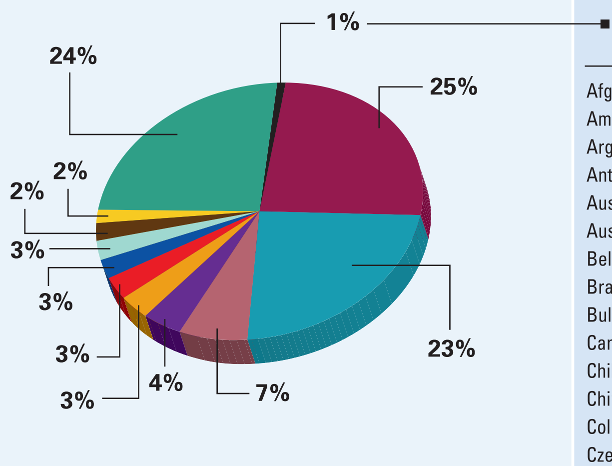
INTERNET

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

DEPARTMENT OF COMMERCE EMPLOYEES



DEPARTMENT OF COMMERCE EMPLOYEES BY LOCATION



Maryland	11,441	Colorado	1,144
Virginia	10,568	Florida	1,137
District of Columbia	3,211	Texas	1,024
Indiana	1,805	Massachusetts	721
California	1,570	Other States	10,969
Washington	1,325	Other Nations/ Territories	334

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	Ukaraine
Greece	Poland	Vietnam

Table of Contents

Statement from the Secretary VI
How to Use this Report XIII

Management's Discussion and Analysis 1

Mission and Organization 2
FY 2012 Performance and Financial Highlights 3
The Department of Commerce Process for Strategic Planning and Performance Reporting 7
FTE, Funding, and Performance Summary 17
Management Controls 26
Federal Managers' Financial Integrity Act (FMFIA) of 1982 27
Federal Financial Management Improvement Act (FFMIA) of 1996 35
Report on Audit Follow-up 35
Biennial Review of Fees 35
Priority Goals 36
Cross-Agency Priority Goals 42

FY 2012 Performance Section 43

Theme 1: Economic Growth 45
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, NTIA)* 49
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, NIST)* 66
Strategic Goal – Trade Promotion and Compliance: *Improve our global competitiveness and foster domestic job growth while protecting American security (ITA, BIS, NTIA)* 75
Theme 2: Science and Information 89
Strategic Goal: *Generate and communicate new, cutting-edge scientific understanding of technical, economic, social, and environmental systems (NTIS, NTIA, ESA/CENSUS, ESA/BEA, NOAA)* 91
Theme 3: Environmental Stewardship 107
Strategic Goal: *Promote economically-sound environmental stewardship and science (NOAA)* 109
Themes 4, 5, 6: Management Themes 125
Strategic Goal: *Create a culture of outstanding communication and services to our internal and external customers (DM)* 129

Strategic Goal: *Create a high-performing organization with integrated, efficient, and effective service delivery (DM, OIG)* 134

Strategic Goal: *Develop and support a diverse, highly qualified workforce with the right skills in the right jobs to carry out the Department's mission (DM)* 143

FY 2012 Financial Section **149**

Message from the Chief Financial Officer 150

Financial Management and Analysis 153

Debt Management 163

Payment Practices 164

Analysis of FY 2012 Financial Condition and Results 165

Limitations of the Financial Statements 170

Principal Financial Statements 171

Consolidated Balance Sheets 173

Consolidated Statements of Net Cost 174

Consolidated Statements of Changes in Net Position 175

Combined Statements of Budgetary Resources 176

Notes to the Financial Statements 177

Consolidating Balance Sheet 239

Required Supplementary Information 243

Required Supplementary Stewardship Information 251

Other Accompanying Information 267

Independent Auditors' Report 271

Appendices **291**

Appendix A: Performance and Resource Tables 293

Appendix B: Stakeholders and Crosscutting Programs 356

Appendix C: FY 2012 Management Challenges and Actions Taken 357

Appendix D: FY 2013 Management Challenges 386

Appendix E: Improper Payments Information Act (IPIA) of 2002, as Amended, Reporting Details 426

Appendix F: Summary of Financial Statement Audit and Management Assurances 434

Appendix G: Undisbursed Balances in Expired Grant Accounts 435

Appendix H: Glossary of Key Acronyms 437

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 though 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 walruses, 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.USA.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.USA.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 signification 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.

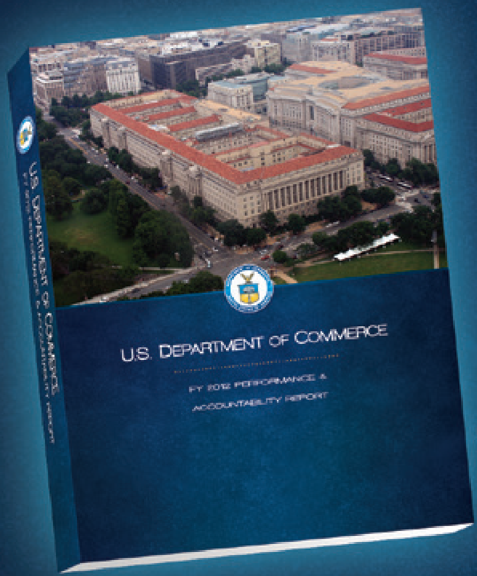
In Conclusion

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.

Rebecca M Blank

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. 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.

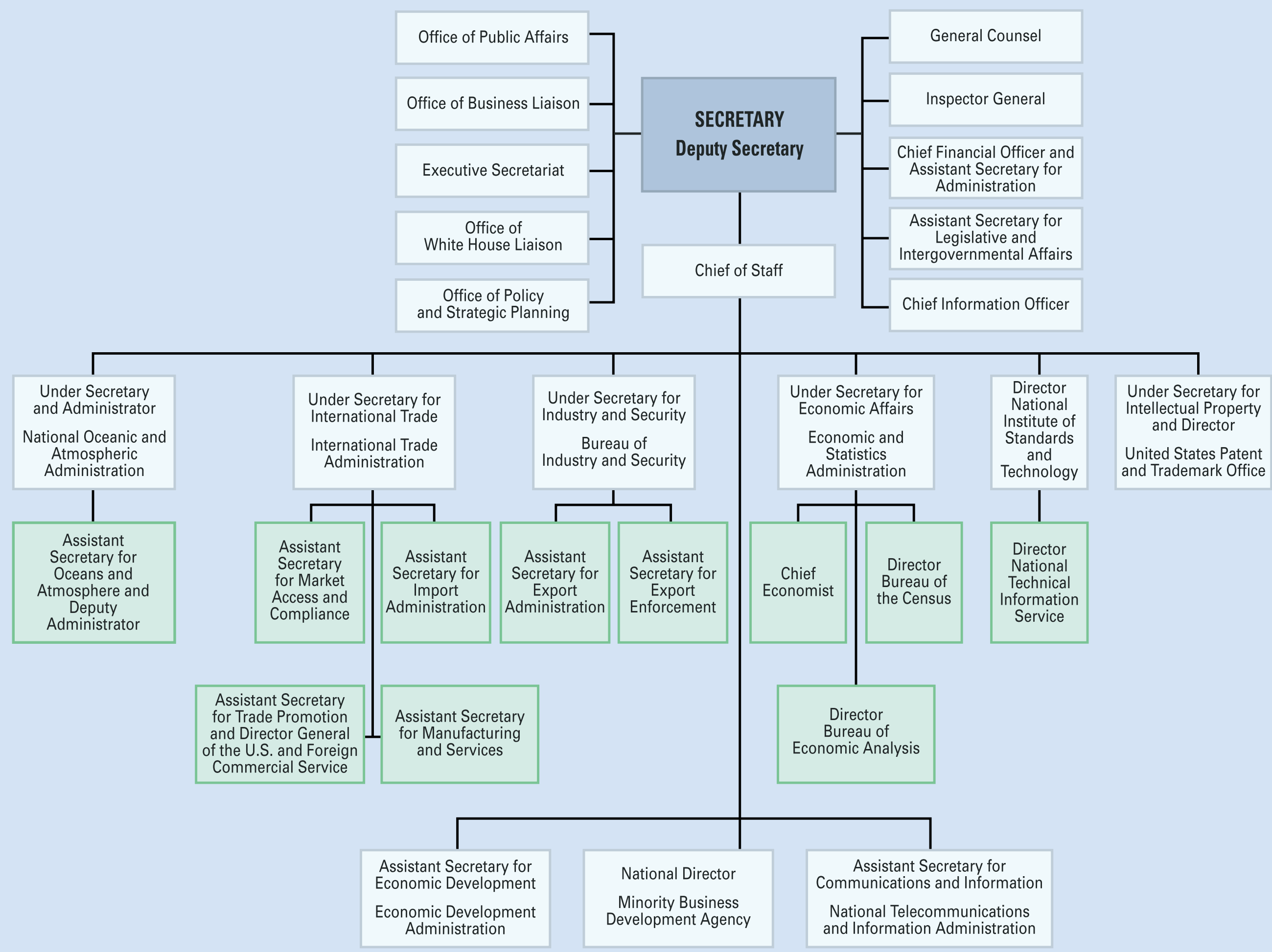
For additional copies of this report, please call the Department of Commerce, Office of Budget, at 202-482-4648 or email either Bill Tatter at BTatter@doc.gov or William Tootle at WTootle@doc.gov. A listing of Web addresses and email addresses of other Departmental and bureau staff appears on the inside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

Management's Discussion and Analysis

MISSION

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

U.S. DEPARTMENT OF COMMERCE



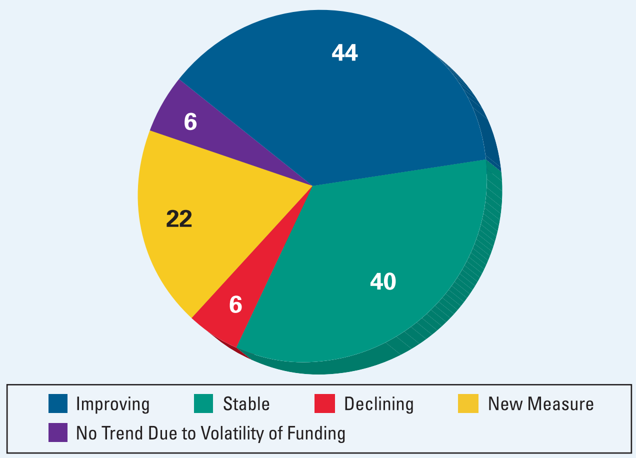
FY 2012 PERFORMANCE AND FINANCIAL HIGHLIGHTS

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

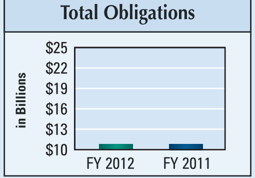


Improving, stable, or declining measures have at least three years of data.

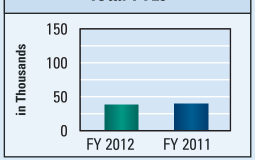
Below are the funding and full-time equivalent (FTE) levels by strategic goal and financial highlights for FY 2012 and FY 2011. Beginning on page 17 is a summary of the FTE and funding by theme and objective. Discussions and highlights of public benefits, achievements, and performance results appear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

Total Obligations



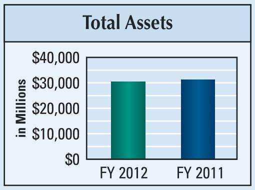
Total FTEs

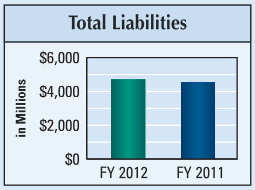


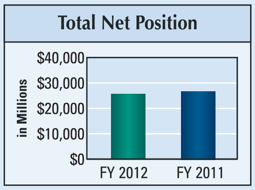
[1]*Performance funding may differ from funding shown in financial statements because the performance funds do not include one-time funds for unexpected events (e.g., hurricanes) or reimbursable work that cannot be planned. In these cases, the funding is not factored into bureau performance amounts.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

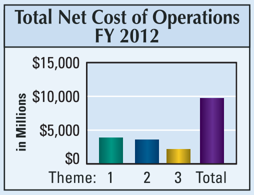
FINANCIAL HIGHLIGHTS

(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:			
Theme 1: Economic Growth Net Program Costs	+36%	$ 3,902,083	$ 2,865,357
Theme 2: Science and Information Net Program Costs	-8%	3,635,663	3,955,362
Theme 3: Environmental Stewardship 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**



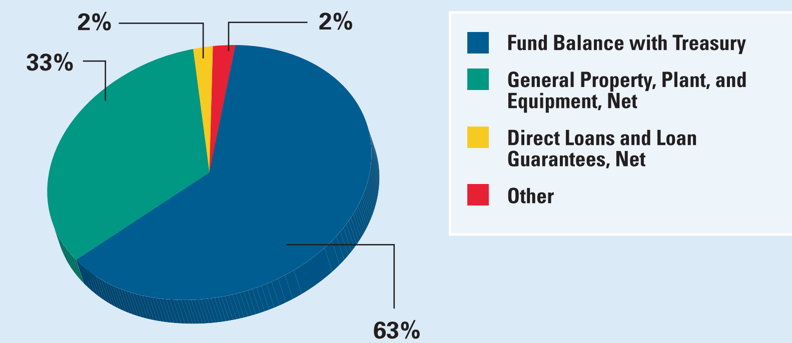




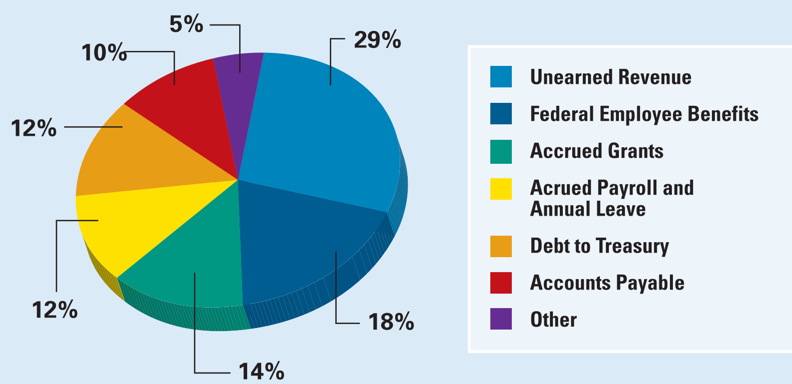


REVIEW OF FINANCIAL POSITION AND RESULTS

COMPOSITION OF THE DEPARTMENT'S FY 2012 ASSETS



COMPOSITION OF THE DEPARTMENT'S FY 2012 LIABILITIES



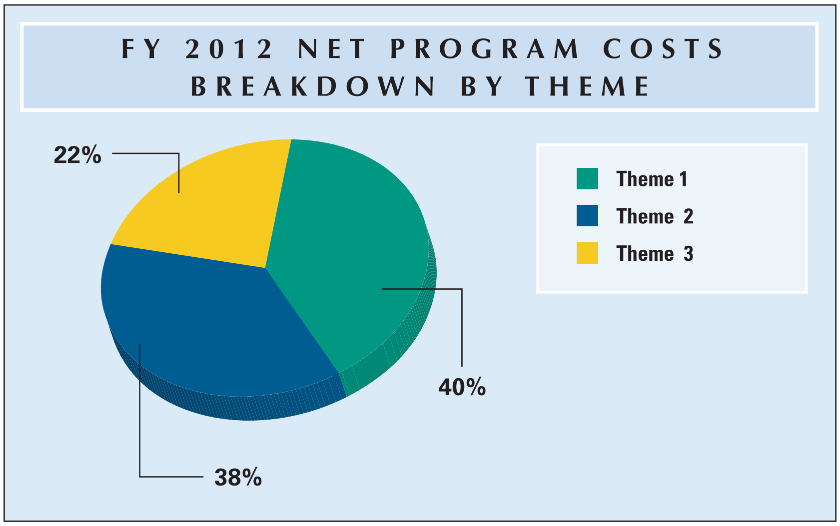
ASSETS

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 construction of research facilities and for scientific and technical research and services. General Property, Plant, and Equipment, Net increased $1.6 billion 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 to a decrease of $109 million in Advances to the Federal Emergency Management Agency related to NTIA's Public Safety Interoperable Communications Program and a $93 million decrease in Advances for NOAA's Pacific Region Center construction project.

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

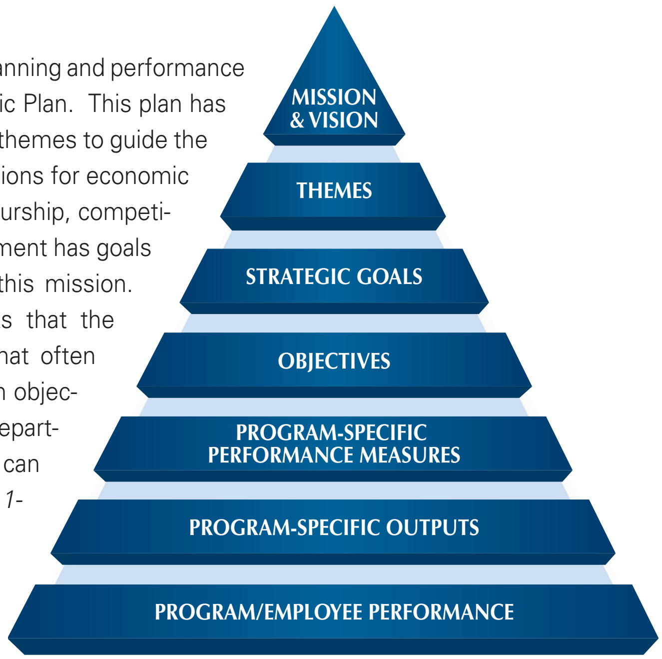


In FY 2012, the Department's Net Cost of Operations amounted to $9.7 billion, which consists of Gross Costs of $13.0 billion less Earned Revenue of $3.3 billion. Theme 1 includes Gross Costs of $6.5 billion related to enabling economic growth through innovation and entrepreneurship, market development 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 h*ttp://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 *http://www.osec.doc.gov/bmi/budget/11PAR/DOCFY2011PAR_508version.pdf*. 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 *http://www.osec.doc.gov/bmi/budget/10PARR/DOCFY2010PAR_508version.pdf.*

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 capital 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 (USPTO)	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 – 9 year totals (EDA)	$1,810M	$1,620M[1]	Not Met
	Jobs created/retained – 9 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 (SRM) sold (NIST)	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	$966M 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	Met

1 Estimates as of November 15, 2012. 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 exceeding all its targets with fourth quarter data.

(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 time	At least 90% of key activities completed on time	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 met/exceeded 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)	• 100% of Economic Indicators released on time • At least 90% of key prep activities completed on time	• 100% of Economic Indicators released on time • 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	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 *(continued)*				
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)	603.5	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
	Percent of U.S. and territories enabled to benefit from a new national vertical reference system for improved inundation management (NOAA)	20%	23.9%	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)	• Eliminate any significant deficiency within 1 year of determination that there is a significant deficiency • Complete FY 2012 A-123 assessment of internal controls	• Did not eliminate significant deficiency • Completed A-123 assessment	Not Met
	Effectively use commercial services management (DM)	• Increase use of competition by 2% measured by procurement dollars awarded • Decrease procurement dollars awarded on cost-reimbursement, time and materials, and labor hour contracts by 10%	• 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 *(continued)*	Improve the management of information technology (DM)	• 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.	• 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.	Met
	Dollar value of financial benefits identified by the OIG (OIG)	$39.0M	$175.8M	Exceeded
Theme 6: Workforce Excellence	Acquire and maintain diverse and highly qualified staff in mission-critical occupations (DM)	• 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	• 84 calendar days • 122 Department participants in leadership development programs • 711 participants in Careers in Motion	Met

FTE, FUNDING, AND PERFORMANCE SUMMARY

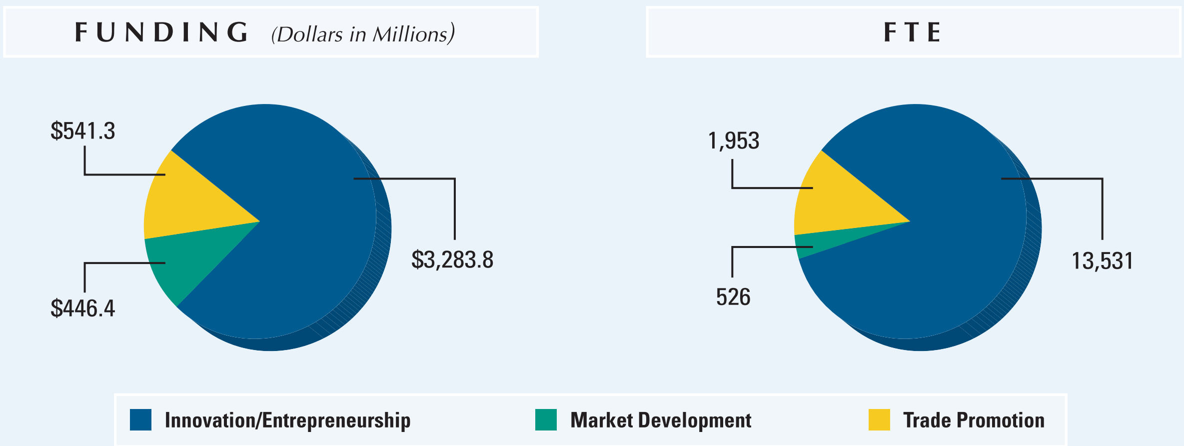
THEME 1: ECONOMIC GROWTH

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

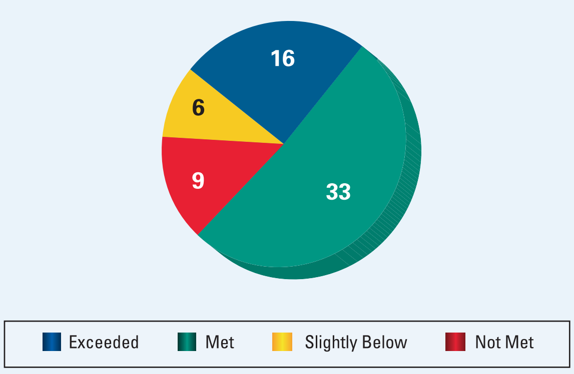
- **Strategic Goal – Innovation and Entrepreneurship:** Develop the tools, systems, policies, and technologies critical to transforming our economy, fostering U.S. competitiveness, and driving the development of new businesses (USPTO, EDA, NIST, NTIA)
- **Strategic Goal – Market Development and Commercialization:** 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, NIST)
- **Strategic Goal – Trade Promotion and Compliance:** Improve our global competitiveness and foster domestic job growth while protecting American security (ITA, BIS, NTIA)

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 and NTIA.

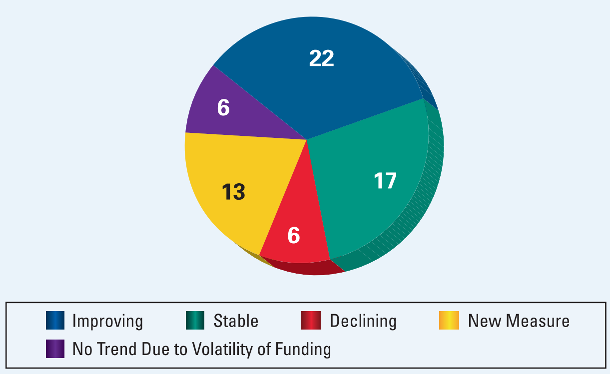
ECONOMIC GROWTH TOTAL RESOURCES



ECONOMIC GROWTH PERFORMANCE RESULTS



ECONOMIC GROWTH STATUS OF CURRENT MEASURES



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

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

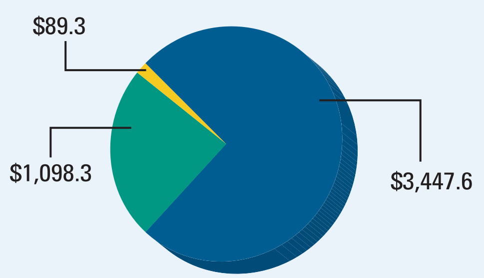
THEME 2: SCIENCE AND INFORMATION

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.

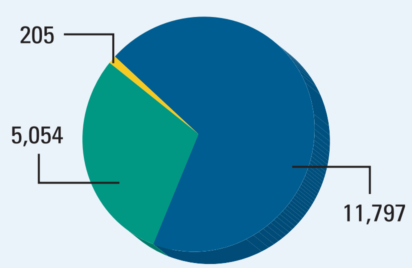
Off all the themes within the Department, the Science and Information theme accounted for 43 percent of the total funding, and 47 percent of the FTE.

SCIENCE AND INFORMATION TOTAL RESOURCES

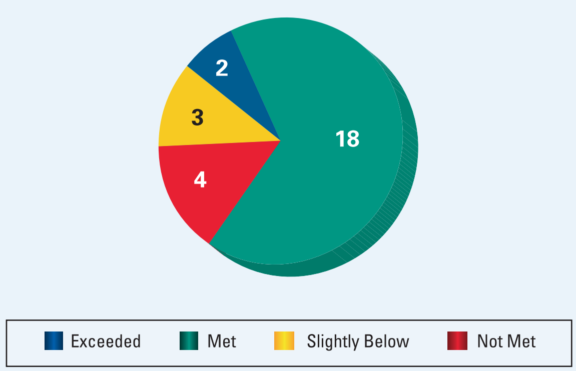
FUNDING *(Dollars in Millions)*



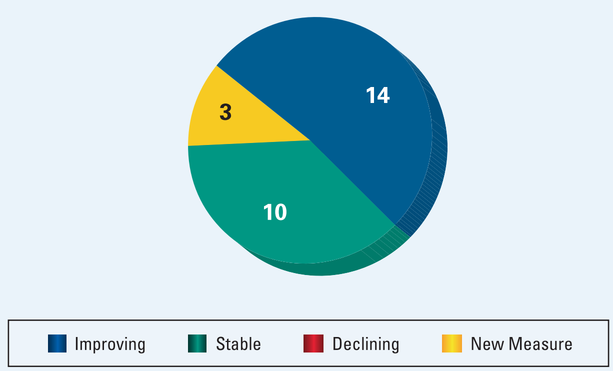
FTE



SCIENCE AND INFORMATION PERFORMANCE RESULTS



SCIENCE AND INFORMATION STATUS OF CURRENT MEASURES



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

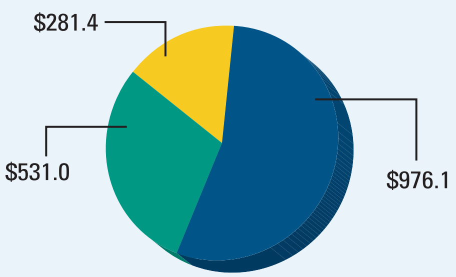
STRATEGIC GOAL: *Generate and communicate new, cutting-edge scientific understanding of technical, economic, social, and environmental systems*			
OBJECTIVE NUMBER	**OBJECTIVE**	**FUNDING** *(Dollars in Millions)*	**FTE**
13	Increase scientific knowledge and provide information to stakeholders to support 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

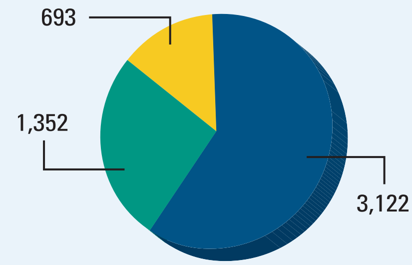
This theme has only one strategic goal, that being, "Promote economically-sound environmental stewardship and science." NOAA is the only bureau that contributes to this theme. Environmental Stewardship accounted for 17 percent of funding and 13 percent of FTE.

ENVIRONMENTAL STEWARDSHIP TOTAL RESOURCES

FUNDING *(Dollars in Millions)*



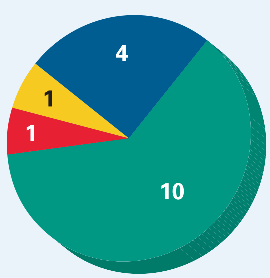
FTE[1]



Objective 16 | Objective 17 | Objective 18

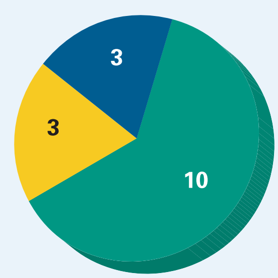
[1] Estimates.

ENVIRONMENTAL STEWARDSHIP PERFORMANCE RESULTS



Exceeded | Met | Slightly Below | Not Met

ENVIRONMENTAL STEWARDSHIP STATUS OF CURRENT MEASURES



Improving | Stable | Declining | New Measure

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

STRATEGIC GOAL: *Promote economically-sound environmental stewardship and science*			
OBJECTIVE NUMBER	**OBJECTIVE**	**FUNDING** *(Dollars in Millions)*	**FTE[1]**
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 Inspector General (OIG).

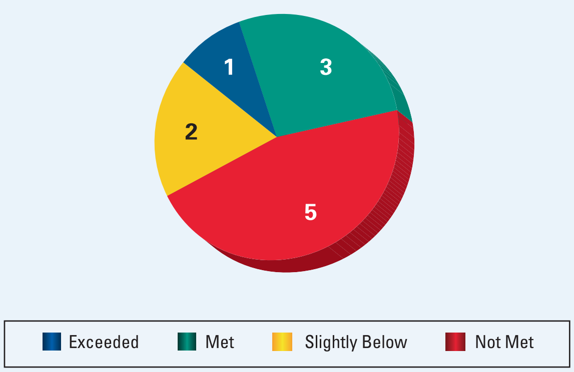
- Customer Service
- Organizational Excellence
- Workforce Excellence

MANAGEMENT THEMES TOTAL RESOURCES

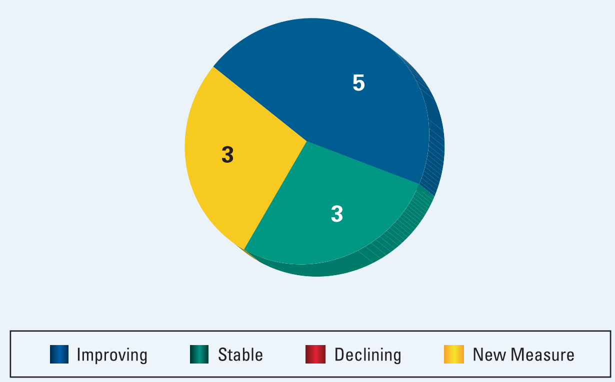
FUNDING *(Dollars in Millions)*

FTE

MANAGEMENT THEMES PERFORMANCE RESULTS



MANAGEMENT THEMES STATUS OF CURRENT MEASURES



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

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: *Create a culture of outstanding communication and services to our internal and external customers*			
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: *Create a high-performing organization with integrated, efficient, and effective service delivery*			
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: *Develop and support a diverse, highly qualified workforce with the right skills in the right jobs to carry out the Department's mission*			
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.

Rebecca M Blank

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: 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. *(continued)*
BUREAU	**U.S. PATENT AND TRADEMARK OFFICE (USPTO)** ***(continued)***
Milestones	***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.
	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.

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	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.	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.	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.	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.

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	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. In FY 2013, US&FCS will move aggressively to fill staffing vacancies across its service.
Milestones	***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.
	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.
	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.
	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.
	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.
	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.

(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)*	***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.
	Pilot a Service Delivery Model: This model will leverage partners and multipliers in a strategic manner across the Commercial Service.
	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.
	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. Other milestones include: ● 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.

(continued)

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.		
	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 year trend has been established in the performance of any measure before re-baselining it.		
Milestones	***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.		
	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.		
	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.		
	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.		
	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.		

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

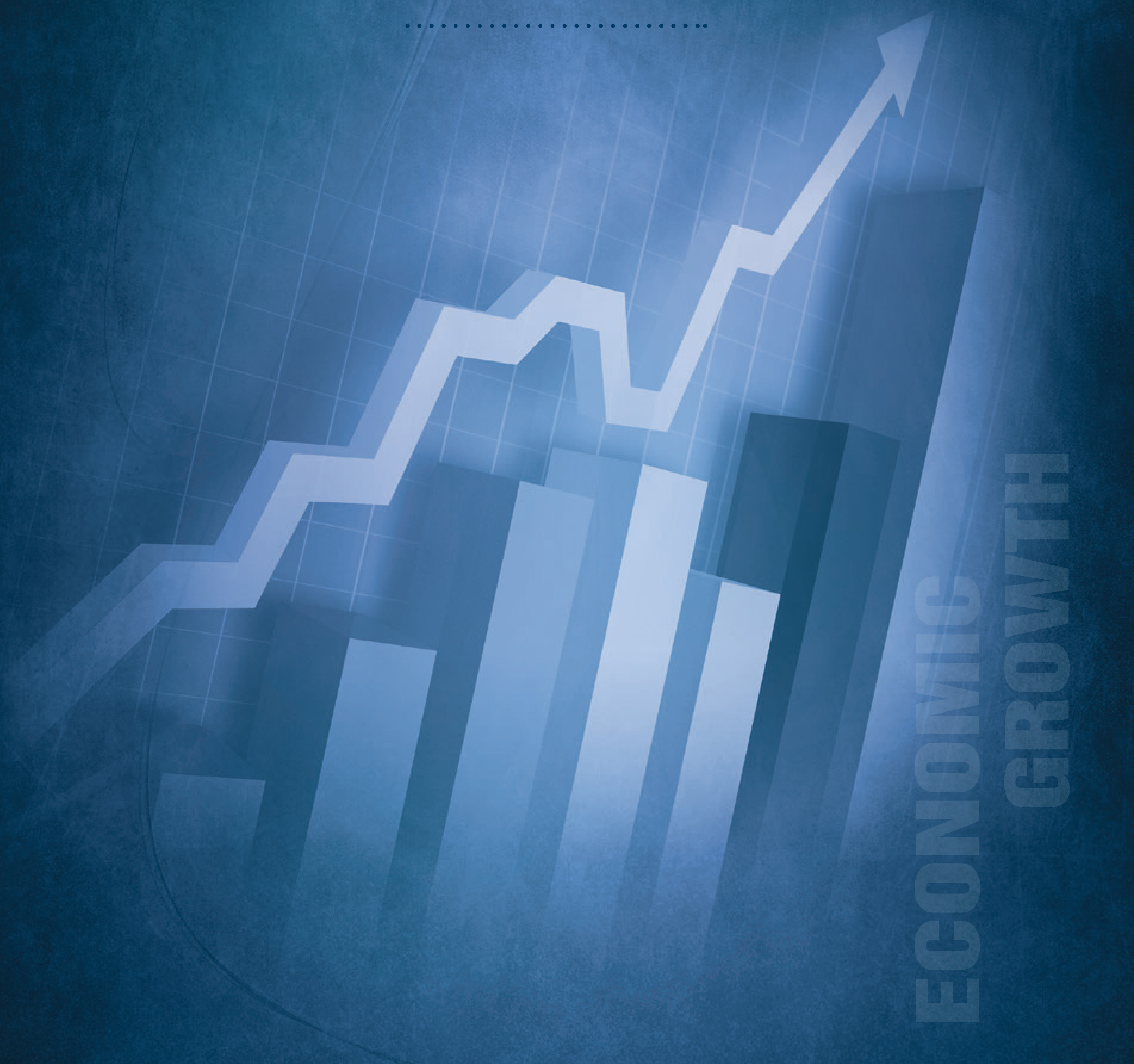
- Office of Financial Management

Real Property

Federal Data Center Consolidation

Performance Section

THEME 1
Economic Growth

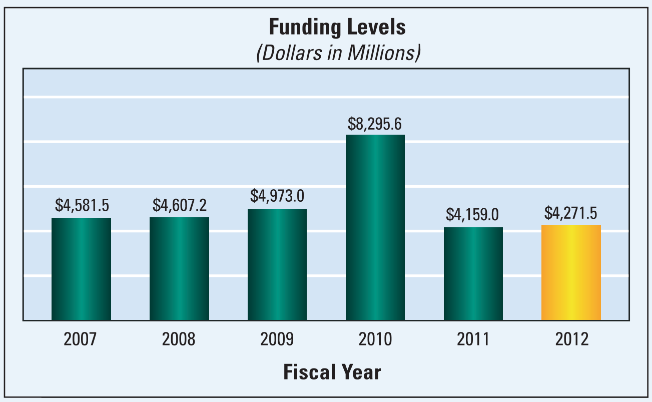


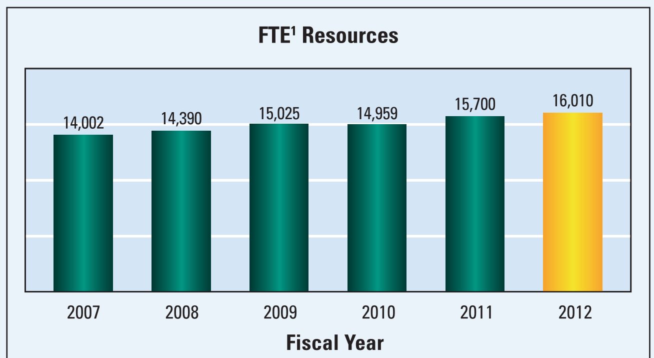
THEME, STRATEGIC GOALS, AND OBJECTIVES	
THEME 1: ECONOMIC GROWTH	
Strategic Goal – Innovation and Entrepreneurship: ***Develop the tools, systems, policies, and technologies critical to transforming our economy, fostering U.S. competitiveness, and driving the development of new businesses***	
Objective 1	Improve intellectual property protection by reducing patent pendency, maintaining trademark pendency, and increasing the quality of issued patents and trademarks (USPTO)
Objective 2	Expand international markets for U.S. firms and inventors by improving the protection and enforcement of intellectual property rights (USPTO)
Objective 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)
Objective 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)
Objective 5	Provide measurement tools and standards to strengthen manufacturing, enable innovation, and increase efficiency (NIST)
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 6[1]	Promote the advancement of sustainable technologies, industries, and infrastructure (EDA)
Objective 7	Promote the vitality and competitiveness of our communities and businesses, particularly those that are disadvantaged or in distressed areas (EDA, MBDA)
Objective 8	Improve the competitiveness of small and medium-sized firms in manufacturing and service industries (ITA, NIST)
Strategic Goal – Trade Promotion and Compliance: ***Improve our global competitiveness and foster domestic job growth while protecting American security***	
Objective 9	Increase U.S. export value through trade promotion, market access, compliance, and interagency collaboration (including support for small and medium enterprises) (ITA)
Objective 10	Implement an effective export control reform program to advance national security and overall economic competitiveness (BIS)
Objective 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)
Objective 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)

[1] The measures for this objective are shown in Objective 3.

THEME 1: ECONOMIC GROWTH

ECONOMIC GROWTH TOTAL RESOURCES

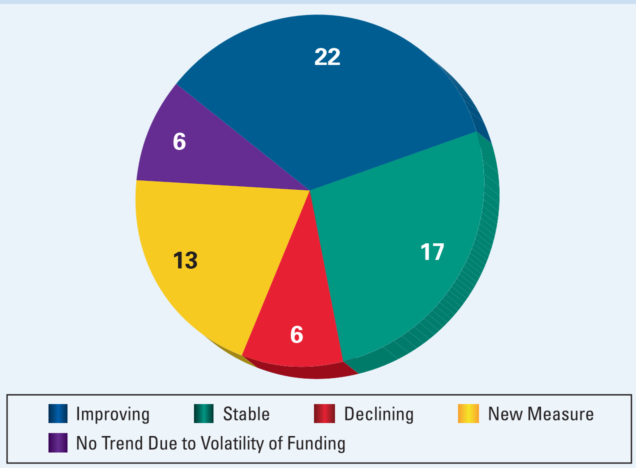




[1]FTE—Full-Time Equivalent *[2]Estimate*

The Economic Growth theme consists of three strategic goals related to Innovation and Entrepreneurship, Market Development and Commercialization, and Trade Promotion and Compliance. Within those three goals are 12 corresponding objectives: five associated with Innovation and Entrepreneurship, three with Market Development and Commercialization, and four with Trade Promotion and Compliance.

ECONOMIC GROWTH STATUS OF CURRENT MEASURES



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

PUBLIC BENEFITS

Innovation and Entrepreneurship

The U.S. Patent and Trademark Office (USPTO) facilitates the generation of innovative and commercially viable processes and products, while protecting the intellectual property rights (IPR) of the inventor. USPTO's goal to provide efficient and thorough review of patents and trademarks optimizes the economic value to investors and improves U.S. competitiveness. The Economic Development Administration (EDA) grants play a large role in encouraging innovation, and the forums that the Agency establishes create research-based communities of practice that foster commercialization. The National Telecommunications and Information Administration (NTIA) assists communication, key to business growth, by improving telecommunication performance, optimizing use of the federal spectrum, and increasing broadband access. As the federal government's National Laboratory focuses on innovation and industrial competitiveness, the National Institute of Standards and Technology (NIST) works to promote and accelerate technological innovation and to provide the measurement infrastructure necessary for a robust manufacturing sector which are essential to the health of the Nation's economy both as a source of high-paying, high-skilled jobs, and as a driver for future technological advancement.

Market Development and Commercialization

NIST's Hollings Manufacturing Extension Partnership (MEP) and the International Trade Administration (ITA) support small and medium-sized enterprises (SME) to encourage job growth, job creation, and innovation, with a focus on environmentally and economically sustainable technologies. Through private enterprise job creation, EDA and the Minority Business Development Agency (MBDA) assist in developing markets in disadvantaged or distressed communities so as to reduce economic duress.

Trade Promotion and Compliance

The Department generates economic growth and jobs through extensive assistance to firms engaging in international trade. ITA focuses on increasing exports by assisting U.S. exporters in expanding to foreign markets as outlined by the National Export Initiative (NEI). ITA works to achieve this goal by addressing the following priorities:

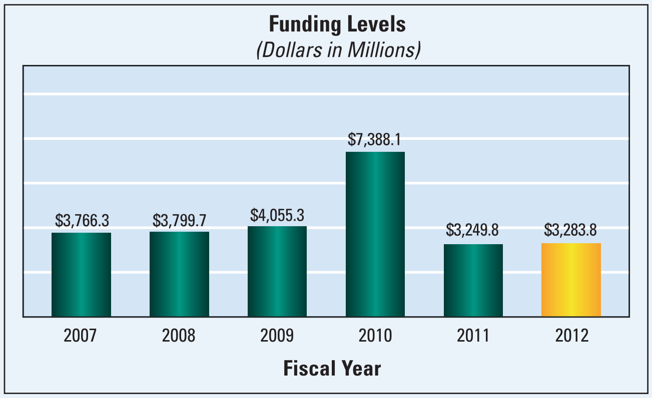
- Expanding programs designed to enhance exports by small and medium-sized enterprises;
- Promoting federal resources currently available to assist exports by U.S. companies;
- Ensuring that U.S. government-led trade missions effectively promote exports by U.S. companies;
- Ensuring that Commercial Advocacy effectively promotes exports by U.S. companies;
- Improving market access overseas for U.S. manufacturers, farmers, and service providers by actively opening new markets, reducing significant trade barriers, and robustly enforcing U.S.trade agreements; and
- Developing a framework, including policy and export promotion tools, for exports of services.

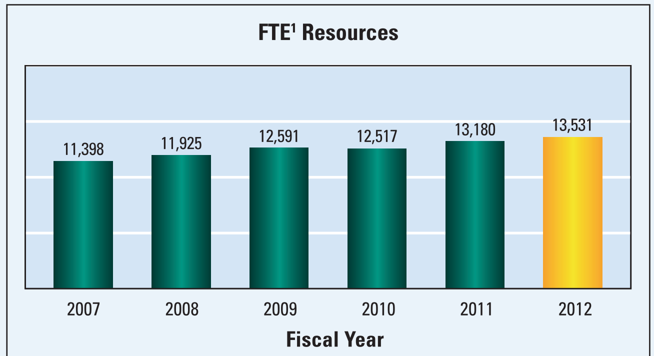
Furthermore, ITA vigorously enforces the U.S. fair trade laws to provide an opportunity for U.S. businesses and workers to compete on a level playing field. Export control reform has become a central concern to the Bureau of Industry and Security (BIS) as it updates the intergovernmental processes that are in place. NTIA promotes the use of telecommunication devices, speeding the pace of business.

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

INNOVATION AND ENTREPRENEURSHIP TOTAL RESOURCES

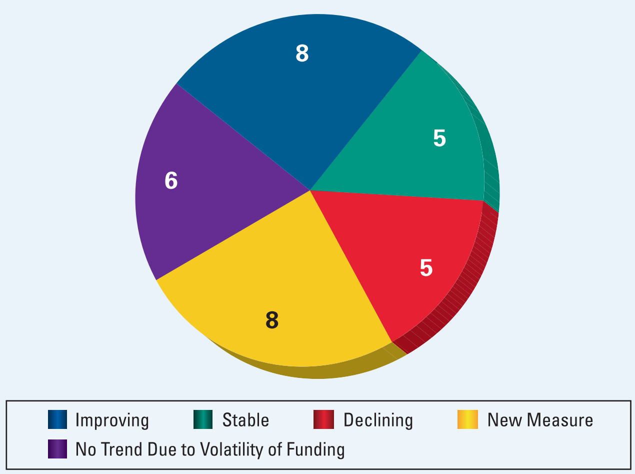




[1]*FTE—Full-Time Equivalent*

This strategic goal is comprised of five objectives which contribute to the Secretary's theme of Economic Growth. The following public benefits, achievements, and performance results are associated with each objective.

INNOVATION AND ENTREPRENEURSHIP STATUS OF CURRENT MEASURES



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

OBJECTIVE 1

Improve intellectual property protection by reducing patent pendency, maintaining trademark pendency, and increasing the quality of issued patents and trademarks (USPTO)

PUBLIC BENEFITS

Intellectual property (IP) contributes to a strong global economy by encouraging investment in innovation and fostering entrepreneurial spirit. People worldwide benefit from innovations, both directly on a personal level, and indirectly through economic growth fueled by innovation. Continual development of a vigorous, flexible, and efficient IP system thereby achieving this objective protects individual rights, encourages investment in innovation, and fosters entrepreneurial spirit.

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

Patents provide incentives to invent and invest in new technology by allowing innovators the opportunity to benefit from their discoveries. Registration of trademarks assists businesses in protecting their investments and safeguards consumers against confusion and deception in the marketplace by providing notice of marks in use. Through dissemination of patent and trademark information, the Department promotes a global understanding of IP protection and facilitates the development and sharing of new technologies worldwide.

It is a legal requirement for patentability to determine whether an invention is new, useful, and non-obvious to someone knowledgeable in that subject matter. To that end, not only is it important that a patent or trademark be issued in a timely manner, but that it is of high quality. Patent examinations are subjected to both end-product allowance and in-process reviews that evaluate the quality of the substantive basis for examiner decisions, applicability of publications found by the examiner, or the quality reviewer; evidence; and clarity of communications with applicants. Findings produced by these reviews are shared individually with examiners, are collected in a database for ongoing analysis, serve as the basis for the development of training programs, and are used to strengthen the review process.

ACHIEVEMENTS

An important tool needed in improving patent pendency and increasing the quality of issued patents is the Leahy-Smith America Invents Act (AIA), (PL 112-29), signed into law by President Obama on September 16, 2011. USPTO is pleased to report that its AIA implementation efforts are proceeding on a timely basis. U.S. innovators are already seeing the benefits of this legislation. USPTO has implemented several provisions of the AIA, all within the time frames prescribed by the act.

USPTO launched a major program called Clearing Our Oldest Patent Applications 2.0 (COPA 2.0). COPA 2.0 is a continuation of the original COPA effort to eliminate the "tail" of backlog applications. For COPA 2.0, the "tail" is applications that were 13 months and older as of October 1, 2011 that had not received a first office action.

The Agency is moving from a one-track patent examination process to a multi-track process by adopting procedures and initiatives that incentivize abandoning applications that are not important to applicants, accelerating critical technologies, permitting an applicant to accelerate important applications, and exploring other incentive and accelerated examination options.

USPTO continues to increase its examination capacity by employing new recruitment and development models to hire, train, and retain a highly skilled and diverse workforce.

For the first time ever, USPTO has expanded its operations outside of the Washington, DC metropolitan area as part of its ongoing effort to recruit and retain the Nation's top professionals. The first USPTO satellite office, the Elijah J. McCoy Satellite Office, opened in Detroit, MI on July 13, 2012. This location will function as a hub of innovation and creativity, helping protect and foster U.S. innovation in the global marketplace, assisting businesses to cut through red tape, and creating hundreds of highly skilled jobs in each of the local communities.

Patent processing times are primarily gauged by two measures: Average First Action Pendency and Average Total Pendency. Average First Action Pendency is the average length of time it takes from filing until an examiner's initial determination of the patentability of an invention. Average Total Pendency is the average length of time it takes from filing until the application is issued as a patent or abandoned by the applicant. Average First Action Pendency (21.9 months) improved significantly from FY 2011 (28.0 months).

In recent years, the Patent Prosecution Highway has proven to be a significant work sharing initiative for USPTO, and a successful vehicle enabling faster and less expensive multi-country patent prosecution for the IP community.

New performance standards were implemented that place a greater emphasis on examiners interacting with patent applicants earlier in the process to clarify claims and enhance the quality of patent reviews.

In enhancing its effective training regimes, USPTO implemented the Patent Examiner Technical Training Program which provides patent examiners with direct access to experts who are able to share their technical knowledge on prior art and industry standards in areas of emerging technologies and established technologies. This enhanced communication contributes to improving overall patent quality and decreasing patent pendency.

USPTO is implementing a variety of information technology (IT) initiatives to improve its patent operations. Some of these measures include, but are not limited to: converting imaged-based documents to XML text versions of key documents for the entire active patent backfile; deployed Universal Laptops to all patent examiners, on time and on budget, enabling applicants to obtain real-time decisions on their petitions by automating the handling of common electronically-filed petitions; upgraded network infrastructure, providing ISP-grade network bandwidth to USPTO examiners; and continuing to provide and enhance tools for applicants' use for patent application filing.

The Trademark organization consistently met and exceeded its pendency targets for first action and final disposition. With final pendency less than 11 months—a sustained record low for the office—a new application is registered or issued a notice of allowance on average in less than a year.

Pendency has improved as electronic filing and processing have become the primary means of conducting business. Increased use of electronic forms, particularly Trademark Electronic Application System (TEAS) Plus, has improved the efficiency and timeliness of examination.

Trademark first action pendency measures the average number of months from the date of application filing to the first office action. Trademark final pendency measures the average number of days from date of filing to notice of allowance, notice of abandonment, or registration for applications based on use in that month. First action pendency has been maintained within its optimized range of 2.5 to 3.5 months every month for the past six years. Average final pendency, including suspended and *inter partes* cases, was 12.0 months. Excluding applications that were suspended or delayed for *inter partes* proceedings, average total pendency was 10.2 months.

The Trademark organization continues to meet and exceed standards for high quality examination; 96.2 percent of all first actions and 97.1 percent of all final decisions (approvals and rejections) were compliant with the registrability standards set by statute, and also met or exceeded Agency standards for writing quality. Results for both the first and final compliance action measures are at or above their targets and indicate high accuracy in decision-making and writing.

The Trademark organization strives to enhance the quality of examination by adopting more rigorous customer-centric measures. The new "exceptional" quality measure exceeded its target. This measure reflects comprehensive excellence of the search, evidence, writing, and decision-making of the initial office action. It also emphasizes the appropriate use of telephone and e-mail communications to settle or clarify issues with the applicant or its attorney. The target is an indication of the high standard that has been set in defining excellence.

SUMMARY OF PERFORMANCE

The Department uses the following measures to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE (USPTO)	TARGET	ACTUAL	STATUS
Patent quality composite rate	48-56	72.4	Exceeded
Patent first action pendency (months)	22.6	21.9	Met
Patent total pendency (months)	34.7	32.4	Met
Patent applications filed electronically	96.0%	97.1%	Met
Trademark first action compliance rate	95.5%	96.2%	Met
Trademark final compliance rate	97.0%	97.1%	Met
Trademark first action pendency (months)	2.5-3.5	3.2	Met
Trademark average total pendency (months), excluding suspended and inter partes proceedings	12.0	10.2	Met
Trademark applications processed electronically	74.0%	77.0%	Met

OBJECTIVE 2

Expand international markets for U.S. firms and inventors by improving the protection and enforcement of intellectual property rights (USPTO)

PUBLIC BENEFITS

In an era of a global economy it is also important that the property rights of inventors be protected not only in the United States, but internationally as well. USPTO plays a leadership role in promoting effective domestic and international protection and enforcement of IPR by advocating U.S. government IPR policy, working to develop unified standards for international IPR, providing policy guidance on domestic IPR issues, and fostering innovation. USPTO advises the President and federal agencies on national and international IPR policy matters and trade-related aspects of IPR, and conducts technical assistance and capacity-building programs for foreign governments seeking to develop or improve their IPR regulatory and enforcement mechanisms.

ACHIEVEMENTS

USPTO develops and advances domestic and international U.S. IP policy objectives that include the establishment of strong and balanced IP systems to serve the needs of all stakeholders. USPTO develops IP policy through information gathering and analysis and stakeholder consultations. Stakeholders include domestic and foreign IP rights holders and users, consumers, U.S. government agencies, foreign governments, and the public at large. USPTO furthers IP policy goals through training foreign officials, providing domestic and international educational outreach, launching strategic cooperation projects between national IP offices, deploying IP Attachés to critical regions of the world, and advising on the IP aspects of U.S. trade efforts.

USPTO, through the Global IP Academy (GIPA) in the Office of Policy and External Affairs, provides IP educational opportunities to U.S. and foreign government officials, domestic small and medium-sized enterprises, universities, foreign officials, and the public. GIPA provides expertise on administration, protection, and enforcement in all areas of domestic and international IP. In FY 2012, GIPA conducted training programs for foreign government officials, reaching an audience of foreign government officials from 78 countries.

Throughout FY 2012, USPTO continued to seek improved protection for IP multilaterally in several fora including the World Intellectual Property Organization (WIPO), the World Trade Organization (WTO), and other intergovernmental organizations.

- In June 2012 in Beijing, China, a delegation from USPTO joined U.S. Department of State and U.S. Copyright Office officials, and negotiated and signed a landmark multilateral treaty that advances global IPR for the creative content of audiovisual performers.
- USPTO also advanced work with WIPO on issues relating to the protection of broadcasting and the access to copyrighted works by persons with print disabilities.
- The TM5, consisting of the United States, Japan, Europe, Korea, and China trademark entities, brings together the largest trademark offices in the world to share information and collaborate on projects that increase efficiencies in filing for and maintaining international trademark portfolios. USPTO, Japan Patent Office, and the European Community's Office of Harmonization for the Internal Market invited the Korean Intellectual Property Office and the Chinese State Administration for Industry and Commerce to the TM5 discussions to share information regarding the development of practice and procedure in these offices for the benefit of all trademark owners.

- To improve enforcement in high-priority countries and regions, USPTO has developed rigorous capacity-building programs for foreign enforcement officials, including police and investigators, prosecutors, border enforcement officials, as well as the judiciary. USPTO has taken an active role in working with foreign judiciaries and prosecutors to increase their understanding of IP issues through direct training and exchanges with U.S. officials, including U.S. judges and prosecutors who are experts in handling IP cases.
- Combating the proliferation of counterfeit medicines is a training priority. USPTO organized a series of workshops in Indonesia and Jordan. The U.S. Food and Drug Administration, U.S. Department of Justice, and the U.S. Immigration and Customs Enforcement, Homeland Security Investigations participated in the workshops.
- USPTO worked with Korea, Colombia, and Panama to guide implementation of the IP provisions of their free trade agreements (FTA) with the United States.
- Two new Attaché Post locations were established in Mexico City, Mexico and Shanghai, China, respectively. The addition of the Shanghai position will increase USPTO's presence in China from two cities to three, and the addition of the Mexico City position will expand USPTO's overseas presence from seven countries to eight.

For more detailed information about USPTO achievements this fiscal year, please see its FY 2012 PAR at:
http://www.uspto.gov/about/stratplan/.

SUMMARY OF PERFORMANCE

The Department uses the following measure to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE (USPTO)	TARGET	ACTUAL	STATUS
Percentage of prioritized countries that have implemented at least 75% of action steps in the country-specific action plans toward progress along following dimensions: 1. Institutional improvements of IP office administration for advancing IPR 2. Institutional improvements of IP enforcement entities 3. Improvements in IP laws and regulations 4. Establishment of government-to-government cooperative mechanisms	75%	75%	Met

OBJECTIVE 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)

PUBLIC BENEFITS

EDA encourages entrepreneurship and commercialization through its i6 Challenge Grants designed to encourage and reward innovative, groundbreaking ideas that will accelerate technology commercialization and new venture formation across the United States. Continuing the i6 concept developed in previous years, EDA conducted an i6 Challenge in 2012 to issue up to 12 competitive awards to support proof-of-concept centers. Along with several other federal agencies, EDA also provided funding for the 2012 Advanced Manufacturing Jobs Accelerator; up to 12 awards are expected to be made that will support various projects that foster advanced manufacturing, sponsor entrepreneurship, and utilize commercialized technology. EDA also uses its Office of Innovation and Entrepreneurship to conduct forums, collaborate on cutting-edge research, and analyze policy with the intent of identifying opportunities for enhancing federal efforts to encourage commercialization and entrepreneurship.

ACHIEVEMENTS

Using its broad portfolio of economic development programs, EDA took significant steps to stimulate high growth, business formation, entrepreneurship, and technology commercialization through strategic investments in FY 2012. EDA's investments in University Centers helped to identify opportunities for technology commercialization, and facilitated implementation and dissemination of programs to cultivate innovation and entrepreneurship. EDA's Office of Innovation and Entrepreneurship worked with key stakeholders throughout the country to identify and disseminate strategies to promote technology transfer and commercialization, especially through the Nation's federal laboratories. Vital to this effort was EDA-funded research completed in FY 2012 that identified factors affecting technology transfer and commercialization and provided key innovative strategies that can be employed as they are pursued.

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 of these interagency funding competitions in FY 2012, including: the Rural Jobs and Innovation Accelerator and the Advanced Manufacturing Jobs and Innovation Accelerator. The Rural Jobs and Innovation Accelerator Challenge leveraged the resources of both EDA and the U.S. Department of Agriculture to support the development and implementation of locally-driven economic development strategies that foster the development of high-growth 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, which strategically combined federal resources from EDA, NIST, U.S. Department of Energy, U.S. Department of Labor's Employment and Training Administration, U.S. Small Business Administration, and the National Science Foundation. The collaboration between these agencies provided funding for public-private partnerships between small and large businesses, colleges and universities, nonprofits, and other local stakeholders to support and strengthen advanced manufacturing at the local level. In addition to these new regional innovation strategies, EDA conducted a second i6 Challenge in FY 2012, in which recipients will develop and enhance technology commercialization activities.

SUMMARY OF PERFORMANCE

The following 10 measures associated with EDA overlap among Objectives 3, 6, and 7 and are reflected in the crosswalk below. Objective 6 has no other measures other than the ones noted in this list while Objectives 3 and 7 have separate measures that don't overlap with each other.

PERFORMANCE MEASURE (EDA)	OBJECTIVE 3	OBJECTIVE 6	OBJECTIVE 7
Private investment leveraged – 9 year totals (in millions)	✓	✓	✓
Private investment leveraged – 6 year totals (in millions)	✓	✓	✓
Private investment leveraged – 3 year totals (in millions)	✓	✓	✓
Jobs created/retained – 9 year totals	✓	✓	✓
Jobs created/retained – 6 year totals	✓	✓	✓
Jobs created/retained – 3 year totals	✓	✓	✓
Percentage of Economic Development Districts (EDD) and Indian tribes implementing projects from the Comprehensive Economic Development Strategy (CEDS) that lead to private investment and jobs	✓		✓
Percentage of sub-state jurisdiction members actively participating in the Economic Development District program	✓		✓
Percentage of University Center clients taking action as a result of University Center assistance	✓		✓
Percentage of those actions taken by University Center clients that achieve the expected results	✓		✓

The table that appears below reflects performance for those measures that apply to either all three, or to Objectives 3 and 7, and to those measures that apply to only Objective 3. Measures that apply to only Objective 7 appear under the text for that objective.

PERFORMANCE MEASURE (EDA)	TARGET	ACTUAL	STATUS
Private investment leveraged – 9 year totals (in millions)	$1,810	$1,620[1]	Not Met
Private investment leveraged – 6 year totals (in millions)	$662	$662	Met
Private investment leveraged – 3 year totals (in millions)	$490	$437[1]	Not Met
Jobs created/retained – 9 year totals	52,700	45,800[1]	Not Met
Jobs created/retained – 6 year totals	17,548	17,458[1]	Slightly Below
Jobs created/retained – 3 year totals	11,269	11,183[1]	Slightly Below
Percentage of Economic Development Districts (EDD) and Indian tribes implementing projects from the Comprehensive Economic Development Strategy (CEDS) that lead to private investment and jobs	95%	90%	Not Met
Percentage of sub-state jurisdiction members actively participating in the Economic Development District program	89%	87%	Slightly Below
Percentage of University Center clients taking action as a result of the University Center assistance	75%	70%	Not Met
Percentage of those actions taken by University Center clients that achieve the expected results	80%	82%	Met

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

NIST's final FY 2012 enacted appropriations did not provide funding for the Technology Innovation Program (TIP) and the program is currently implementing a closeout, expected to be completed by the end of FY 2014. Therefore, TIP's performance measures have been discontinued. TIP's performance measures and targets for previous years appear in the FY 2011 PAR.

Prior to its closeout, TIP awarded 38 projects advancing research in the areas of civil infrastructure (17 projects) and advanced manufacturing (21 projects). These awards leverage $136 million in TIP funding with an additional $144 million in industry cost-share. Two projects have successfully completed research and development (R&D) and the remaining projects will continue the research using previously obligated funds. NIST technical experts will continue to monitor the technical progress and ensure the fidelity of the research during this time.

FY 2012 MISSED TARGETS

MEASURE	PRIVATE INVESTMENT LEVERAGED – 9 YEAR TOTALS (IN MILLIONS) (EDA)
Explanation	The performance goal was set at an approximate target level, and the deviation from that level is slight. There was no effect on overall program or activity performance.
Action	No actions to be taken.
MEASURE	**PRIVATE INVESTMENT LEVERAGED – 3 YEAR TOTALS (IN MILLIONS) (EDA)**
Explanation	The performance goal was set at an approximate target level, and the deviation from that level is slight. There was no effect on overall program or activity performance.
Action	No actions to be taken.
MEASURE	**JOBS CREATED/RETAINED – 9 YEAR TOTALS (EDA)**
Explanation	The performance goal was set at an approximate target level, and the deviation from that level is slight. The deviation can largely be explained by targets not accounting for the economic downturn that began in 2008.
Action	No actions to be taken.
MEASURE	**JOBS CREATED/RETAINED – 6 YEAR TOTALS (EDA)**
Explanation	The performance goal was set at an approximate target level, and the deviation from that level is slight. The deviation can largely be explained by targets not accounting for the economic downturn that began in 2008.
Action	No actions to be taken.
MEASURE	**JOBS CREATED/RETAINED – 3 YEAR TOTALS (EDA)**
Explanation	The performance goal was set at an approximate target level, and the deviation from that level is slight. The deviation can largely be explained by targets not accounting for the economic downturn that began in 2008.
Action	No actions to be taken.
MEASURE	**PERCENTAGE OF ECONOMIC DEVELOPMENT DISTRICTS (EDD) AND INDIAN TRIBES IMPLEMENTING PROJECTS FROM THE COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY (CEDS) THAT LEAD TO PRIVATE INVESTMENT AND JOBS (EDA)**
Explanation	For this measure, EDA uses a strict definition that requires EDDs to report both jobs and private investment as a result of their economic development projects. This year, a significant number of EDDs reported either jobs or private investment, but not both. If these were to be counted, the percentage would be greater.
Action	No actions to be taken.

(continued)

MEASURE	PERCENTAGE OF SUB-STATE JURISDICTION MEMBERS ACTIVELY PARTICIPATING IN THE ECONOMIC DEVELOPMENT DISTRICT PROGRAM (EDA)
Explanation	The performance goal was set at an approximate target level, and the deviation from that level is slight. This measure represents an improvement over the previous year.
Action	There was no effect on overall program or activity performance.

MEASURE	PERCENTAGE OF UNIVERSITY CENTER CLIENTS TAKING ACTION AS A RESULT OF THE UNIVERSITY CENTER ASSISTANCE (EDA)
Explanation	The performance goal was set at an approximate target level, and the deviation from that level is slight. There was no effect on overall program or activity performance.
Action	No actions to be taken.

HISTORICAL TRENDS

Except for FY 2012, EDA has consistently met or exceeded its targets for private investment leveraged and jobs created, as well as its EDD and University Center targets.

OBJECTIVE 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)

PUBLIC BENEFITS

In this era of technological expansion two areas where the Department provides significant benefits to the U.S. public involve the radio frequency spectrum and broadband technology. NTIA acts as an advisor to the President on communications policy matters; Internet domain names, wireless telecommunications standards, and technology; and high-speed Internet services. NTIA continues to further the technological advances for wireless communication, Internet services, domain name management issues, and other advances in technology. NTIA's responsibilities have increased considerably in this expansion of technology with the enactment of the American Recovery and Reinvestment Act (ARRA) of 2009. NTIA and the U.S. Department of Agriculture's Rural Utilities Service are administering a $7 billion initiative to expand broadband access and adoption. Specifically, NTIA is utilizing approximately $4 billion of that funding for grants through the Broadband Technology Opportunities Program (BTOP). BTOP projects extend broadband access to unserved and underserved areas of the country and to vulnerable populations, including minorities, low income residents, the aged, the unemployed, and people with disabilities. These projects are deploying broadband infrastructure, enhancing capacity at public computing centers, and supporting projects to encourage non-users to subscribe to broadband services. BTOP objectives include:

- Extend broadband access to unserved and underserved areas;
- Increase broadband education, awareness, training, access, equipment, and support;

- Expand broadband access and use by public safety agencies; and
- Stimulate broadband demand, economic growth, and job creation.

NTIA also leads Department activities in the areas of next-generation Internet Protocols, ultrawideband technology, wireless broadband applications, wireless sensor technologies, and Internet technical functions. Congress directed NTIA to use ARRA funding to develop a national broadband map which would educate the Nation about broadband availability and assist the public and private sectors in making decisions affecting their businesses and constituents.

ACHIEVEMENTS

NTIA and the Economics and Statistics Administration (ESA) released a report, "Exploring the Digital Nation," that analyzes broadband Internet adoption in the United States. The report analyzes data collected through an Internet Use supplement to the Current Population Survey of about 54,300 households conducted by the U.S. Census Bureau in October 2010. Overall, approximately seven out of 10 households in the United States subscribe to broadband service. The report finds a strong correlation between broadband adoption and socio-economic factors, such as income and education, but says these differences do not explain the entire broadband adoption gap that exists along racial, ethnic, and geographic lines. Even after accounting for socio-economic differences, certain minority and rural households still lag in broadband adoption.

NTIA and the Federal Communications Commission (FCC) together will identify 500 megahertz (MHz) of spectrum to reallocate for commercial wireless broadband. In January 2011, NTIA selected the 1755-1850 MHz band as a priority for analysis based on a variety of factors, including industry interest and its potential for commercial use within 10 years. In March, NTIA released a report finding that 95 MHz of prime spectrum could be repurposed for wireless broadband use. NTIA, working with federal agencies, evaluated the potential of the 1755-1850 MHz band to accommodate commercial wireless broadband service. This spectrum band is of great interest to the wireless industry. However, over 20 federal agencies currently hold more than 3,100 individual frequency assignments in this band to perform a host of mission-critical functions, including law enforcement surveillance, military tactical communications, air combat training, and precision-guided munitions.

In the report, NTIA proposes a new path forward for spectrum repurposing that relies on a combination of relocating federal users and sharing spectrum between federal agencies and commercial users. Spectrum sharing will be a vital component to satisfying the growing demand for spectrum, and federal and non-federal users will need to adopt innovative spectrum-sharing techniques to accommodate this demand. NTIA proposes convening discussions between industry and the relevant federal agencies under the auspices of the Commerce Spectrum Management Advisory Committee, with the goal of finding ways to work together through sharing or other means to reduce the time and expense of repurposing the 1755-1850 MHz band, while maintaining essential federal capabilities and maximizing commercial utilization.

In February, the Administration released its Privacy Blueprint for consumer data privacy policy in the 21st century. The Privacy Blueprint is the result of more than two years of work by the Department Internet Policy Task Force, as well as extensive discussions with stakeholders in the private sector and the government. NTIA played a key role in developing this policy, and is leading the Administration's work to put it into practice. The Privacy Blueprint directs NTIA to convene multistakeholder processes to develop legally enforceable codes of conduct that specify how the Consumer Privacy Bill of Rights applies in specific business contexts. NTIA announced that the goal of the first multistakeholder process is to develop a code of conduct to provide transparency in how companies providing applications and interactive services for mobile devices handle personal data. NTIA convened four multistakeholder process meetings in July, August, and September. Approximately 300 people took part in the first meeting: 200 in person in Washington and 100 online or by telephone.

BTOP recipients are exceeding their performance goals in deploying new fiber-optic infrastructure, constructing new public computer centers, and encouraging greater Internet adoption. As of June 30, 2012, BTOP recipients reported that they had:

- exceeded NTIA's FY 2012 goal to deploy 50,000 new or upgraded network miles across the country, bringing the total number of miles to more than 72,000, deploying facilities in 47 states and territories; reached its FY 2012 goal to connect 10,000 community anchor institutions to high-speed broadband Internet service;
- entered into nearly 400 interconnection agreements with third-party providers to leverage or interconnect with their networks;
- recipients installed more than 36,000 workstations in public computer centers in 40 states, exceeding the FY 2012 goal;
- provided more than 8 million hours of technology training to approximately 2 million users;
- exceeded NTIA's FY 2012 goal of 350,000 planned new broadband subscribers with more than 380,000 households and 8,000 businesses subscribed to broadband services after receiving digital literacy or job training; and
- funded more than 4,000 jobs in the second quarter of FY 2012.

In all, NTIA broadband grant recipients have spent approximately $2.1 billion in federal funds and, as of June 30, 2012, more than $820 million in non-federal matching funds, towards building the Nation's 21st century infrastructure. NTIA expects the pace of construction to remain strong over the next several quarters and expects communities to begin to fully realize the impact of these investments.

In February 2011, NTIA released the National Broadband Map (*www.broadbandmap.gov*), the first U.S. public, searchable nationwide dataset of broadband availability, and updated it twice in FY 2012. Each update is powered by an extensive, publicly available dataset—more than 20 million records representing 1,865 U.S. broadband providers—that shows where broadband is available, the technology used to provide the service, the maximum advertised speeds, and the names of the service providers. It is the most extensive dataset of its kind, created in partnership with every state. The interactive Web site is a powerful tool for researchers, economic developers, state government leaders, and business owners seeking to better harness the power of broadband to improve their communities.

NTIA awarded a new Internet Assigned Numbers Authority (IANA) functions contract to the Internet Corporation for Assigned Names and Numbers (ICANN). The IANA functions are key technical services critical to the continued operations of the Internet's underlying address book, the Domain Name System (DNS). The IANA functions include: (1) the coordination of the assignment of technical Internet protocol parameters, (2) the administration of certain responsibilities associated with the Internet DNS root zone management, (3) the allocation of Internet numbering resources, and (4) other services related to the management of the .ARPA and .INT top-level domains. (The .INT domain is operated by IANA, and available for registration exclusively by intergovernmental organizations established by international treaties between or among national governments. The .ARPA domain is the "Address and Routing Parameter Area" domain and is designated to be used exclusively for Internet-infrastructure purposes. It is administered by the IANA in cooperation with the Internet technical community.)The period of performance for the contract is October 1, 2012 – September 30, 2015, with two separate two-year option periods for a total contract period of seven years.

NTIA hosted four meetings of the Commerce Spectrum Management Advisory Committee in FY 2012. The committee provides advice on needed reforms to domestic spectrum policies and management in order to: license radio frequencies in a way that maximizes their public benefits; keep wireless networks as open to innovation as possible; and make wireless services available to all Americans.

NTIA issued a Request for Information (RFI) seeking public comment on various issues relating to the development of the State and Local Implementation grant program, which NTIA must establish pursuant to the Middle Class Tax Relief and Job Creation Act of 2012 to assist state and local governments in planning for a single, nationwide interoperable public safety broadband network. NTIA intends to use the input from this process to inform the development of programmatic requirements to govern the state and local planning grants program.

The act also created the First Responder Network Authority (FirstNet) as an independent authority within NTIA. FirstNet is Congressionally mandated to establish a nationwide wireless broadband network that enables police, firefighters, emergency services personnel, and others in public safety to better communicate with one another during emergencies and use new technology to improve response time, keep communities safe, and save lives. The FirstNet Board is responsible for making strategic decisions regarding FirstNet's operations. The FirstNet Board held its first public meeting on September 25, 2012, adopting bylaws and making initial organizational decisions.

SUMMARY OF PERFORMANCE

The Department uses the following measures to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE (NTIA)	TARGET	ACTUAL[1]	STATUS
Update the spectrum inventory first established in FY 2010	spectrum inventory update	Inventory updated and made available to federal agencies	Met
Identify up to 500 MHz of spectrum to support commercial broadband services or products	Meet 66% of milestones regarding the identification of 500 MHz for wireless broadband	85%	Exceeded
Miles of broadband networks deployed (infrastructure projects)	50,000	72,152	Exceeded
Community anchor institutions connected (infrastructure projects)	10,000	10,045	Exceeded
New and upgraded computer workstations (public computer centers projects)	35,000	36,347	Exceeded
New household and business subscribers to broadband (sustainable broadband adoption projects)	350,000	388,679	Exceeded

[1] Actuals as of June 30, 2012. NTIA anticipates exceeding all its targets with fourth quarter data.

OBJECTIVE 5

Provide measurement tools and standards to strengthen manufacturing, enable innovation, and increase efficiency (NIST)

PUBLIC BENEFITS

NIST works with U.S. industry and other stakeholders to promote U.S. innovation and industrial competitiveness by advancing measurement science, standards, and technology that drive technological change. The NIST laboratories play a unique role in the Nation's scientific, industrial, and business communities and anchor the national measurement and standards system that is the language of research and commerce. NIST's presence and leadership in the Nation's measurement and standards system enables companies, government agencies, and universities to work with each other more easily, improving the Nation's economic security and quality of life. NIST's activities also help address a broad range of critical challenges for the Nation to lay the foundation for future success in priority areas such as advanced manufacturing, cybersecurity, Smart Grid, healthcare IT, alternative energies, and improved sustainability.

The NIST Laboratory Programs work at the frontiers of measurement science to ensure that the U.S. system of measurements is firmly grounded on sound scientific and technical principles. Today, the NIST laboratories address increasingly complex measurement challenges, ranging from the very small (e.g., nanoscale devices) to the very large (e.g., vehicles and buildings), and from the physical (e.g., renewable energy sources) to the virtual (e.g., cybersecurity and cloud computing). As new technologies develop and evolve, NIST's measurement research and services remain central to innovation, productivity, trade, and public safety.

The NIST Laboratory Programs provide industry, academia, and other federal agencies with:

- Scientific underpinnings for basic and derived measurement units in the international standards community, measurement and calibration services, and certified reference materials;
- Impartial expertise and leadership in basic and applied research to enable development of test methods and verified data to support the efficient commercialization and exchange of goods and services in industry and commerce;
- Support for the development of open, consensus-based standards and specifications that define technical and performance requirements for goods and services, with associated measurements and test methods for conformity; and
- Unique cutting edge user facilities that support innovation in materials science, nanotechnology discovery and fabrication, and other emerging technology areas through the NIST Center for Neutron Research, which provides world class neutron measurement capabilities to the U.S. research community, and the NIST Center for Nanoscale Science and Technology, which supports nanotechnology development from discovery to production.

In addition, NIST is designated under the National Technology Transfer Advancement Act as the coordinator for all federal agencies using documentary standards that are developed by private-sector consensus bodies to carry out their policy objectives.

ACHIEVEMENTS

Two New Advanced Laboratories Open at NIST Boulder and JILA

New buildings for high-precision science and measurements have opened in Boulder, CO, providing upgraded facilities to support technology innovation, economic growth, and the training of future scientists. The Precision Measurement Lab at NIST and the X-Wing at JILA—a joint venture of NIST and University of Colorado at Boulder—tightly control environmental conditions such as vibration and temperature, as is required for cutting-edge research with lasers, atomic clocks, nanotechnology, and other areas of study. Both buildings also have capabilities for micro and nanofabrication of custom research devices. The original labs were built in the 1950s and 1960s. (*http://www.nist.gov/public_affairs/tech-beat/tb20120417.cfm#labs*)

Advanced Manufacturing National Program Office Established at NIST

NIST has 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. Hosted by NIST, the office will be staffed by representatives from federal agencies with manufacturing-related missions as well as fellows from manufacturing companies and universities. It will link federal efforts to the growing number of private-sector partnerships between manufacturers, universities, state and local governments, and other organizations. (*http://www.nist.gov/public_affairs/releases/npo-121911.cfm*)

NIST Establishes National Cybersecurity Center of Excellence

NIST established the National Cybersecurity Center of Excellence, a public-private collaboration for accelerating the widespread adoption of integrated cybersecurity tools and technologies. The center will work to strengthen U.S. economic growth by addressing the cybersecurity challenges of real-world complex IT systems. Potential use case examples would be interoperable cybersecurity templates to address challenges in health IT, cloud and mobile computing, cryptography, or continuous monitoring of IT systems. (*http://www.nist.gov/public_affairs/tech-beat/tb20120221.cfm#nccoe*)

NIST Opens the Net-Zero Energy Residential Test Facility

NIST unveiled 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. The two-story, four-bedroom, three-bath facility incorporates energy-efficient construction and appliances, as well as energy-generating technologies such as solar water heating and solar photovoltaic systems. Following an initial year-long experiment to prove net-zero energy usage, the facility will be used to improve test methods for energy-efficient technologies and develop cost-effective design standards for energy-efficient homes that could reduce overall energy consumption and harmful pollution, and save families money on their monthly utility bills. (*http://www.nist.gov/el/nzertf/net_zero_91212.cfm*)

NIST Physicists Benchmark Quantum Simulator with Hundreds of Qubits

Physicists at NIST have built a quantum simulator that can engineer interactions among hundreds of quantum bits (qubits)—10 times more than previous devices. The simulator has passed a series of benchmarking tests and scientists are poised to study problems in material science that are impossible to model on conventional computers. Other experiments have yet to fully involve more than 30 qubits, the threshold at which calculations become impossible on conventional computers, but the NIST simulator has extensive control over hundreds of qubits. (*http://www.nist.gov/public_affairs/tech-beat/tb20120502.cfm#qubits*)

Study Finds Failure Points in Firefighter Protective Equipment

NIST researchers uncovered temperature and heat-flow conditions that can seriously damage facepiece lenses on standard firefighter breathing equipment, a potential contributing factor for first-responder fatalities and injuries. The experiments will inform efforts to improve the match between standard requirements and real-life conditions. Until now, these efforts have been hampered by lack of information regarding the high-temperature and high-heat-flow performance of facepiece lenses and the actual fire-scene conditions that have resulted in lens failures. (*http://www.nist.gov/el/fire_research/scba-120611.cfm*)

New NIST Biometric Data Standard Adds DNA, Footmarks, and Enhanced Fingerprint Descriptions

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. New types of biometric data—DNA and footprints—were added as well as updates to existing record types such as fingerprints, facial images, or iris samples. The revision includes the first international standard for the exchange of DNA data. (*http://www.nist.gov/public_affairs/tech-beat/tb20111206.cfm#biometric*)

Publications Provide Cloud Computing Standards Roadmap and Reference Architecture

NIST has 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. Cloud computing is a model for enabling ubiquitous, on-demand network access to a shared pool of computing resources, including servers, data storage, and applications and services. These documents are incorporated into the *NIST U.S. Government Cloud Computing Technology Roadmap*, which describes what needs to be done to establish cloud computing across government agencies. (*http://www.nist.gov/public_affairs/tech-beat/tb20110913.cfm#cloud*)

New Tool Helps Organizations Meet Health Care Security Requirements

A new free toolkit developed by NIST can help public and private organizations to understand and implement the requirements of the Health Insurance Portability and Accountability Act Security Rule. The act was enacted by Congress in part to promote efficiency in the health care industry through the use of standardized electronic transactions, while protecting the privacy and security of health information. Organizations can use the toolkit to identify areas where security safeguards may be needed to protect electronic health information, or where their existing safeguards may need to be improved. (*http://www.nist.gov/public_affairs/tech-beat/tb20111122.cfm#hipaa*)

NIST Releases Final Smart Grid ‘Framework 2.0’ Document

NIST has updated its *Framework and Roadmap for Smart Grid Interoperability Standards*. The new version adds 22 standards, specifications and guidelines to the 75 NIST recommended in the 1.0 version of January 2010 as relevant to the Smart Grid. Further additions include an expanded view of Smart Grid architecture, developments to ensure grid cybersecurity, a new framework for testing the conformity of devices and systems to be connected to the Smart Grid, and information on coordinating Smart Grid standards development in the United States with similar efforts elsewhere in the world. (*http://www.nist.gov/smartgrid/framework-022812.cfm*)

Novel Filter Material Could Cut Natural Gas Refining Costs

Measurements taken by a team including NIST scientists show that a new material has the ability to separate components of natural gas from one another, a task that currently demands a good deal of energy to accomplish. The results, published in the journal *Science*, might improve the efficiency of the distillation process, which currently involves chilling gas down to the point where its components liquefy. The "metal-organic framework" material the team examined can selectively absorb light hydrocarbons at much higher temperatures, potentially making separation more economical. (*http://www.nist.gov/ncnr/filter-032812.cfm*)

SUMMARY OF PERFORMANCE

The Department uses the following measures to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE (NIST)	TARGET	ACTUAL	STATUS
Qualitative assessment and review of technical quality and merit using peer review	Complete annual peer review	Completed	Met
Citation impact of NIST-authored publications	> 1.1	> 1.1[1]	Met
Peer-reviewed technical publications produced	1,210	1,335	Met
Standard Reference Materials (SRM) sold	31,000	33,441	Met
NIST-maintained datasets downloaded	18,000,000	22,567,416	Exceeded
Number of calibration tests performed	14,000	17,206	Met

1 Actual for this measure lags nine months. The actual shown here is based on FY 2011 data.

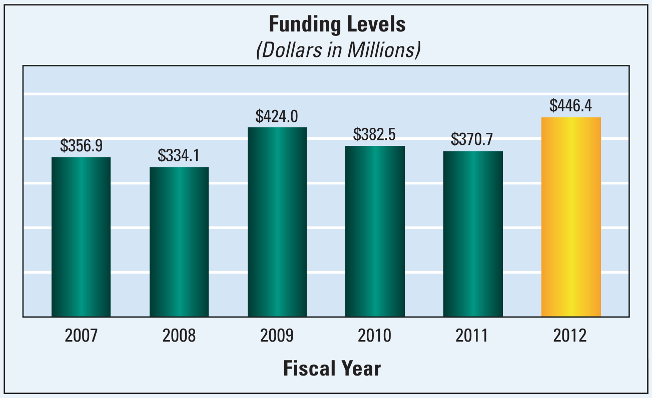
HISTORICAL TRENDS

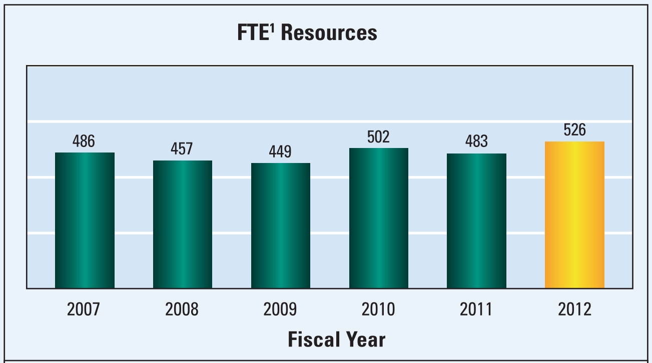
The National Research Council (NRC), in cooperation with NIST, has completed its peer assessments every year with typically high praise for NIST programs. NIST typically meets all its targets each year.

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

MARKET DEVELOPMENT AND COMMERCIALIZATION TOTAL RESOURCES

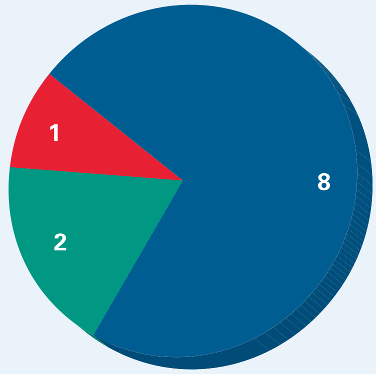




[1]FTE—Full-Time Equivalent

This strategic goal is comprised of three objectives which contribute to the Secretary's theme of Economic Growth. The following public benefits, achievements, and performance results are associated with each objective.

MARKET DEVELOPMENT AND COMMERCIALIZATION STATUS OF CURRENT MEASURES



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

OBJECTIVE 6

Promote the advancement of sustainable technologies, industries, and infrastructure (EDA)

PUBLIC BENEFITS

Green technologies and industries refer to efforts and activities that preserve or enhance environmental quality by limiting the Nation's dependence on fossil fuels, enhancing energy efficiency, curbing greenhouse-gas emissions, and protecting natural systems. As a subset of green, blue technologies refer to environmentally-sustainable efforts and activities related to oceans and waterways, aquaculture, renewable energy (hydropower, ocean thermal energy, wave power, etc.), and water science management.

Facing the challenges presented by global warming and climate change also offers opportunities to U.S. businesses. It is a Departmental priority to gather data about the environment, promote energy efficient and environmentally sustainable technologies, and use this information to grow jobs in the blue and green economies.

The Economic Development Administration (EDA) provides strategic investments in projects that encourage growth of the green economy. Recent EDA-funded research reveals that businesses in renewable energy and alternative fuels, green building and energy efficiency technology, energy-efficient infrastructure, transportation, and recycling are growing faster than the rest of the economy. These findings illustrate the promise environmentally sustainable development, and more specifically, advances in green industries and technologies, have for transforming regional economies and spurring innovation and fostering job growth.

Through its strategic investments, EDA helps communities leverage their regional assets to promote economic development in a sustainable manner. For example, EDA can provide technical assistance to plan or test the feasibility of transitioning to green practices, resources to help construct U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) certified (or equivalent) buildings, or support to make a business or manufacturing process more environmentally-friendly and more competitive. Since FY 2010, EDA has measured its success in promoting environmentally-sustainable economic development through a Priority Goal by raising to 12 percent the percentage of construction projects involving buildings or structures funded by Economic Development Assistance Programs that are certified by the U.S. Green Building Council's LEED or a comparable third-party certification program.

ACHIEVEMENTS

In FY 2012, EDA updated its Environmental Sustainable Development investment priority, which encourages the use of its programs to support environmentally-sustainable economic development. There are several conditions which must be met for an EDA project to advance this investment priority, such as a project's proximity to quality transit and its reuse of existing developed land. EDA streamlined an applicant's ability to achieve this investment priority by enabling projects sited within the boundaries of an area that has received the U.S. Department of Housing and Urban Development's (HUD) Preferred Sustainability Status designation and can demonstrate how the project is consistent with the Partnership for Sustainable Communities Livability Principles to do so.

SUMMARY OF PERFORMANCE

The measures for this objective overlap with those of Objectives 3 and 7. The targets and actual performance of those measures appear on page 56.

OBJECTIVE 7

Promote the vitality and competitiveness of our communities and businesses, particularly those that are disadvantaged or in distressed areas (EDA, MBDA)

PUBLIC BENEFITS

In support of disadvantaged individuals and communities, EDA promotes private enterprise and job creation in economically distressed communities and regions by investing in projects that produce jobs and generate private capital investment. Through partnerships with local development officials: Economic Development Districts (EDD); University Centers; faith-based and community-based organizations; and local, state, and federal agencies, EDA can assist distressed communities with strategic planning and investment activities. This process helps communities set priorities, determine the viability of projects, and leverage outside resources to improve the local economy to sustain long-term economic growth.

For communities that are particularly distressed through natural disasters, EDA has a long history of providing concerted economic assistance designed to assist these communities with their long-term economic recovery. In partnership with the Federal Emergency Management Agency (FEMA), EDA will often provide the initial economic impact assessment of affected areas. EDA then works with the community to provide tailored assistance, whether by supporting a disaster coordinator to help guide the community in its recovery efforts, or by providing funds for targeted infrastructure designed to help catalyze the regional economy to overcome the effects of the disaster.

The Minority Business Development Agency (MBDA) 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, through its direct federal client services and its network of funded centers (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 e-commerce and new technologies by MBEs.

ACHIEVEMENTS

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. The Strong Cities, Strong Communities Visioning Challenge, in the same vein of interagency collaboration, leveraged HUD'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. Lastly, EDA received a supplemental appropriation of $200 million to support long-term economic recovery and infrastructure support in communities receiving 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.

In FY 2012, MBDA experienced a very productive year. MBDA created 5,331 new jobs across the Nation and saved tens of thousands of existing jobs by helping minority-owned and operated businesses obtain contracts, totaling $1.16 billion, and financial awards, totaling $1.56 billion.

MBDA continued to operate a nationwide network of 39 MBDA Business Centers, including centers focused on American Indians and Alaska Natives. MBDA also continued to operate a center for government contracting to provide direct support to minority-owned companies across the Nation that desire to compete for government contracts. This center provides a central location for minority-owned businesses to obtain the information, skills, and relationships they need to achieve favorable contract acquisition.

In FY 2012, MBDA engaged in an ambitious reorganization effort to focus its critical resources on supporting the Nation's MBEs through its network of Business Centers. MBDA's regional administrative offices were closed and staff were integrated into MBDA headquarters. The network of funded centers now have a central point of contact with MBDA headquarters to support their local and national efforts to help MBEs succeed in the global marketplace.

The National Advisory Council on Minority Business Enterprises continued to be a critical source of policy recommendations on how to expand the economic capability of MBEs. MBDA worked closely with advisory board members to promote policies that create a level playing field for MBEs across the Nation.

Under the auspices of President Obama's National Export Initiative (NEI), export promotion and the globalization of the minority business community continued to be a substantial focus of Agency activities in FY 2012. MBDA's target clients have unique competitive advantages in the global markets, including language skills, cultural knowledge, knowledge of local business practices, and familial and other relationships. These competitive advantages have resulted in minority-owned firms being twice as likely to export as non-minority-owned firms. To leverage these competitive advantages on behalf of the U.S. economy, MBDA engaged in an effort to identify those companies that have export potential and support them as they globalize their business models.

SUMMARY OF PERFORMANCE

Several of the measures for this objective overlap with those of Objectives 3 and 6. The targets and actual performance of those measures appear on page 56. In addition, the following measures apply only to this objective.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Percentage of Trade Adjustment Assistance Center (TAAC) clients taking action as a result of the assistance facilitated by the TAACs (EDA)	90%	85%	Not Met
Percentage of those actions taken by Trade Adjustment Assistance Center clients that achieved the expected results (EDA)	95%	100%	Met
Dollar value of contract awards obtained (billions) (MBDA)	$1.10	$1.16	Met
Dollar value of financial awards obtained (billions) (MBDA)	$0.90	$1.56	Exceeded
Number of new job opportunities created (MBDA)	5,000	5,331	Met

FY 2012 MISSED TARGETS

MEASURE	PERCENTAGE OF TRADE ADJUSTMENT ASSISTANCE CENTER (TAAC) CLIENTS TAKING ACTION AS A RESULT OF THE ASSISTANCE FACILITATED BY THE TAACS (EDA)
Explanation	The decrease in the percentage of TAAC clients taking action as a result of the assistance facilitated by the TAACs may be due to firms having to allocate resources that would have gone towards implementing projects to operating costs as a result of the recession-driven economic downturn.
Action	No actions to be taken.

HISTORICAL TRENDS

In the past, EDA and MBDA have consistently met their targets.

OBJECTIVE 8

Improve the competitiveness of small and medium-sized firms in manufacturing and service industries (ITA, NIST)

PUBLIC BENEFITS

ITA

The International Trade Administration's (ITA) Manufacturing and Services (MAS) program provides the Administration, Congress, and U.S. businesses the data and analysis needed to make informed decisions on issues impinging on U.S. competitiveness and employment. The data program is especially valuable to policymakers who require trade information at sub-national (state and metropolitan) and small and medium exporter levels. MAS has also created an online database of U.S. free trade agreement (FTA) tariff rates to better enable small and medium-sized firms to take advantage of these agreements. In addition, to be competitive in today's global economy, U.S. companies need to be able to move products and services securely, quickly, and efficiently within U.S. borders and beyond. MAS launched a national dialogue to explore supply chain infrastructure issues that cut across the broad range of national priorities. MAS is framing the issues and prioritizing what needs to be done to improve U.S. competitiveness, especially through coordinating with other ITA units to develop in-depth and data-driven strategies that can be the basis for Administration policies and coordinated activities to expand U.S. exports that support U.S. jobs.

The Nation's approximately 300,000 manufacturers employed more than 11.5 million people in high-paying jobs in 2010. U.S. manufacturers represent roughly two-thirds of total U.S. research and development (R&D) expenditures and account for 60 percent of all U.S. goods and exports. A strong manufacturing base is critical to the economic strength and stability of the United States. Increased manufacturing productivity and competitiveness are essential for the survival of this crucial industrial base.

MAS administers the Market Development Cooperator Program (MDCP). An MDCP award establishes a public-private partnership whereby ITA provides a trade association or other non-profit industry organization with technical and financial assistance. MDCP awards enhance the competitiveness of U.S. industries by reducing the startup costs of new projects designed to help U.S. firms to export. Projects vary based on industry focus and target market. Project elements vary as well, ranging from organizing U.S. industry participation in foreign trade shows to removal of market access barriers that limit exports. Performance is measured by the value of exports generated annually from public-private MDCP partnerships.

NIST

A strong domestic manufacturing base is vital to the U.S. economy, national security, and fostering U.S. technology and innovation. The National Institute of Standards and Technology's (NIST) Hollings Manufacturing Extension Partnership (MEP) connects manufacturers with the tools, information, and opportunities available to develop innovative products, diversify into new markets, and increase options for growth and profitability. In doing so, MEP supports the mission of NIST of promoting U.S. innovation and industrial competitiveness, while also advancing the Department's Market Development and Commercialization goal.

MEP is a federal-state-industry partnership that provides U.S. manufacturers with access to technologies, resources, and industry experts. The MEP program consists of centers in every state and Puerto Rico that work directly with their local manufacturing communities to strengthen the competitiveness of the Nation's domestic manufacturing base. Funding for the MEP centers is a cost-sharing arrangement consisting of support from the federal government, state and local government/entities, and fees charged to the manufacturing clients for services provided by the MEP centers.

Through the MEP program, manufacturers have access to a network of manufacturing experts available to assist in the adoption of new technologies, developing innovative products, and implementing process innovations to improve their productivity, profitability, and competitiveness. MEP, in collaboration with partners in all levels of the government, universities, community colleges, and the private sector, is working to accelerate manufacturing's ongoing transformation into a more efficient and powerful engine of innovation that drives economic growth and job creation.

Each year MEP works with thousands of U.S. manufacturers to implement the best combination of process improvements and growth services for each individual company. MEP is focused on providing the services that reduce manufacturer's bottom-line expenses, increase efficiencies, and build capacity to foster the development of new products, expand into new markets, and the adoption of new technologies that improve the overall competitiveness of each manufacturer.

Through an annual client survey, the program obtains quantifiable impacts of MEP services on its clients' bottom line. MEP demonstrates the impact of its services on increased sales, increased capital investment, and cost savings attributed to MEP assistance.

ACHIEVEMENTS

ITA

As part of the Office of Management and Budget (OMB) led interagency rulemaking process, the MAS Regulatory Affairs team provided comments on the Environmental Protection Agency's (EPA) Treatment of Confidential Business Information for the Chemicals Industry rule. Although EPA had not calculated compliance costs for the rule; the Regulatory Affairs team estimates the annual costs to be approximately $800 million. The Regulatory Affairs team also contributed to EPA's greenhouse gas and Corporate Average Fuel Economy (CAFE) regulations. The Regulatory Affairs team suggested changes to the text of the proposed 2017-2025 greenhouse gas and CAFE standards for light duty vehicles to highlight the benefits to U.S. automobile competitiveness of moving efficiency standards closer to those of other major markets, and EPA agreed to the suggested changes.

ITA continues to make progress toward achievement of NEI goals by leveraging public-private partnerships through the MAS-administered MDCP. Led by tourism and building material exports to China, MDCP partners have helped U.S. companies export $1.7 billion to various foreign markets during the first nine months of FY 2012. This is the second highest three-quarter export result since MDCP export result tracking began in 1997. MDCP awards help trade associations and other non-profit industry groups help small and medium-sized enterprises to increase revenue and create jobs. On average, for every MDCP award dollar, $219 is generated in exports. Additionally, MAS has 24 active MDCP cooperative agreements, including nine 2012 awards for $2.4 million in financial assistance.

NIST

Manufacturing Extension Partnership Helps Manufacturers Increase Sales and Retain Jobs

MEP's nationwide network of centers with nearly 1,300 technical experts helped small and mid-sized manufacturers receiving services in FY 2011 increase their sales by an estimated $2.7 billion (MEP results have a one-year time lag). MEP provided its clients with a range of tools and services focused on the adoptions of new technologies, exporting strategies, and workforce retention. These activities will generate an estimated $2.6 billion in capital investments, $966 million in cost savings, and 65,077 jobs created or retained.

For example, with help from the MEP system and partners, Idaho-based Rekluse Motor Sports developed a strategic export action plan that increased sales to the European Union, created 31 new jobs, and expanded revenues to over $3 million. Unarco, an Oklahoma-based manufacturer of shopping carts, was looking to drive out waste in their manufacturing process and reduce their impact on the environment. By working with MEP, the company revamped their manufacturing processes and incorporated powder coating technologies resulting in near elimination of hazardous materials, $15,000 in utility savings, and the creation of three new jobs. Additional MEP client success stories are available on MEP's Web site at: *http://ws680.nist.gov/mepmeis/SearchSS.aspx*.

Energy and Commerce Departments Announce New Centers for Building Operations Excellence

Through MEP, the Department and the U.S. Department of Energy selected three Centers for Building Operations Excellence to receive a total of $1.3 million to create and deploy programs aimed at training and expanding current and incoming building operators. The centers will work with universities, local community and technical colleges, trade associations, and the Energy Department's national laboratories to build training programs that provide commercial building professionals with the critical skills they need to optimize building efficiency while reducing energy waste and saving money.

SUMMARY OF PERFORMANCE

The Department uses the following measures to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Exports generated annually from public/private partnerships (ITA)	$1.9B	$1.7B[1]	Met
Annual cost savings resulting from the adoption of MAS recommendations contained in MAS studies and analysis (ITA)	$250M	$0M	Not Met
Number of clients served by Hollings MEP centers receiving federal funding (NIST)	32,500	32,123	Slightly Below

(continued)

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Increased sales attributed to Hollings MEP centers receiving federal funding (NIST)	$2,000M from FY 2011 funding	$2,700M from FY 2011 funding[2]	Met
Capital investment attributed to Hollings MEP centers receiving federal funding (NIST)	$1,100M from FY 2011 funding	$2,600M from FY 2011 funding[2]	Exceeded
Cost savings attributed to Hollings MEP centers receiving federal funding (NIST)	$1,100M from FY 2011 funding	$966M from FY 2011 funding[2]	Not Met

1 Results as of June 30, 2012. Once final numbers are in, ITA expects to meet or exceed the target.
2 NIST performance actuals for this objective lagged at least six months. Therefore, beginning with the FY 2005 PAR, NIST shifted to a format in which NIST reports actuals one year later. This data lag, coupled with the time line for producing the PAR, precludes the reporting of actual FY 2012 data. With the exception of the number of clients, the NIST data reported in the current year PAR are an estimate based on three quarters of actual client reported impacts and one quarter estimated client impacts.

FY 2012 MISSED TARGETS

MEASURE	ANNUAL COST SAVINGS RESULTING FROM THE ADOPTION OF MAS RECOMMENDATIONS CONTAINED IN MAS STUDIES AND ANALYSIS (ITA)
Explanation	MAS did not meet the target for annual cost savings resulting from the adoption of MAS recommendations contained in MAS studies and analysis because none of the rules MAS commented on in FY 2012, which would have resulted in cost savings, have been issued as final rules. MAS, however, contributed industry and analytical expertise on several rules, the most important of which was the Department of Energy 810 rule regulating the export of unclassified nuclear technology. MAS analysis indicating that the value of nuclear civil exports could cross the $100 million threshold by 2015 has caused OMB to reconsider whether the rule might be deemed economically significant.
Action	MAS actively follows the rule-making process and focuses especially on economically significant rules, i.e., those that have an impact of over $100 million that have the potential to impact the global competitiveness of U.S. industry. In FY 2012, there have been significantly fewer rules to consider than in past years. The number of rules to consider in any year is beyond the control of MAS.
MEASURE	**NUMBER OF CLIENTS SERVED BY HOLLINGS MEP CENTERS RECEIVING FEDERAL FUNDING (NIST)**
Explanation	The performance target was set at an approximate target level, and the deviation from that level is slight. There was no effect on the overall program or activity performance.
Action	No actions to be taken.
MEASURE	**COST SAVINGS ATTRIBUTED TO HOLLINGS MEP CENTERS RECEIVING FEDERAL FUNDING (NIST)**
Explanation	In FY 2012, MEP continued the transition of the MEP system from a focus on continuous improvement and primarily cost savings to a broader focus on innovation-driven business growth for U.S. manufacturing firms. This transition involves the MEP centers working with companies on longer-term projects with expected economic impacts in the area of new product development, expanded markets, and increased sales. These innovation-focused projects realize lower economic impact with respect to the cost savings measure. In addition, business innovation service offerings require a renewed skill set for the MEP center staff and a considerable effort was made in FY 2012 to build the capacity and skills of center staff to effectively deliver innovation services to manufacturers.
Action	As the program continues this transition, MEP will monitor all impact measures and specific measures and targets may need to be adjusted to reflect the program's shifting focus to longer-term, innovation projects.

HISTORICAL TRENDS

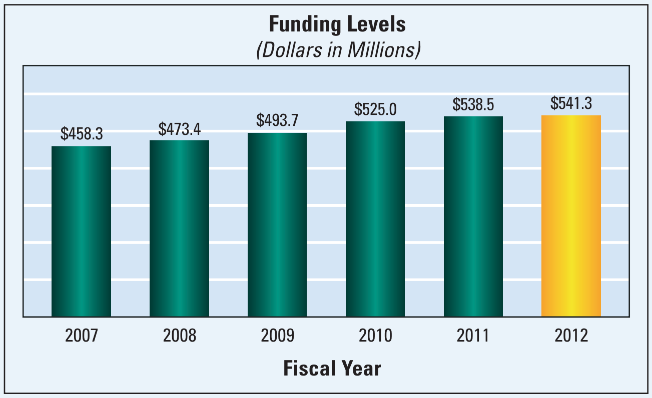
MAS has consistently met its targets for annual cost savings resulting from the adoption of MAS recommendations contained in MAS studies and analysis when the rule-making process has been more active, a characteristic beyond the the control of MAS.

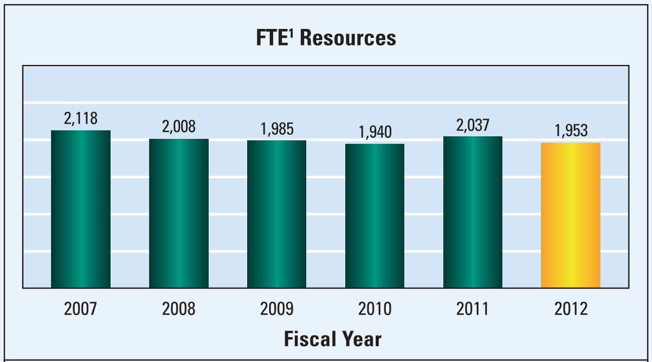
MEP has consistently exceeded its targets. Performance projections are based in part on past programmatic results but also on the current operating realities of the MEP centers and their manufacturing clients. The projections reflect a realization that any sort of forecast must be based on current economic and market conditions and also other contributing factors such as state funding uncertainties. Simply projecting past results into the future in a linear fashion does not take into account these other considerations. Data from the Federal Reserve Board, the Institute for Supply Management, Bureau of Labor Statistics, and Bureau of Economic Analysis are monitored and assessed on a regular basis to inform MEP's performance targets.

Strategic Goal – Trade Promotion and Compliance

Improve our global competitiveness and foster domestic job growth while protecting American security

TRADE PROMOTION AND COMPLIANCE TOTAL RESOURCES

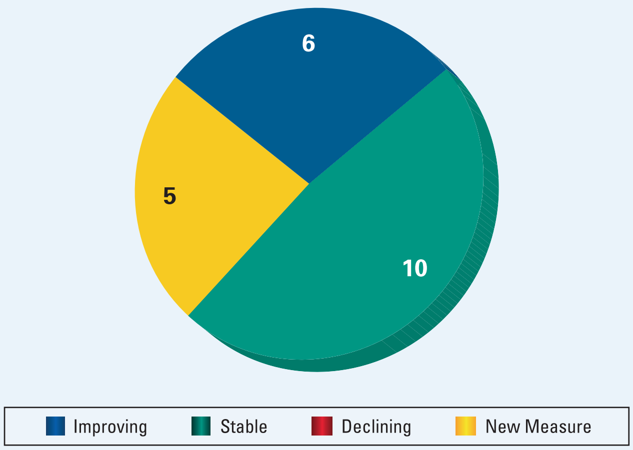




[1]FTE—Full-Time Equivalent

This strategic goal is comprised of four objectives which contribute to the Secretary's theme of Economic Growth. The following public benefits, achievements and performance results are associated with each objective.

TRADE PROMOTION AND COMPLIANCE STATUS OF CURRENT MEASURES



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

OBJECTIVE 9

Increase U.S. export value through trade promotion, market access, compliance, and interagency collaboration (including support for small and medium enterprises) (ITA)

PUBLIC BENEFITS

The health of the U.S. economy depends on small and medium-sized enterprises (SME) since they account for 98 percent of all U.S. exporters. Many of these firms have been successful in doing business in countries that have recently negotiated free trade agreements (FTA) with the United States. The U.S. and Foreign Commercial Service (US&FCS) program provides front-line diplomatic support to U.S. companies for commercial issues overseas, advocates for U.S. companies bidding on foreign government procurements, and creates a supporting environment at home in which all U.S. firms, including SMEs, can flourish by increasing export opportunity awareness among U.S. companies. This is accomplished by advocating on behalf of the U.S. companies in foreign markets; identifying potential exporters who need assistance; leveraging electronic and traditional media; enhancing relationships with customers; and developing alliances and partnerships with state, local, and private partners to deliver export assistance. US&FCS helps U.S. companies take advantage of world market conditions to find new buyers.

ACHIEVEMENTS

Amidst the pressures of a troubled global economy, US&FCS continued to help U.S businesses maximize their export potential, enabling them to diversify their customer base, remain globally competitive, and maintain jobs for Americans through global trade. In 2012, US&FCS assisted nearly 19.000 U.S. companies by providing in-depth export counseling, market entry plans, business-to-business matchmaking services, market research and due diligence reports, and other customized export development and market entry services. US&FCS also led trade missions around the globe, brought foreign buyer delegations to U.S. trade shows, promoted U.S. companies at international trade events, and organized product launches and technical seminars overseas. In addition, US&FCS continued to provide front-line diplomatic support to U.S. companies overseas and advocated for U.S. companies bidding on foreign government procurements. As a result of these efforts, US&FCS facilitated more than $100 billion in exports for nearly 5,600 U.S. companies in 2012. Over 80 percent of these companies were SMEs that exported for the first time, entered a new market, or increased their market share in an existing market.

US&FCS continues to support the National Export Initiative (NEI). Launched in February 2010, President Obama's NEI is designed to reach the goal of doubling exports by 2014 to support two million jobs in the United States. The NEI is focused on three key areas: (1) a more robust effort by this administration to expand its trade advocacy in all its forms, especially for SMEs, (2) improving access to credit with a focus on SMEs that want to export, and (3) continuing the rigorous enforcement of international trade laws to help remove barriers that prevent U.S. companies from getting free and fair access to foreign markets. Since the President announced the NEI, the Department's Advocacy Center has assisted U.S. companies competing for export opportunities, supporting $111 billion in exports. With offices and staff around the globe and throughout the United States, the Department's Commercial Service has helped more than 15,000 companies generate $162 billion worth of exports. To date, the Department has coordinated 103 trade missions with over 1,000 companies to 82 countries.

The International Trade Administration's (ITA) Export.gov is currently the federal government's most comprehensive Web site on exporting. Since its launch in 2001, ITA has made incremental improvements to Export.gov over the years, and in 2012 ITA began the effort to transition the Export.gov Web site to a new platform that will improve clients' online experience and deliver personalized content to SMEs through a "MyExport.gov" like experience. Based on a company's profile (including industry, exporting maturity, size of company, etc.), information on events, market research, and trade leads will be pushed to clients. This will save SMEs time and effort so that they can focus on building the best product, expanding international sales, and providing world class service. This new tool is being designed to consolidate feeds from the Trade Promotion Coordinating Committee agencies and integrate them into Export.gov and into BusinessUSA, delivering an enhanced client experience.

The Strategic Partnership Program has grown exponentially in 2012, from 18 public-private partnership agreements to 96 agreements with companies and associations, and continued to promote successful public-private partnerships through the growth of the New Market Exporter Initiative (NMEI) and the introduction of the Global Buyers Initiative (GBI). In 2012 alone, partners cooperated on more than 260 activities reaching more than 13,500 clients and committed more than $120,000 in resources including paying for their customers to receive services and supporting educational outreach. The NMEI is a program of the President's NEI, recommended in the September 16, 2010 "Report to the President on the National Export Initiative: The Export Promotion Cabinet's Plan for Doubling U.S. Exports in Five Years." The NMEI leverages strategic partners to expand U.S. exports by identifying their customers and members who sell to at least one international market and providing them with assistance selling to additional markets. The GBI was developed as a foreign buyer recruitment program to better identify and align foreign importers with U.S. exporters. To date, the NMEI has 23 active partners and has generated more than 2,000 company registrations, while the GBI has developed initial partnerships with 16 organizations.

SelectUSA was created last year by Executive Order of the President to promote and facilitate business investment in the United States. In addition to developing and formalizing its advocacy, ombudsman, and investor inquiry services, SelectUSA has used its 2012 pilot year to develop a robust outreach strategy focused on leveraging the Department's foreign and domestic fields. Internationally, SelectUSA identified 25 target markets for focused outreach and engagement. Those markets—which include Belgium, Brazil, Canada, China & Hong Kong, Finland, France, Germany, India, Ireland, Israel, Italy, Japan, Mexico, Netherlands, Russia, Saudi Arabia, Singapore, South Korea, Spain, Sweden, Switzerland, Taiwan, United Arab Emirates, and United Kingdom—comprise 90 percent of current foreign direct investment in the United States. SelectUSA provided training to commercial officers in 23 of these 25 target markets. Domestically, SelectUSA increases awareness of its services among U.S. economic development organizations and other key stakeholders by leveraging intra-agency partners, including the National Institute of Science and Technology's (NIST) Hollings Manufacturing Extension Partnership (MEP), the Economic Development Administration (EDA), the Minority Business Development Agency (MBDA), and the U.S. Patent and Trademark Office (USPTO).

In March 2012, then Secretary Bryson led an Infrastructure Business Development Trade Mission to India. Over the course of five days, the 16 companies and 27 executives represented on the missions participated in over 200 individual and group meetings with Indian companies and government officials, as well as attended several large events where additional introductions were made, including breakfasts/luncheons hosted by the local American Chamber of Commerce, Indian Business Organizations (CII and FICCI), and the Ambassador and Consul General. These activities generated multiple leads, potential agreements, and potential future sales. During the wrap-up discussions, the participating companies indicated that there were significant opportunities in the Indian market and most expected commercial success to come from their participation in the mission in the next 18-24 months.

The International Buyer Program (IBP) is one of the most successful US&FCS trade promotion programs. The IBP offers business-to-business matchmaking service offerings enabling U.S. companies to meet a breadth of prospective buyers from around the world all in one domestic venue. In FY 2012, the IBP recruited 10,880 prospective buyers from international markets to come and meet U.S. exporters at 33 participating U.S. industry trade events. During these trade shows, US&FCS personnel facilitated 3,860 trade counseling sessions with U.S. and international companies. As a result, the IBP generated nearly $614 million in exports in FY 2012.

An excellent example of the IBP value proposition is the Consumer Electronics Show (CES)—the world's largest annual trade show for the broad-based consumer electronics technology market, held in January 2012 in Las Vegas, NV. Through the IBP, the US&FCS recruited 39 international buyer delegations consisting of 1,126 delegates, and conducted 320 trade counseling sessions with U.S. companies. The then Department Deputy Secretary Blank participated in this IBP trade show, providing welcome remarks at the session "Getting Us Back on Track: How Technology and Innovation Can Save America," and presenting an Export Achievement Certificate to a U.S. company, Meridrew Enterprises.

SUMMARY OF PERFORMANCE

The Department uses the following measures to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE (ITA)	TARGET	ACTUAL	STATUS
Commercial diplomacy success (cases) (annual)	152	215	Exceeded
Ratio of US&FCS export value to US&FCS costs	$140	$387	Exceeded
Number of clients assisted by US&FCS	20,709	18,945	Not Met
Dollar value of U.S. export content in advocacy cases won	$19B	$74B	Exceeded
Annual number of SMEs US&FCS assists exporting to a second or additional country	3,307	3,444	Met

FY 2012 MISSED TARGETS

MEASURE	NUMBER OF CLIENTS ASSISTED BY US&FCS
Explanation	US&FCS missed the annual target for this goal due to the technology challenges associated with US&FCS's current Customer Relationship Management (CRM) system, which hinders timely and accurate reporting of trade promotion activities.
Action	In FY 2013, US&FCS will remedy technology challenges by procuring a new CRM system.

OBJECTIVE 10

Implement an effective export control reform program to advance national security and economic competitiveness (BIS)

PUBLIC BENEFITS

It is essential to security of the Unites States that it prevent the export of sensitive goods. To prevent illegal exports, the Department administers and enforces controls on exports of dual-use goods and technologies to counter proliferation of weapons of mass destruction, combat terrorism, and pursue other national security policy goals. The Department processes export license applications for controlled commodities of U.S. companies engaged in international trade in accordance with Export Administration

Regulations (EAR). The Department engages in activities to prevent violations before they occur and to investigate and prosecute violators to dismantle illicit proliferation networks. Preventive activities include the following:

- screening license applications for enforcement concerns;
- conducting end-use checks abroad to confirm the *bona fides* of parties to export transactions;
- confirming compliance with license conditions;
- uncovering diversions to unauthorized end-users/uses; and
- reviewing Shippers Export Declarations and foreign visitors' visa applications to identify potential export control issues.

Outreach activities include educating U.S. businesses on export control requirements and identifying suspicious transactions leading to successful preventative and investigative actions. Investigation and prosecution activities involve Department Special Agents conducting cases focused on significant proliferation, terrorism, and military end-use export violations, and the vigorous pursuit of criminal and administrative sanctions. Finally, an integral part of the Bureau of Industry and Security's (BIS) mission is to facilitate compliance with U.S. export controls by keeping U.S. firms informed of export control regulations through an extensive domestic and foreign outreach program.

The Department also works to strengthen the export control systems of other countries, assess the viability of key sectors of the defense industrial base, and assure the timely availability of industrial resources to meet national defense and emergency preparedness requirements. Further information on these tasks is available on *www.bis.doc.gov/news/index.htm#annual*. Finally, the Department also serves as the lead agency for ensuring U.S. industry compliance with Chemical Weapons Convention (CWC).

Driven by the President's call for an Export Control Reform Initiative, BIS is contributing to accomplishing the initiative's key recommendations of establishing a single control list, a single primary enforcement coordination agency, a single information technology (IT) system, and a single licensing agency. The initiative is split into three phases: make immediate improvements on the current system while creating a framework for the new system, complete deployment of reforms, and complete the transition to the new U.S. export control system with legislative assistance.

ACHIEVEMENTS

In FY 2012, BIS published 12 proposed rules to implement the President's Export Control Reform Initiative. These rules, and the counterpart proposals published by the U.S. Department of State, seek public comment on the revision of State Department's U.S. Munitions List (USML) into a positive, objective list and propose to transfer 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. Revising these controls will achieve the objectives of the President's Export Control Reform Initiative: focusing limited resources on the threats that matter most, facilitating military interoperability with close U.S. friends and allies, and strengthening the U.S. defense industrial base by reducing the current incentives for foreign manufacturers to "design out" U.S.-origin parts and components because foreign-made end products into which USML-listed items are incorporated will be controlled under the International Traffic in Arms Regulations (ITAR).

In FY 2012, the Bureau played a leading role in mapping the intricate industrial supply chains for such key defense sectors as Space and Naval Underwater Acoustics; assessing the overall health of companies that support human space flight activities; and identifying sectoral equipment, labor, and technology shortfalls that could jeopardize the ability of the warfighter to successfully accomplish missions. The space industry defense industrial base assessment is a good example of how BIS worked closely with defense and civilian agencies, such as the U.S. Air Force, National Aeronautics and Space Administration, and National Reconnaissance Office, and leveraged unique authorities and analytical capabilities to support the U.S. defense industrial base. BIS, in conjunction with these agencies, surveyed more than 9,000 companies that supply products or services to the U.S. government for space-related purposes. The survey results give the U.S. government unprecedented visibility into the intricate supply chain network supporting the provision of products and services across the defense, intelligence, and commercial space sectors.

The Bureau plays a critical compliance role within the U.S. government. BIS implemented and monitored compliance with License Exception Strategic Trade Authorization (STA), which allows for the export, reexport, or transfer in-country, without a license, to a group of approximately 36 partner and allied countries. The compliance requirements are significant because they ensure that controlled items eligible for STA will not be reexported outside the group of 36 countries without the appropriate export authorization. The compliance activities require analysts to evaluate exporters' adherence to the conditions, including their internal control programs. Since its inception through June 2012 (most current data), 69 U.S. companies have made 543 shipments worth over $29 million under STA.

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.

- 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 E2C2 is administered by the U.S. Department of Homeland Security (DHS) with a leadership team comprising officials from DHS, the Federal Bureau of Investigation, and the Department. The opening of the E2C2 builds on the increased criminal penalties for export control violations and the provision of the Department's permanent law enforcement authorities, further strengthening the enforcement of U.S. export controls.
- The Information Triage Unit, housed at the Department, is responsible for assembling and disseminating relevant information, including intelligence, upon which to base informed decisions on proposed export licenses. This multi-agency screening will coordinate the reviews of separate stove-piped processes across the government to ensure that all departments and agencies have a full dataset, consistent with national security, from which to make decisions on license applications. Such screening contributes to more timely, predictable, and consistent processes that U.S. exporters engaged in global trade have confirmed are critical to their competitiveness.

In FY 2012, BIS, working with the Department's Office of the Chief Information Officer, successfully deployed the Secret Internet Protocol Router Network (SIPRNet) through most of BIS's headquarters and field office operations. Full deployment should be completed in FY 2013. SIPRNet is a system of interconnected computer networks used by the U.S. Department of Defense (DOD) to transmit classified information (up to and including information classified SECRET). This is an important element of BIS's efforts to migrate to DOD's USXPORTS System, one of the key components of the Administration's Export Control Reform.

SUMMARY OF PERFORMANCE

The Department uses the following measures to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE (BIS)	TARGET	ACTUAL	STATUS
Percent of licenses requiring interagency referral referred within 9 days	98%	97%	Slightly Below
Median processing time for new regime regulations (months)	2.0	2.0	Met
Percent of attendees rating seminars highly	93%	93%	Met
Percent of declarations received from U.S. industry in accordance with CWC regulations (time lines) that are processed, certified, and submitted to the State Department in time so the United States can meet its treaty obligations	100%	100%	Met
Number of actions that result in a deterrence or prevention of a violation and cases which result in a criminal and/or administrative charge	850	1,162	Exceeded
Percent of shipped transactions in compliance with the licensing requirements of the Export Administration Regulations (EAR)	99%	99%	Met
Percentage of post-shipment verifications completed and categorized above the "unfavorable" classification	315 PSVs/90%	343 PSVs/87%	Slightly Below
Number of end-use checks completed	850	983	Met
Percent of industry assessments resulting in BIS determination, within three months of completion, on whether to revise export controls	100%	100%	Met

FY 2012 MISSED TARGETS

MEASURE	PERCENT OF LICENSES REQUIRING INTERAGENCY REFERRAL REFERRED WITHIN 9 DAYS (BIS)
Explanation	The performance target was set at an approximate target level, and the deviation from that level is slight.
Action	None.
MEASURE	**PERCENTAGE OF POST-SHIPMENT VERIFICATIONS COMPLETED AND CATEGORIZED ABOVE THE “UNFAVORABLE” CLASSIFICATION (BIS)**
Explanation	The performance target was set at an approximate target level, and the deviation from that level is slight.
Action	None.

HISTORICAL TRENDS

BIS has consistently met or exceeded the targets for this outcome.

OBJECTIVE 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)

PUBLIC BENEFITS

The National Telecommunications and Information Administration (NTIA) serves as the President's primary policy advisor on domestic and international telecommunications and information issues. NTIA fulfills this role in part by advocating globally for foreign regulatory and policy regimes that encourage competition and innovation, and by encouraging dialogue with the private sector through sponsorship and participation in conferences, workshops, and other forums. NTIA will pursue policies promoting international trade in telecommunications products and services, promoting consistent international approaches to telecommunications policies, and improving relations with countries with rapidly expanding markets.

NTIA is also responsible for coordinating the federal government's participation in the International Telecommunication Union's (ITU) World Radiocommunication Conferences (WRC) and related national and international meetings. NTIA works with the Federal Communications Commission (FCC), which represents the civil spectrum community, and the State Department, to create U.S. Preliminary Views and Proposals for the WRCs.

ACHIEVEMENTS

NTIA

NTIA participated in the 2012 WRC (WRC-12), where policymakers negotiated changes to the international treaty that governs the use of radiofrequency spectrum. This conference is convened every three to four years to ensure the treaty, called the Radio Regulations, keeps up with the rapid pace of technological development in radio communications. WRC-12, held in Geneva, Switzerland, brought together more than 3,000 people from most of the ITU's 193 member countries. There were 33 items on the WRC-12 agenda, and the United States was highly successful in achieving its objectives and satisfying critical federal agency and industry radio spectrum needs.

For example, the conference allocated new spectrum to support radars the Department uses to monitor the ocean's surface and to collect airborne imagery that enhances U.S. national security. The conference also allocated spectrum that enables unmanned aircraft to be commanded and controlled safely from the ground. In addition, the next WRC will examine allocating spectrum for the command and control of unmanned aircraft from space. The conference also allocated spectrum that supports lunar missions, earth observation and climate monitoring, and digital maritime communications for ship and port safety and security. In addition, participants improved the procedures for registering satellite networks with the ITU.

Most importantly, however, the United States. secured a broadband agenda item at the next conference. This agenda item will support NTIA's effort to nearly double the amount of spectrum available for U.S. commercial wireless broadband service this decade, a goal set by President Obama. To maximize the economic value of the spectrum NTIA is identifying for wireless broadband, it should be harmonized globally. That is one of the objectives for WRC-15 and NTIA is now planning the technical studies needed to support solid decision-making at this conference. These accomplishments will support the expanding wireless communications needs of U.S. consumers, businesses, and government while removing international barriers to the introduction of new U.S. technologies.

NIST-led Development of Principles for Effective Federal Agency Engagement in Standardization Activities

NIST leadership of the National Science and Technology Council's Subcommittee on Standards has led to the development of principles for effective federal agency engagement in standardization activities to address national priorities (*http://standards.gov/upload/Federal_Engagement_in_Standards_Activities_October12_final.pdf*). These principles reflect the consensus of federal agencies with varied interests (technology, innovation, trade, competition, etc.) in standards and have helped guide coordination of agency positions on important international standardization activities in the information and communications technology sectors. These principles also will help guide U.S. positions on standards-related proposals related to the International Telecommunication Regulations that will be renegotiated at the 2012 World Conference on Information Technology to be held in December. In addition, broad U.S. public and private sector stakeholder buy-in of these principles is helping ensure that U.S. government positions reflect approaches that promote technological innovation and competitiveness. NIST efforts to raise awareness among U.S. industry and standards setting organizations of information and communication technology related standardization activities in the ITU has led to greater engagement in the current U.S. government-led processes for input into these activities. This enhanced engagement will reduce the likelihood of duplicative standards and increase the likelihood that standards are developed by organizations with relevant expertise. NIST also leads activities in standardization committees within the Joint Technical Committee 1 of the International Organization for Standardization and International Electrotechnical Commission, and the ITU in the areas of cloud computing, Smart Grid, and cyber security.

SUMMARY OF PERFORMANCE

The Department uses the following measure to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE (NTIA)	TARGET	ACTUAL	STATUS
Percent of NTIA positions substantially adopted or successful at international meetings	75% adoption or success	>80%	Met

OBJECTIVE 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)

PUBLIC BENEFITS

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

Ensuring that U.S. industries and workers have the opportunity to compete on a level playing field is critical to advancing business competitiveness in the United States and abroad, and is a key component of the NEI. Accordingly, IA is committed to the vigorous enforcement of U.S. trade laws. IA promotes free and fair trade by administering the U.S. antidumping (AD) and countervailing duty

(CVD) laws thereby providing U.S. industries and workers with a reliable and transparent mechanism to seek critical relief from unfair trade practices, including injurious dumping and foreign government subsidies.

IA has a team of experts available to assist any U.S. business with questions on remedies available under the trade laws, or that wishes to develop and file an AD and/or CVD petition. Particular attention is paid to small businesses that may find the petition process unwieldly, or may be unable to afford the assistance of outside trade counsel to develop and file a successful petition. Extensive outreach and work with industry was instrumental in helping IA successfully initiate more than 20 new AD/CVD investigations in 2012. IA also has a team of experts dedicated to monitoring U.S. trade partners' use of trade remedies and that works closely with U.S. businesses whose access to export markets may be harmed by the misuse of these instruments. IA works with U.S. Customs and Border Protection (CBP), Immigration and Customs Enforcement, Department of Justice, and Office of the U.S. Trade Representative (USTR) to resolve AD/CVD issues. IA works closely with CBP to ensure that the trade remedy laws are enforced vigorously and that efforts to evade the payment of AD/CVD duties are identified and thwarted.

MAC also strongly supports the NEI by creating, expanding, and defending market access for U.S. exports of goods, services, and investment overseas. MAC executes this mission by developing specific and tailored country engagement strategies to develop a business climate abroad that promotes trade and investment, pursuing crosscutting policy initiatives to address transnational market access challenges (such as anticorruption, intellectual property enforcement, and standards/regulatory cooperation), and proactively working to identify and break down foreign government-imposed trade barriers through the MAC-led ITA Trade Agreements Compliance Program.

A key tool in the NEI's trade enforcement efforts, the program provides the framework for proactive monitoring of trade agreements; the process for identification, investigation, and resolution of trade barriers for companies; and the strategy for conducting outreach to inform stakeholders of efforts and services in this area. There is no cost for the program's services.

Once a barrier is identified, MAC assembles a case team of ITA specialists to investigate and address the problem. The team works with affected companies or industries to establish objectives and to implement agreed action plans to achieve market access and ensure that U.S. trade agreement rights are safeguarded. In taking action, ITA teams can gradually escalate trade issues, and as appropriate, bring the full weight of the U.S government to bear in an effort to resolve the issues, leveraging relevant trade agreements, multilateral/World Trade Organization (WTO) fora, FTA negotiations and other diplomatic means. If warranted, cases may be referred to USTR, the Interagency Trade Enforcement Center, and the interagency for formal dispute settlement action consideration.

The program benefits from the active involvement of ITA trade officials stationed around the world as well as designated compliance officers in Beijing, Brussels, San Salvador, and New Delhi. To assist in outreach to companies, ITA also maintains contact with the office of each member of Congress, some 60 District Export Councils, more than 100 trade associations, and state agencies.

MAC and MAS seek to obtain market access for U.S. industries and workers and to achieve full compliance by foreign nations with trade agreements they sign with the United States. MAC and MAS ensure market access for U.S. businesses; advance the rule of law internationally; and create a fair, open, and predictable trading environment. Based on customer needs, MAC has a sizable caseload from U.S. firms that have encountered a trade barrier. Beyond casework, MAC and MAS work to develop a pro-growth business climate in other markets that encourages U.S. exports and transparent policies. MAC and MAS also conduct critical trade policy analysis and negotiation support for USTR and represent the Department in trade-related dealings with other U.S. government agencies.

ACHIEVEMENTS

In FY 2012, IA conducted 39 investigations covering products as diverse as high pressure steel cylinders from China, large residential washers from South Korea and Mexico, and steel nails from the United Arab Emirates.

In December 2011, the Court of Appeals for the Federal Circuit found, in *GPX v. United States*, that U.S. law prohibits the Department from applying CVD duties to imports from countries that the Department has determined to be non-market economies, including China and Vietnam. Had it taken effect, the court's decision could have resulted in the termination of more than two dozen existing CVD orders as well as numerous ongoing and potential future CVD investigations, impacting billions of dollars of imports into the United States and affecting manufacturing operations in the majority of U.S. states. With the strong support of the Department and the Administration, in a few short months and with overwhelming bipartisan support, the U.S. Congress, before the court's mandate became final, passed legislation in March 2012 that reaffirmed the Department's ability to apply the CVD law to imports from market and nonmarket economies alike. With the passage into law of H.R. 4105, Congress and the President have confirmed that U.S. trade remedies will remain a strong and effective tool in combating unfair trading practices and in ensuring a level playing field for U.S. manufacturers, exporters, and workers.

Capping months of close collaboration between IA and USTR, in June 2012, a WTO dispute settlement panel upheld the key U.S. complaints in a WTO case against China's AD/CVDs imposed on U.S. exports of grain-oriented electrical steel, a market worth over $271 million prior to China's AD measure.

While the number of new U.S. investigations of injuriously dumped and subsidized imports has fluctuated over the past several years, the average number of AD/CVD determinations issued during the three-year period was approximately 275 per fiscal year. In FY 2012, as of June 4, 2012, 23 new AD/CVD investigations have been initiated.

Approximately one-third of the AD/CVD orders administered by IA are handled by the China/non-market economy unit, a unit dedicated to the enforcement of the AD law with respect to China and other non-market economy countries, e.g., Vietnam. This unit enables IA to consolidate and cultivate the expertise necessary to address the unique trade problems associated with conducting AD proceedings involving non-market economy countries, such as irregular financial reporting, fraudulent filings, opaque company relations, and close ties to local and provincial governments.

Led by MAC, ITA was able to exceed targets for casework under the Trade Agreements Compliance (TAC) Program, identifying and working to remove foreign trade barriers on behalf of U.S. firms. Two hundred twenty seven new cases were initiated in FY 2012, 44 percent on behalf of SMEs. Of the 168 cases closed in FY 2012, ITA teams were able to successfully remove the barriers identified in 89 of the cases, ensuring that American workers and firms could benefit from the trade agreements negotiated on their behalf.

A recent example demonstrates the benefits of the TAC Program for U.S. Industry. In February 2011, a U.S. egineering company reported that Chile's Ministry of Health excluded it from bidding on a government tender to build a hospital because it did not have prior experience in Chile designing seismic shock resilient structures. This exclusion, which shut the company out of an opportunity worth several hundred thousand dollars, was clearly inconsistent with Chile's FTA obligations, which ensures that U.S. companies are treated the same as Chilean companies when competing for covered government procurement contracts. A MAC-led ITA team engaged the Chilean government on this issue, and in May 2012, the Chilean government concurred that U.S. company's global experience should have been considered when assessing its eligibility to participate in the procurement. The company was happy with this outcome, and most importantly, by enforcing our rights under the U.S.-Chile FTA, we set a positive precedent for all U.S. companies seeking to do future business in Chile.

Beyond these performance metrics, MAC works to increase U.S. access to foreign markets through bilateral engagement, multilateral negotiations, and direct interaction with the exporting community. Some representative accomplishments for MAC in FY 2012 include bilateral engagement with priority export markets for the United States. For example, Brazil is an NEI priority market with a large and diversified economy offering U.S. companies many opportunities to export their goods and services. MAC helped implement several key initiatives, including an education services trade mission to Brazil. Additionally, MAC organizes and manages two high-profile mechanisms for improving and expanding the U.S.-Brazil commercial relationship: the U.S.-Brazil CEO Forum, co-chaired by the Secretary of Commerce, which brings together business leaders from both countries to provide joint recommendations to our two governments on ways to strengthen the bilateral relationship; and the U.S.-Brazil Commercial Dialogue, a forum for our trade ministries to collaborate to increase bilateral trade and investment through better mutual understanding. Activities include best practice exchanges on a wide variety of issues ranging from customs and express delivery, services, and intellectual property and standards, with the goal of improving the flow of trade between our two countries.

MAC's global trade agenda included a number of other significant accomplishments. For example, MAC played a key role in implementing the successful outcomes from the November 2011 bilateral U.S.-China Joint Commission on Commerce and Trade (JCCT). MAC established a U.S.-Indonesia Commercial Dialogue to enhance U.S. exports to the largest country in Southeast Asia by working with Indonesia to identify concrete reforms the Indonesian government should implement to improve its standing in the World Bank's *Ease of Doing Business* report. MAC staff supported President Obama's commitment to the Turkish President to expand the U.S.-Turkish economic and commercial relationship through the U.S.-Turkey Framework for Strategic Economic and Commercial Cooperation (FSECC). MAC worked with the U.S. private sector to ensure that companies were aware of the opportunities afforded to them as a result of recently implemented FTAs with the Republic of Korea and Colombia, as well as to update industry on the probable impacts of Russia's August 2012 accession to the WTO and the implications of the success or failure in our efforts to establish Permanent Normal Trade Relations with Russia. MAC staff also support the coordination of the Secretary's leadership of the Business Development and Economic Relations Working Group, one of the key bilateral initiatives under the U.S.-Russia Bilateral Presidential Commission.

MAC also works to create market access through negotiations and multilateral organizations. In FY 2012, the 14th round of Trans Pacific Partnership (TPP) negotiations in Leesburg, VA successfully concluded with MAC staff providing on-site advice in the technical barriers to trade, sanitary and phytosanitary (SPS) standards, customs, rules of origin, anti-corruption, government procurement, investment, labor, and environment sections. MAC staff worked with their interagency counterparts to remove as many brackets as possible in preparation for Canada and Mexico's participation in the December negotiations. MAC staff were instrumental in drafting negotiating language in several areas, including anti-corruption, customs, and SPS. For example, MAC recommended substantially expanding anti-corruption obligations in the TPP. MAC was largely responsible for developing the robust text and working with the interagency to secure support. In the end, a joint Departments of Commerce and State proposal to USTR was made and accepted.

MAS worked to create new market access for U.S. industry through the Asia-Pacific Economic Cooperation (APEC) Environmental Goods and Services negotiations. APEC members agreed to a list of 54 environmental goods for tariff reduction during the September 2012 APEC Leaders meeting in Vladivostok, Russia. APEC leaders have agreed to reduce applied tariffs on these 54 products to five percent or less by 2015. This list encompasses a wide range of environmental technologies, from renewable energy to wastewater management, and will impact an estimated $1.2 billion worth of U.S. exports to the region.

SUMMARY OF PERFORMANCE

The Department uses the following measures to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE (ITA)	TARGET	ACTUAL	STATUS
Percent of identified unfair trade practices affecting U.S. parties addressed through informal/formal intervention of dispute settlement	20%	27%	Met
Number of new antidumping/countervailing duty petitioners counseled	50	77	Exceeded
Percent of industry-specific trade barriers addressed that were removed or prevented	20%	37%	Exceeded
Percent of industry-specific trade barrier milestones completed	55%	72%	Exceeded
Number of compliance and market cases initiated	210	227	Met
Number of compliance and market access resolved successfully	80	89	Met

THEME 1 PROGRAM EVALUATIONS

The following program evaluations were conducted on programs related to this theme in FY 2012.

BUREAU	REVIEWER	NAME OF EVALUATION	DATE	WEB SITE
NIST	Panel on Review of the Manufacturing-Related Programs at NIST, National Research Council	*A Review of the Manufacturing-related Programs at NIST*	9/2012	*http://www.nist.gov/director/nrc/upload/final-manufacturing-report2012.pdf*
NIST	GAO	*Cybersecurity: Challenges in Securing the Electricity Grid*	7/17/2012	*http://gao.gov/products/GAO-12-926T*
NIST	GAO	*Information Security: Additional Guidance Needed to Address Cloud Computing Concerns*	10/6/2011	*http://gao.gov/products/GAO-12-130T*
NIST	GAO	*Information Security: Weaknesses Continue Amid New Federal Efforts to Implement Requirements*	10/3/2011	*http://gao.gov/products/GAO-12-137*

(continued)

BUREAU	REVIEWER	NAME OF EVALUATION	DATE	WEB SITE
NIST	OIG	*Oversight Activities of NIST's Recovery Act Construction Contracts Need Improvements*	6/1/2012	*http://www.oig.doc.gov/Pages/Oversight-Activities-of-NIST-Recovery-Act-Construction-Contracts-Need-Improvement.aspx*
NIST	OIG	*Oversight Activities of NIST's Recovery Act Construction Grant Awards are Generally Effective but Need Improvements*	2/14/2012	*http://www.oig.doc.gov/Pages/Oversight-Activities-of-NIST-Recovery-Act-Construction-Grant-Awards-Are-Generally-Effective-but-Need-Improvements.aspx*

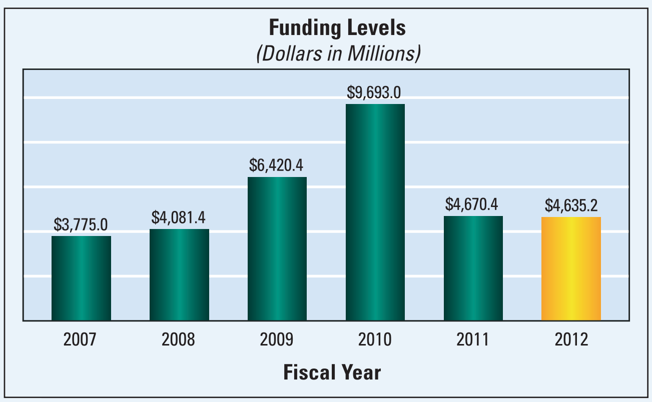
THEME 2
SCIENCE AND INFORMATION

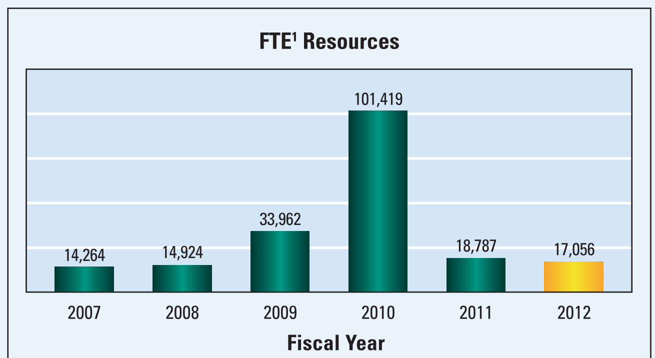
THEME, STRATEGIC GOAL, AND OBJECTIVES	
THEME 2: SCIENCE AND INFORMATION	
Strategic Goal: ***Generate and communicate new, cutting-edge scientific understanding of technical, economic, social, and environmental systems***	
Objective 13	Increase scientific knowledge and provide information to stakeholders to support economic growth and to improve innovation, technology, and public safety (NTIS, NTIA)
Objective 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)
Objective 15	Improve weather, water, and climate reporting and forecasting (NOAA)

THEME 2: SCIENCE AND INFORMATION

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

SCIENCE AND INFORMATION TOTAL RESOURCES

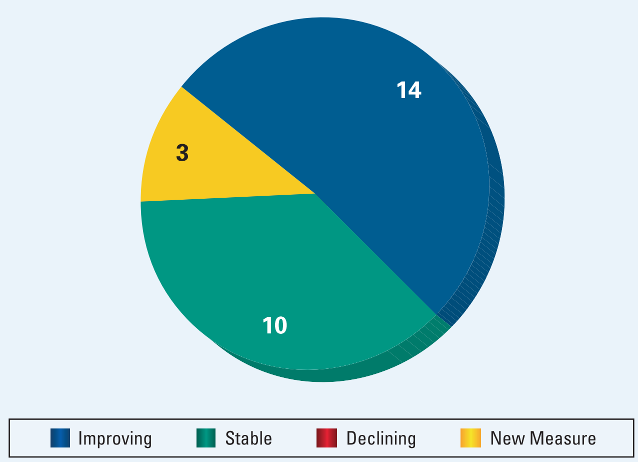




[1]FTE—Full-Time Equivalent

This theme contains one strategic goal and within that strategic goal, three objectives which contribute to the Secretary's theme of Science and Information. The following public benefits, achievements, and performance results are associated with each objective.

SCIENCE AND INFORMATION STATUS OF CURRENT MEASURES



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

OBJECTIVE 13

Increase scientific knowledge and provide information to stakeholders to support economic growth and to improve innovation, technology, and public safety (NTIS, NTIA)

PUBLIC BENEFITS

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

Through its laboratory at the Institute for Telecommunication Sciences (ITS), the National Telecommunications and Information Administration (NTIA) supports basic research in innovative telecommunications and information technologies. This research has the potential to improve both the performance of telecommunications networks and the availability of digital content on the Internet.

Currently, ITS and NTIA's Office of Spectrum Management are conducting a pilot test-bed program to evaluate approaches and techniques to increase spectrum sharing between federal and non-federal spectrum users. NTIA will publish an annual report evaluating private sector-supplied devices in the areas of emission characterization, sensor characterization, geo-location characterization, spectrum access behavior, and land mobile radio (LMR) emission characterization.

ACHIEVEMENTS

NTIA

NTIA, in coordination with the Federal Communication Commission (FCC) and the federal agencies, established a Spectrum Sharing Innovation Test-Bed (Test-Bed) pilot program to examine the feasibility of increased sharing between federal and non-federal users. This pilot program is an opportunity for the federal agencies to work cooperatively with industry, researchers, and academia to examine objectively new technologies that can improve management of the Nation's airwaves. The Test-Bed pilot program evaluates the ability of dynamic spectrum access devices employing spectrum sensing and/or geo-location techniques to share spectrum with LMR systems operating in the 410-420 megahertz (MHz) federal band and in the 470-512 MHz non-federal band. In FY 2012, NTIA reported on the progress to date and sought comments on the types and depth of testing that NTIA intends to conduct in Phase II/III of the pilot program.

In July, NTIA's ITS hosted the International Symposium on Advanced Radio Technologies (ISART), which brings together government, academia, and industry leaders for the purpose of forecasting the development and application of advanced radio technologies.

NTIS

NTIS released a new version of the National Technical Reports Library and instituted the Federal Science Repository Program to assist other federal agencies in establishing information repositories to support the dissemination of their science and technology information products to their constituents.

SUMMARY OF PERFORMANCE

The Department uses the following measures to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Number of updated items available (annual) (NTIS)	875,000	978,871	Met
Number of information products disseminated (annual) (NTIS)	49,878,000	54,592,481	Met
Customer satisfaction (NTIS)	95-98%	98.4%	Met
Annual progress report on the Test-Bed program (NTIA)	Publish annual report	Published report	Met

HISTORICAL TRENDS

NTIS has consistently met its targets for the past 10 years.

OBJECTIVE 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)

PUBLIC BENEFITS

In many ways the United States is a statistics driven society. The Nation depends on statistics provided by the Census Bureau and the Bureau of Economic Analysis (BEA) to determine business decisions, plan for geographic and economic (both national and international) expansion, provide funds to needy organizations, and determine political expansion and contraction. Accurate business information regarding the demographics of the Nation, including measures of the population, economy, and governments assists entrepreneurs in identifying market opportunities that can generate jobs. Population estimates serve as a starting point for allocating federal, state, and local funds to various groups within society.

The Economics and Statistics Administration (ESA), comprised of the Census Bureau and BEA, provides decisionmakers with timely, relevant, and accurate economic and statistical information related to the U.S. economy and population.

Current and benchmark measures of the U.S. population, economy, and governments play a vital role in the Nation's economic well being. The Census Bureau uses the decennial census to provide the official population counts for determining the allocation to states of seats in the U.S. House of Representatives and for determining how the districts are defined for those seats. The Census Bureau provides to each state the data necessary to determine Congressional, state, and local legislative boundaries. The decennial census provides comprehensive and useful demographic information about all people living in the United States, Puerto Rico, and the associated Island Areas. The program also provides data for small geographic areas and population groups that federal agencies need to implement legally mandated programs. Approximately $400 billion a year is distributed to state and local governments using formulas that are based on data such as state population and personal income.

The Economic Census provides comprehensive, detailed, and authoritative facts about the structure of the U.S. economy ranging from the national to the local level. The Economic Census covers nearly 29 million business locations and 84 percent of the Nation's economic activity. The Census of Governments is the only source of comprehensive and uniformly classified data on the economic activities of state and local governments. The Census of Governments covers about 90,000 local governments, 12 percent of the gross domestic product (GDP) and nearly 14 percent of the U.S. workforce. The Demographic Surveys Sample Redesign (DSSR) program designs and selects samples for the major national household surveys. The Intercensal Demographic Estimates program provides updated estimates of the U.S. population for the country, states, counties, cities, and townships.

BEA invests in the improvement of the accuracy and relevance of GDP, international trade in goods and services, industry economic measures, and regional and metropolitan statistics, thereby supplying the economic statistics essential to sound business forecasting and monetary policy. In these ways, the Department seeks to understand the strength and direction of the economy as well as the determinants of growth as the Nation shifts to more knowledge-based and skill-based industries.

One of the primary methods for improving the understanding of the environment is through the examination of oceanic and atmospheric conditions patterns worldwide. To this end, the National Oceanic and Atmospheric Administration (NOAA) develops and procures satellite systems, aircraft, and ships with the purpose of providing information to determine weather patterns and predict weather forecasts. This information affects all facets of society from agricultural planning to electric power usage to disaster planning. It plays a major role in the accuracy of national, regional, and local forecasting as well as impacting short and long-term climate modeling.

ACHIEVEMENTS

Census Bureau

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.

The Census Bureau released results of Coverage Measurement Program ahead of schedule. The results showed that the 2010 Decennial Census had a net overcount of 0.01 percent, meaning about 36,000 people were overcounted in the census. This sample-based result, however, was not statistically different from zero. By way of comparison, the 2000 Census had an estimated net overcount of 0.49 percent and the 1990 Census had a net undercount of 1.61 percent. The 2010 Decennial Census Program for Evaluations and Experiments (CPEX) is progressing on schedule for completion in 2013. The Census Bureau released all 2010 Census evaluation, assessment, and experiment reports scheduled for FY 2012. Its results will influence how the 2020 Census is designed, tested, and implemented.

The Census Bureau's Count Question Resolution (CQR) Program continues to research and respond to state, local and tribal area elected officials who have challenged their jurisdiction's 2010 Decennial Census counts. As of September 21, the Census Bureau has received 174 CQR challenges, of which they have completed the CQR review and responded with findings to 122 of the challenging jurisdictions.

All the three and five-year 2010 American Community Survey (ACS) data and the one-year 2011 ACS data products were released by the Census Bureau on schedule. For the first time they also released Selected Population Tables and American Indian and Alaska Native Tables to fulfill one aspect of the promise that was made to the public that the ACS would replace the decennial census long form and provide similar information. These two ACS products provide comprehensive social, economic, housing, and demographic data for hundreds of race, ethnic, tribal, and ancestry population groups that is of a level similar to the 2000 long form data. The Census Bureau also redesigned the ACS Web site to provide more information about the program and its purpose to the public and stakeholders.

During its first year of funding, the 2020 Decennial Census program identified candidate approaches for measuring and improving Master Address File quality for the 2020 Census; identified candidate approaches for automating, tailoring, and increasing the efficiencies of response for the 2020 Census; and identified infrastructure approaches for integrating, expanding, and optimizing field and information technology (IT) infrastructure for the 2020 Census. The program also updated a business plan, developed research and testing plans, and completed documentation of key program management and system engineering plans to support the first phase of research and testing (FY 2012-FY 2014).

In FY 2012, the Census Bureau released nearly 400 economic reports, including 120 principal economic indicators. Responses to censuses and surveys provide information on manufacturing, retail, and wholesale trade; selected service industries; construction activity; quantity and value of industrial output; inventories; new orders; capital expenditures; e-commerce sales; foreign trade; and state and local government activities.

In FY 2012, the 2012 Economic Census forms were finalized, and all the printing contracts were awarded for the program's core content report forms. Data collection began for the Census of Governments.

In an effort to make economic statistics more usable through census.gov, an economic indicator dashboard was created highlighting key indicators produced by the Census Bureau. The dashboard provides a quick glance of the most recent data releases, highlighting the major findings, and links to the Economic Indicator Briefing Room for more detailed information, and access to the full press releases. It is also embeddable so it can be easily shared on other Web sites as well.

The Census Bureau released its first-ever mobile application, "America's Economy," which provides constantly updated statistics on the U.S. economy, including monthly and quarterly economic indicators and trends, along with a schedule of upcoming releases. The application, which is available for Android and Apple users, combines statistics from the Department's Census Bureau and BEA, and the U.S. Department of Labor's Bureau of Labor Statistics (BLS). "America's Economy" provides smartphone and tablet users with the real-time government statistics that drive business hiring, sales, and production decisions; and assist economists, researchers, planners, and policymakers. The economic indicators track monthly and quarterly trends in industries, such as employment, housing construction, international trade, personal income, retail sales, and manufacturing.

The Census Bureau released prototype tables for an Enterprise Statistics Program in June 2012. The new tables are based on 2007 Economic Census data, and a newly developed enterprise classification system. The tables show the industrial specialization and diversification of U.S. businesses, and provide a valuable new tool for the analysis of enterprises.

In August 2012, the Census Bureau released the first ever Public Use Microdata Sample (PUMS) from the 2007 Survey of Business Owners. The PUMS will allow researchers to create customized tables and models and to study entrepreneurial activity and the relationships between business characteristics such as access to capital, firm size, employer-paid benefits, minority and women-ownership, and firm age.

In FY 2012, the Census Bureau completed several major milestones toward redesigning major demographic surveys. The first stage selection of primary sampling units (PSU) is on track for timely completion as all U.S. counties were combined into PSUs, and sampling methods were researched and programmed for implementation in early FY 2013. Also, the Census Bureau completed research on different modeling approaches to identify blocks that do not meet housing unit frame coverage requirements for reimbursable surveys using the Master Address File. This will help to optimize cost and efficiency for our sponsors starting in FY 2013.

BEA

In FY 2012, BEA continued to maintain and improve the relevance and usefulness of its economic accounts. BEA successfully advanced several collaborative projects with other agencies that resulted in new or improved statistics, including:

- linkage of BEA and BLS data to provide new data on the impact of foreign direct investment on employment and wages;
- work with the Federal Reserve Bank to provide quarterly detail in the joint BEA-Federal Reserve Bank Integrated Macroeconomic Accounts; and
- work with the Census Bureau to improve source data and seasonal adjustment methods to address statistical issues revealed by the recession.

In addition, as the recession underscored the need for better information on the distribution of income, BEA used existing economic accounts to better capture the differential impacts of the recession across households, industries, and regions.

BEA also achieved a major milestone in support of the President's export initiative by creating a new linked dataset that combines data on cross-border trade in services with data on the operations of multinational companies to provide services information with increased detail on industry classification and firm size with no additional respondent burden. BEA reached another important milestone in expanding its accounts to better measure health care, innovation, and intangibles with the development of a prototype health care spending account that illustrates how health care expenditures can be presented by type of illness and by type of commodity (e.g., inpatient care, prescription drugs, etc.). BEA explored the best methods and data sources for estimating such detail.

BEA also provided customers with major enhancements to its Web site in FY 2012. In keeping with the goal to make the statistics more widely available and the Web site easier to use, BEA made significant improvements to the content of regional economic statistics and the range of information on the operations of U.S. affiliates of foreign multinational companies that are available through the new interactive tables on BEA.gov (which were introduced in FY 2011). Furthermore, BEA launched the new "BEABlog" to augment communication with customers.

ESA provides timely and accurate economic insight to the Secretary and his policy advisors through regular economic briefings. These briefings help to inform the Department's long-term policy goals and senior staff enjoys the opportunity to hear a clear, consice summation of economic events.

NOAA

Successful Launch and Commissioning of the Suomi National Polar-orbiting Partnership (SNPP) Environmental Satellite

The SNPP spacecraft was launched on October 28, 2011, from Vandenberg Air Force Base, to begin its Earth observation mission. The initial checkout and commissioning was completed March 6, 2012. SNPP data are already used in the operational long-range weather forecast. The launch of SNPP and the successful data collection from weather and climate monitoring sensors represents 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 represents a critical first step in building this next-generation satellite system. SNPP will carry five science instruments and test key technologies for the Joint Polar Satellite System mission. SNPP 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. Economic competitiveness, human health and welfare, and global security all depend in part on the ability to understand and adapt to global environmental changes.

National Polar-orbiting Partnership (NPP) Data Exploitation (NDE) Project delivers NPP products to National Weather Service and EUMETSAT

NDE began delivering atmospheric products from Suomi NPP infrared and microwave sounders to the National Weather Service's (NWS) National Centers for Environmental Prediction (NCEP) within a few weeks after the instruments were activated in orbit. As a result, the NCEP has declared the microwave data operational in the Numerical Weather Prediction Models only five months after NDE started to receive the data. NDE has also delivered these products to EUMETSAT (Europe's Meteorological Satellite Organization), NOAA's long-term international partner, for evaluation by the European Weather Modeling Centers. NDE is a development project that generates NOAA-unique products from NPP for NWS and other operational user communities. NDE devoted additional resources to provide the necessary monitoring of NDE production to ensure the users continued to receive the products they expect from the National Environmental Satellite, Data, and Information Service (NESDIS). By delivering the products to NWS as early as two months after launch, NDE has made it possible for NWS to evaluate the microwave data and declare these data operational in the Weather Models in May 2012. This is a significant improvement over the 11 months it took for similar microwave sounding data from the last Polar-orbiting Environmental Satellite (POES) mission, NOAA 19, to be declared operational by NWS. These data enable NWS to generate improved 3-7 day weather forecasts, which in turn mitigate the loss of life and property.

NGDC Implements Satellite Anomaly Assessment Tool

The National Geophysical Data Center (NGDC) has implemented a computer-based tool to assess environmental risk factors for satellites in geostationary orbit. In 2010, NGDC determined that a debilitating anomaly experienced by the Galaxy-15 geostationary communications satellite was the likely result of heightened space weather conditions. In support of NOAA's goal for providing relevant weather and water information, NGDC has now implemented the Space Environmental Anomalies Expert System Real Time (SEAESRT) as a tool and graphical product to monitor those aspects of the space environment known to affect satellites in geostationary orbit. Using space weather data from the NOAA Geostationary Operational Environmental Satellites (GOES), the SEAESRT tool calculates hazard quotients for satellite surface charging, internal charging, single event effects, and total dose. SEAESRT was recently used to assess the likely environmental factors contributing to the SkyTerra-1 satellite anomaly that occurred on March 7, 2012. SEAESRT provides real-time assessments of space environmental vulnerabilities likely to be experienced by satellites in geostationary orbit. Knowing the root cause for a spacecraft anomaly is critical to restoring, if possible, full operational capabilities. SEAESRT can also be used to determine extreme environmental risk factors, which are used by satellite manufacturers for worst-case assessments.

Monitoring Gas Flaring with VIIRS

NGDC developed a technique for identifying and estimating the light signatures of gas flares worldwide using data collected by the Visible Infrared Imaging Radiometer Suite (VIIRS) instrument. Gas flares are identified by their intense and persistent light emission, which can be easily detected at night. Since 2005, NGDC has been using Defense Meteorological Satellite Program data to estimate national and global gas flaring volumes. Natural gas, mostly in the form of the greenhouse gas methane, is commonly released in oil production and processing. In locations where there is limited infrastructure to capture this gas for energy utilization, the industry standard is to flare (burn) it off rather than release the gas uncombusted into the atmosphere. NGDC estimate for global flaring in 2011 was 140 billion cubic meters, which is equivalent to 20 percent of U.S. natural gas consumption. In 2012, NGDC began collaborating with the California Air Resources Board to rate the carbon intensity of crude oil from oil fields around the world in support of the California Low Carbon Fuel Standard. NGDC's new technique for monitoring gas flaring with VIIRS data will play a key role in documenting reductions or changes in gas flaring activity worldwide. This activity is key to reducing the carbon intensity of crude oils produced in many parts of the world. This activity supports the World Bank's Global Gas Flaring Reduction Partnership as a part of the World Summit on Sustainable Development.

SUMMARY OF PERFORMANCE

The Department uses the following measures to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Produce timely, relevant, and accurate measures showing the dynamics of local job markets and identifying the changing structure of the U.S. economy and its effect on jobs (ESA/CENSUS)	For states that provide wage records on schedule, Census Bureau will produce Quarterly Workforce Indicators for at least 90% of those states on time every quarter	For states that provide wage records on schedule, Census Bureau produced Quarterly Workforce Indicators for at least 90% of those states on time every quarter	Met
Release monthly export statistics on schedule (ESA/CENSUS)	100%	100%	Met
Achieve pre-determined collection rates for Census Bureau censuses and surveys in order to provide statistically reliable data to support effective decision-making of policymakers, businesses, and the public (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 met/exceeded collection rates/levels of reliability	Not Met

(continued)

PERFORMANCE MEASURE *(continued)*	TARGET	ACTUAL	STATUS
Release data products for key Census Bureau programs on time to support effective decision-making of policymakers, businesses, and the public (ESA/CENSUS)	• 100% of Economic Indicators released on time • At least 90% of key prep activities completed on time	• 100% of Economic Indicators released on time • At least 90% of key prep activities completed on time	Met
Complete key activities for cyclical census programs on time to more effectively support effective decision-making by policymakers, businesses, and the public and meet constitutional and legislative mandates (ESA/CENSUS)	At least 90% of key prep activities completed on time	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
Relevance: Customer satisfaction (mean rating on a 5-point scale) (ESA/BEA)	>4.0	4.3	Met
Accuracy: Percent of GDP estimates correct (ESA/BEA)	>85%	87%	Met
Complete all major strategic plan milestones related to improving the economic accounts (ESA/BEA)	Completion of strategic plan milestones	Completed strategic plan milestones	Met

FY 2012 MISSED TARGETS

MEASURE	ACHIEVE PRE-DETERMINED COLLECTION RATES FOR CENSUS BUREAU CENSUSES AND, SURVEYS IN ORDER TO PROVIDE STATISTICALLY RELIABLE DATA TO SUPPORT EFFECTIVE DECISION-MAKING OF POLICYMAKERS, BUSINESSES AND THE PUBLIC (ESA/CENSUS)
Explanation	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.
Action	The remedy for ACES is to change the methodologiy to better capture and measure responses starting in FY 2013. The new methodology will specifically focus on factors more pertinent to the study and survey. The response rate for SIPP will be adjusted to be in line with the trend of the respondents' participation in the survey.

HISTORICAL TRENDS

Census and BEA has consistently met or achieved its targets for its four performance measures over the past several years, as shown in Appendix A.

OBJECTIVE 15

Improve weather, water, and climate reporting and forecasting (NOAA)

PUBLIC BENEFITS

Weather affects all facets of society, impacting the economy in ways ranging from agricultural preparation to transportation planning to disaster response. Accurate weather forecasting can affect the number of lives saved or lost as well as mitigate the extent of property damage as a result of weather events. Weather forecast guidance and decision support also affects how power companies plan for daily, weekly, and seasonal variances. Because of this, Americans benefit from sound weather forecasting both in their daily lives and planning, and in preparation for major storm events.

A weather-ready nation will be able to prepare for and respond to environmental events that affect safety, health, the environment, economy, and homeland security. NOAA's capacity to provide accurate and relevant information can help create a society that is more adaptive to its environment; that experiences fewer disruptions, dislocation, and injuries, and that operates a more efficient economy. Over the long term, climate change may increase the intensity and even the frequency of adverse weather events, ranging from drought and flooding to wildfires, heat waves, storms, and hurricanes. Changing weather, water, and climate conditions affect the economic vitality of communities and commercial industries, such as the energy, transportation, and agriculture sectors. Environmental information aligned with user needs will become ever more critical to the safety and well being of those exposed to sudden or prolonged hazards and will enable U.S. businesses and policymakers to make informed decisions.

NOAA conducts sound, scientific research and provides warnings, forecast, and decision support for managers of environmental resources, ranging from fresh water supplies to coastal ecosystems to air quality. Realizing that NOAA's information and services bridge weather to climate timescales, NOAA will continue to collect and analyze environmental data and issue forecasts and warnings that help protect life and property and enhance the U.S. economy. The Department is committed to excellent customer service and depends on its partners in the private sector, academia, and government to add value and help disseminate critical weather and climate information.

One of the growing challenges in the 21st century is the escalation of the demand for water and improved water and air quality. Changing water temperatures and poor air quality impact the Nation's population and its fish and shellfish populations. To this end, NOAA can combine predictive weather information with an understanding of weather, water, and climate to develop integrated predictions that can improve the health of ecosystems and communities.

ACHIEVEMENTS

First Operational Tornado Warning Issued Using AWIPS II

The first tornado warning issued using Advanced Weather Interactive Processing System (AWIPS) II was issued to Foard County, TX on March 18, 2012. Operational since 1999, AWIPS is NWS's primary system to clearly communicate hazardous weather information to decisionmakers responsible for implementing life-saving measures when catastrophic weather hits, such as the Joplin, MO and Tuscaloosa, AL tornado outbreaks. In 2011, NOAA began deployment of the software upgrade known as AWIPS II. This upgrade transforms existing AWIPS capabilities into a modern, robust software architecture. This modern software architecture lays the foundation to transform its service delivery to better align itself with the emerging needs of the U.S. Department of Homeland Security, Federal Aviation Administration, emergency managers, decisionmakers, the U.S. public and industry.

Collaboration with FEMA on Wireless Emergency Alerts

On June 28, 2012, the Federal Emergency Management Agency (FEMA) began to disseminating critical NWS warnings via Wireless Emergency Alerts (WEA) to wireless mobile devices. The WEA program, a partnership between FEMA, FCC, and commercial wireless carriers, enhances public safety by relaying presidential, AMBER alerts, and Imminent Threat alerts to millions of mobile phones. All major wireless carriers and hundreds of smaller carriers voluntarily participate in WEA. Numerous cell phones are already capable of receiving WEAs; by 2014 most commercially available phones are expected to be WEA capable. WEA messages are not subject to delay or non-delivery when cellular networks become congested as with traditional text messaging. NWS messages which trigger WEA broadcast includes tornado warnings, flash flood warnings, hurricane and typhoon warnings, extreme wind warnings, blizzard and ice storm warnings, and dust storm warnings. By the end of 2012, WEA for tsunami warnings will also be disseminated.

Lifesaving Support in Advance of and During 2012 Heat Wave

NOAA provided lifesaving advisories and warnings across the United States before and during the 2012 heat wave. Weather Forecast Offices issued 140 Excessive Heat Warnings and 521 Heat Advisories during the 2012 heat season. NOAA maintained daily contact with media and emergency managers providing up-to-date information and forecasts to ensure advanced preparation and appropriate actions were undertaken. NOAA partnered with multiple federal and private partners to provide guidance on preventive measures for avoidance of harmful exposure to excessive heat and ultra violet (UV) radiation to the Nation. Beginning in May 2012, much of the continental United States sweltered under an extreme heat wave; according to NOAA's National Climatic Data Center Extremes Archive, a total of 645 records were set for the all-time hottest June temperatures. Kansas, Illinois, Indiana, Missouri, Nebraska, New Jersey, Ohio, Oklahoma and Tennessee saw multiple days of extremes prompting emergency management officials to issue warnings for excessive heat. An all-time record was set at the Nation's capital with a daily maximum temperature reaching 104°F on June 29 making for the area's hottest June day in 142 years. NOAA began alerting the public on extreme heat danger on May 22 with the release of its annual Heat and Sun Safety Guidance Public Information Statement. During a similar heat wave in Chicago in 1995, nearly 700 people died of heat related causes. In the summer of 2012, Chicago reported a few dozen deaths, with potential fatalities averted due to advanced warning and preemptive actions such as opening cooling shelters and increased attention paid to seniors and other vulnerable populations. These efforts proved especially critical during widespread power outages that accompanied the extreme heat.

NOAA Completes Deployment of New River Forecasting System

NOAA completed deployment of its Community Hydrologic Prediction System (CHPS) to all 13 River Forecast Centers (RFC) leading to improved river forecasting. CHPS replaces the previous river forecast modeling system that was developed in the 1970s. CHPS, which is built upon modern software architecture, provides expanded and enhanced tools for water forecasting services. CHPS enables the larger hydrologic community access to NOAA's hydrologic modeling. NOAA is now able to access and leverage a wide variety of external hydrologic tools. These improvements significantly expand tools and capabilities to the RFCs and have led to improved products and services, including decision support services. CHPS enabled the Northeast RFC (NERFC) to provide critical decision support information to the New York City Department of Environmental Protection (NYCDEP), supporting construction at the Gilboa Dam. In advance of widespread heavy rain, CHPS enabled the NERFC to provide "what-if" river stage scenarios which allowed NYCDEP to make informed decisions regarding the safe removal of construction equipment and personnel prior to the heavy rains.

NOAA Upgrades Global Forecast System and Data Assimilation

In March 2012, NOAA implemented major improvements to its Global Forecast System (GFS) including a new method of data assimilation which more effectively uses the information content in observations to correct errors in forecast models. This new data assimilation system which represents one of the biggest improvements in U.S. weather and climate forecasting in a decade was developed in collaboration with the Office of Oceanic and Atmospheric Research and facilitated by the Hurricane Forecast Improvement Project team. The GFS is the foundational computer model used in the development of guidance for more than 1.5 million weather forecasts annually. Decisionmakers across the country depend on these weather forecasts to improve their planning and hazard preparedness. Advancements over the previous GFS version were also made in the model physics, post-processing, and improved quality control. Additional data from GOES East and West (GOES-13 and 15), changes in the use of global positioning system (GPS) Radio Occultation data, and use of new observations including the operational transition of the Advanced Technology Microwave Sounder data from the new Suomi NPP satellite were also incorporated. The new forecast system is anticipated to produce more accurate forecasts out to 16 days. This includes improved hurricane track forecast accuracy, general global weather predictions, and forecasts of stratospheric ozone, which affects the amount of skin damaging radiation that hits Earth's surface and also affects climate.

Sea Ice Support for Emergency Nome, Alaska Fuel Resupply

During January 2012, the U.S. Coast Guard ice-breaker HEALY successfully escorted a Russian fuel tanker delivering an emergency supply of 1.3 million gallons of winter fuel to Nome, AK. The normal winter fuel supply had been blocked by a major November winter storm then subsequently by heavy sea ice, placing Nome in danger of running out of fuel mid-winter. The earliest the next seasonal fuel supply barge would arrive would have been June 2012. NWS provided continuous decision support to U.S. Coast Guard operations beginning with daily briefing beginning in early December 2011 continuing throughout the operation until the end of January 2012. The NWS Sea Ice Forecaster worked 46 straight days and was in direct contact with the HEALY supplying special routing forecasts and satellite images daily which were critical to the mission's success. The NWS Sea Ice Forecaster collaborated with the Interagency National Ice Center, the U.S. Navy, the University of Alaska, and the U.S. Coast Guard on this effort.

NOAA Provides Decision Support for 2012 Fire Season

NOAA provided extensive decision support services enabling the Western United States to effectively manage the FY 2012 active fire season starting in late April. Because of a drier than average winter across much of the West, the 2012 fire season was the most active since 2008. The 2012 fire season was characterized by severe drought conditions and record temperature extremes from central Wyoming, southward through Arizona, Colorado and New Mexico. As early as January, NOAA began providing a seasonal outlook, focusing on the potential for significant wildfires to stakeholders and began coordinating with partners including federal, tribal, state, and local fire service providers. NOAA continued to provide daily-to-weekly updates to their partners, including the impacts of the current weather forecasts on potential wildfire conditions. NOAA has provided over 18,000 spot forecasts for wildfire management year to date, including 11,000 for prescribed burns. NOAA deployed Incident Meteorologists (IMET) as front-line support, with 167 on-site dispatches through September providing approximately 21,000 hours of direct support for these devastating fire outbreaks. On average, IMET were on site within 14 hours of request to NWS, enabling them to participate from the first stages overall Incident Management Team response to closeout. During the morning of June 12, 2012, at the Cow Camp Fire in Wyoming, a high-confidence IMET forecast of light winds resulted in implementing an aggressive tactical strategy to drop 160,000 gallons of water resulting in the protection of the towns of Hartville and Guernsey, WY. At the incident closeout, the Incident Commander commented that this action shortened the fire duration by two days. IMETs continue to serve on fires at this time, with a projected total number of deployments this year totaling 175; 35 deployments above an average year.

Weather-Ready Nation Community Pilot Projects Launched

As part of the Weather-Ready Nation (WRN) initiative, NOAA began piloting concepts for improved coordination for the emergency management community and effective response by the public and business community. These pilot projects will help set the direction for NOAA services of the future to better meet its mission to protect life and property mission. The community pilot projects launched in strategic locations in the Gulf Coast, South and mid-Atlantic were designed to improve warning and forecast services. These six community pilot projects are now operational in Silver Spring, MD; Fort Worth, TX; Sterling, VA; Slidell, LA; Tampa Bay, FL; and Charleston, WV. The pilot projects are helping these communities reach the highest level of preparedness and resilience to high-impact weather while sharing best practices and lessons learned with other NOAA offices. Each of the pilots are designed to test new service concepts laid out in the WRN Roadmap and range in focus from emergency response to integrated environmental support services. Early accomplishments of the pilot projects include a public-private partnership in Slidell where a Significant Weather Emergency Response Vehicle was acquired and equipped at no cost to taxpayers. The vehicle will be deployed at weather-dependent emergencies and incidents to better support NOAA Core Partners on location. Also, working with social scientists, in collaboration with the National Hurricane Center, the pilot projects in Slidell and Tampa Bay tested a prototype Storm Surge Warning product during Tropical Storm Debby.

NWS Prepares Workforce to Integrate Dual-Pol Radar into Nation's Warning Services

In 2012, NWS accelerated forecast staff expertise on Dual-Polarization (Dual-Pol) radar data which is critical for improved warnings and forecasts used by the public and key decisionmakers. Preliminary assessment by a team of expert forecasters indicated that a well-trained forecaster staff using Dual-Pol data is better able to identify areas of heavy precipitation over the standard radar leading to improved flash flood warnings, winter weather warnings, and warning of severe convective weather. This training success has received attention around the world with 10 other nations' meteorological agencies requesting access to this operations training for their workforce. The operational integration of Dual-Pol technology, being currently deployed to the Nation's fleet of weather radars, requires synchronization of all the interrelated components of NWS, including current operations, technology improvements, training, and service delivery by forecasters. To address the complex Dual-Pol training needs, NWS designed a comprehensive training course targeted to 1,800 Meteorologists-in-Charge, Hydrologists-in-Charge, Science and Operations Officers, Warning Coordination Meteorologists, forecasters, and hydrologists with warning responsibilities at NWS to effectively use Dual-Pol data in the development of warnings. This training program is the most comprehensive and challenging since NWS trained its workforce to effectively use the Doppler weather radar in the 1990s.

SUMMARY OF PERFORMANCE

The Department uses the following measures to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE (NOAA)	TARGET	ACTUAL	STATUS
Severe weather warnings for tornadoes (storm-based) – Lead time (minutes)[1]	13	12[1]	Slightly Below
Severe weather warnings for tornadoes (storm-based) – Accuracy (%)[1]	72%	71[1]	Slightly Below
Severe weather warnings for tornadoes (storm-based) – False alarm rate (%)[1]	72%	70%[1]	Met
Severe weather warnings for flash floods (storm-based) – Lead time (minutes)	42	57[1]	Exceeded
Severe weather warnings for flash floods (storm-based) – Accuracy (%)	74%	74%[1]	Met
Hurricane forecast track error (48 hours) (nautical miles)[1]	84	70[3]	Exceeded
Hurricane forecast intensity error (48 hours)(difference in knots)	13	14.4[3]	Not Met
Accuracy (%) (threat score) of day 1 precipitation forecasts	31%	32[1]	Met
Winter storm warnings – Lead time (hours)	19	18	Slightly Below
Winter storm warnings – Accuracy (%)	90%	83%	Not Met
Marine wind speed accuracy (%)	71%	76%[1]	Met
Marine wave height accuracy (%)	75%	77%[1]	Met
Aviation forecast accuracy for ceiling/visibility (3 mile/1,000 feet or less)(%)[3]	65%	61%[2]	Not Met
Aviation forecast FAR for ceiling/visibility (3 mile/1,000 feet or less)(%)	40%	39%[2]	Met

1 Pending collection of final data and verification and validation.
2 Pending verification and validation.
3 Beginning in FY 2007, NOAA reported the previous year's results because data is not available until February.

FY 2012 MISSED TARGETS

MEASURE	SEVERE WEATHER WARNINGS FOR TORNADOES (STORM-BASED) – LEAD TIME (MINUTES) AND ACCURACY (NOAA)
Explanation	The performance targets for tornado lead time and accuracy were set at an appropriate level, and the deviation from that level is slight. There was no effect on the overall program or activity performance.
Action	A full field deployment of the dual-polarization upgrade to the Next-Generation Radar and associated training from FY 2011-FY 2013 will aid forecasters in better diagnosing severe thunderstorm structure and will lead to better detection of airborne tornado debris in radar data in FY 2014 and beyond. Integrated Hazard Information Services software is being developed, which will allow forecasters to better manage hazardous weather warning services as well as their situation awareness. Rapid prototyping is ongoing with field deployment scheduled to begin in FY 2013.
MEASURE	**HURRICANE FORECAST INTENSITY ERROR (48 HOURS)(DIFFERENCE IN KNOTS) (NOAA)**
Explanation	NOAA set aggressive targets for hurricane intensity forcasting in FY 2011 which were not fully realized. This was based on anticipated performance improvements from the physics upgrades to the operational Hurricane Weather Research and Forecasting (H-WRF) model. FY 2011 48 hour intensity error value exceeded the 5-year average, although it fell below the target.
Action	NOAA continues to address issues contained with the H-WRF software including refining model physics. In FY 2010, NOAA's initiated its Hurricane Forecast Improvement Project (HFIP) which focuses on improving the accuracy and reliability of hurricane forecasts. The specific goals of the HFIP are to reduce the average errors of hurricane track and intensity forecasts by 20 percent. These efforts include enhanced observational strategies, improved data assimilation, numerical model systems, and expanded forecast applications. HFIP has developed a prototype hurricane forecast system which will be transitioned to operations contingent up availability of high performance computing.
MEASURE	**WINTER STORM WARNINGS - LEAD TIME AND ACCURACY (NOAA)**
Explanation	In a typical fiscal year, the number of winter weather events varies from 4,500 to 7,800. In FY 2012 the Nation experienced 3,207 winter storms. The lack of storms and near record warmth throughout the FY 2012 winter made it difficulty for NOAA's forecasters to distinguish between snow versus rain or mixed events. This resulted in reduced winter storm warning accuracy. The lack of large winter storm systems also made it difficult to warn across multiple counties, which contributed to longer lead times than during a typical winter. Despite these difficulties, the winter storm warnings lead time was missed by less than an hour; from a service perspective, the lead time still gave NOAA's users, particularly emergency managers, adequate time to prepare and to mitigate impacts—which is critical to decision support services.
Action	In FY 2013 and beyond, NWS forecasters will benefit from advanced numerical weather prediction model forecast of winter storms.
MEASURE	**AVIATION FORECAST ACCURACY FOR CEILING/VISIBILITY (3 MILE/1,000 FEET OR LESS)(%) (NOAA)**
Explanation	Instrument Flight Rules (IFR) are defined as ceiling <1,000 feet and/or visibility <3 miles. Typically, NWS forecasts IFR events more accurately during years with higher occurrences of low clouds and fog. FY 2012 was a milder than normal winter, when most events occur, and a significant drought over much of the Unitied States during the summer resulted in fewer low cloud and fog events to forecast. Fewer events to forecast result in lower performance.
Action	NWS continues to focus on detecting IFR conditions and making accurate and precise forecasts. NWS is focusing on improving Terminal Aerodrome Forecast (TAF) products at 30 busiest airports.

HISTORICAL TRENDS

Each year, NOAA's NWS typically meets or exceeds 12 of 14 Government Performance and Results Act (GPRA) measures. In FY 2012, the Nation witnessed an exceptionally dry year with over 80 percent of the Nation being impacted. FY 2012 was characterized by a low frequency of weather events, unusually high temperatures, and drought. The reduced weather event frequency led to less representative performance results. During a typical year, a larger number of weather events allow NWS forecasters to have greater situational awareness, leading to improved average weather forecasts and warnings.

Since 2010, NWS has exceeded flash flood lead time targets. NWS effected a transition from a county-based warning service to a storm-based warning service for flash floods in FY 2010 to provide more geographically-specific and accurate warning information to the public. During 2010 and 2011, the Nation had extremely wet years dominated by periods of highly predictable storm activity which was a factor in improved accuracy. As noted, FY 2012 was characterized by fewer storms and drought. At the end of FY 2012, NWS conducted a review of its past performance of flash flood lead time. Based upon this analysis, NWS has increased its targets beginning in FY 2013. NOAA's hurricane forecast track error performance has steadily improved by one to three percent since 2003; targets are routinely reassessed and adjusted to reflect these performance trends.

THEME 2 PROGRAM EVALUATIONS

The following program evaluations were conducted on programs related to this theme in FY 2012.

BUREAU	REVIEWER	NAME OF EVALUATION	DATE	WEB SITE
NOAA	GAO	*Information Technology Cost Estimation: Agencies Need to Address Significant Weaknesses in Policies and Practices*	7/2012	*www.gao.gov*
NOAA	GAO	*Polar-orbiting Environmental Satellites: Changing Requirements, Tehcnical Issues, and Looming Data Gaps Require Focused Attention*	7/2012	*www.gao.gov*
NOAA	GAO	*Geostationary Weather Satellites: Design Progress Made, but Schedule Uncertainty Needs to be Addressed*	6/2012	*www.gao.gov*
NOAA	GAO	*GAO Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue (GAO-12-342SP)*	2/2012	*www.gao.gov*
NOAA	GAO	*Change Adaptation: Federal Efforts to Provide Information Could Help Government Decision Making (GAO-12-238T)*	11/2011	*www.gao.gov*

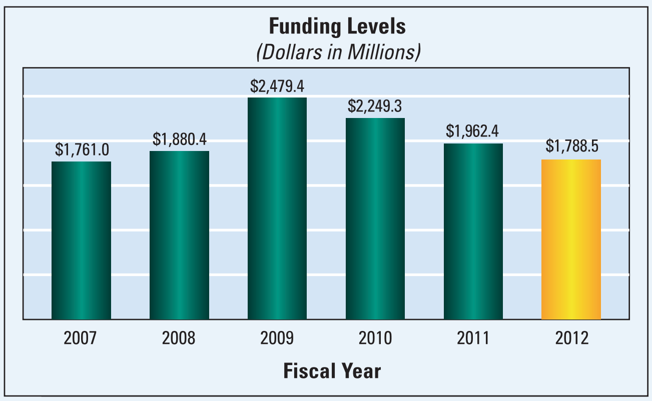
THEME 3
Environmental Stewardship

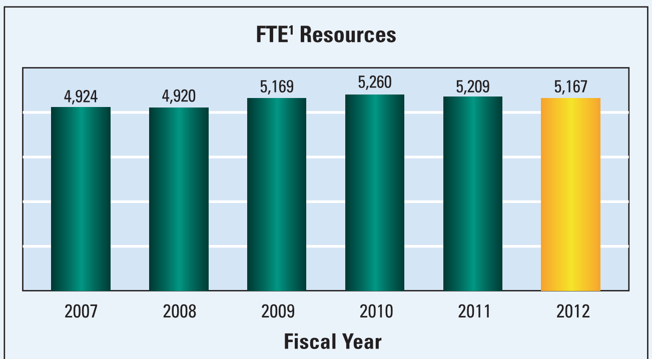
THEME, STRATEGIC GOAL, AND OBJECTIVES	
THEME 3: ENVIRONMENTAL STEWARDSHIP	
Strategic Goal: ***Promote economically-sound environmental stewardship and science***	
Objective 16	Support climate adaption and mitigation (NOAA)
Objective 17	Develop sustainable and resilient fisheries, habitats, and species (NOAA)
Objective 18	Support coastal communities that are environmentally and economically sustainable (NOAA)

THEME 3: ENVIRONMENTAL STEWARDSHIP

STRATEGIC GOAL: *Promote economically-sound environmental stewardship and science*

ENVIRONMENTAL STEWARDSHIP TOTAL RESOURCES

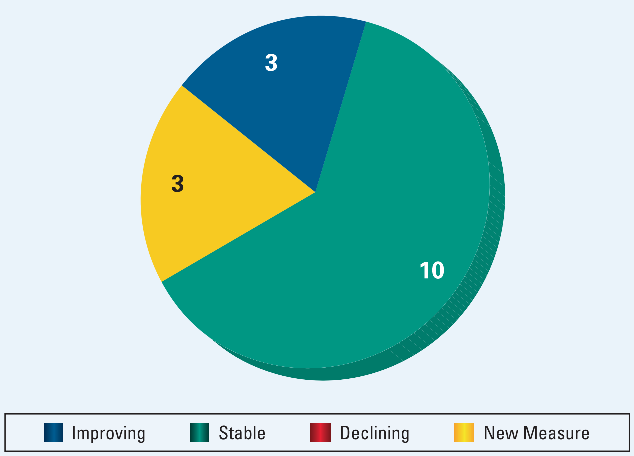




[1]*FTE—Full-Time Equivalent*

This theme contains one strategic goal and within that strategic goal, three objectives which contribute to the Secretary's theme of Environmental Stewardship, all of which are associated with the National Oceanic and Atmospheric Administration (NOAA). The following public benefits, achievements, and performance results are associated with each objective.

ENVIRONMENTAL STEWARDSHIP STATUS OF CURRENT MEASURES



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

OBJECTIVE 16

Support climate adaption and mitigation (NOAA)

PUBLIC BENEFITS

The Nation has an urgent need to advance U.S. understanding of the climate system and climate impacts so as to improve climate predictions and projections and to better inform adaptation and mitigation strategies. Key scientific uncertainties limit scientists' ability to understand and predict changes in the climate system. International, national, state, and local efforts to limit greenhouse gases require reliable information to support emissions verification, as do efforts to track climate changes and mitigate impacts. Adaptation and mitigation strategies must be informed by a solid scientific understanding of the climate system.

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

Climate-related changes projected for the future include the following:

- increased global temperatures;
- melting sea ice and glaciers;
- rising sea levels;
- increased frequency of extreme precipitation events;
- acidification of the oceans;
- modifications of growing seasons;
- changes in storm frequency and intensity;
- alterations in species' ranges and migration patterns;
- earlier snowmelt;
- increased drought; and
- altered river flow volumes.

The impacts of these changes are regionally diverse and affect numerous sectors, including water, energy, transportation, forestry, tourism, fisheries, agriculture, and human health. A changing climate is projected to increase demand for water resources and exacerbate other human impacts on fisheries and marine ecosystems, such as over-fishing, habitat destruction, pollution, and excess nutrients in coastal waters. Sea level rise is expected to amplify the effects of other coastal hazards, and rising temperatures are expected to increase invasions of non-native species. Climate change can also have a direct impact on commerce, transportation and the economy. In the Arctic, retreating sea ice is providing access for regional oil and gas development, expanding commercial fisheries northward, and opening sea routes for commerce and tourism.

These changes have profound implications for society, underscoring the need for scientific information to aid decisionmakers in developing and evaluating options for mitigating the human causes of climate change and adapting to foreseeable climate impacts. While the Nation has made significant progress in Its understanding of climate, more work is needed to improve scientific understanding, produce accurate predictions, identify risks and vulnerabilities, and inform decision-making. No single agency can do this alone; climate science, assessment, service, engagement, and education efforts require and benefit from interagency, academic, and private sector partnerships. Building on decades of strong scientific research and information and engagement with stakeholders, NOAA will advance this long-term goal by deepening its scientific understanding of climate, developing authoritative climate assessments, developing and delivering climate services at global, regional, and local scales, and improving public knowledge of a changing climate and its impacts. Given its stewardship responsibilities and expertise, NOAA will focus particularly closely on the impacts of a changing climate on weather patterns, ocean and coastal ecosystems, living marine resources, and salt and freshwater resources.

In FY 2012, NOAA continued to play a lead role in the U.S. Global Change Research Program (USGCRP) which coordinates and synergizes climate research and activities across numerous member agencies, gaining efficiencies in the process. NOAA leads the USGCRP effort to produce the National Climate Assessment which is a quadrennial compilation of the state of the climate, climate research, and assessments pertaining to the impacts of climate variability and change.

ACHIEVEMENTS

Carbon Dioxide Levels Reach Milestone at Arctic Sites

In April 2012, NOAA measured the highest concentration of carbon dioxide (CO2) ever recorded in the atmosphere of Barrow, AK, 400 parts per million (ppm). Carbon dioxide at six other remote northern sites in NOAA's international cooperative air sampling network also reached 400 parts per million at least once this spring: at a second site in Alaska and others in Canada, Iceland, Finland, Norway, and an island in the North Pacific. Measurements at all those remote sites reflect background levels of CO2, influenced by long-term human emissions around the world, but not directly by emissions from a nearby population center. Carbon dioxide, emitted by fossil fuel combustion and other human activities, is the most significant greenhouse gas contributing to climate change. By comparing these values to historical CO2 amounts, NOAA can predict future levels of CO2.

NOAA Scientists Point to Climate-protecting Potential of Montreal Protocol

NOAA Research scientists and international colleagues authored a Policy Forum on "Preserving Montreal Protocol Climate Benefits by Limiting HFCs" published in *Science* (February 24, 2012: 922-923). The Montreal Protocol's protection of the stratospheric ozone layer could have unintended impacts on climate because it has encouraged the use of chemicals called HFCs (hydrofluorocarbons) as substitutes for ozone-depleting substances such as CFCs (chlorofluorocarbons). HFCs do not deplete ozone, but they are potent climate-warming greenhouse gases, and their use is rising. The Montreal Protocol has provided some global climate protection. Many ozone-depleting substances, now phased out of production, are also greenhouse gases. The authors note the Montreal Protocol's climate benefits could be preserved if HFCs were also addressed under the protocol.

NOAA Expanded the Climate Stewards Education Project

The NOAA Climate Stewards Education Project (CSEP) expanded to include 140 educators in 40 states and the District of Columbia providing professional development and collaborative online learning to increase climate science knowledge and engage kindergarten to college and informal learners in local stewardship projects. NOAA CSEP educators completed over 1,300 contact hours of professional development in climate change science and pedagogy via Webinar and online tutorials, as well as face to face workshops hosted by the National Ocean Service and partners like the U.S. Forest Service, National Science Teachers Association, and American Meteorological Society in states and localities including Georgia, Wisconsin, Louisiana, New York, Maryland, and Washington, D.C.

"Seeing" Sea Level Rise and Improving Local Sea Level Change Scenarios

Datasets, models, visualizations, and many other resources must come into play when coastal professionals talk with communities about flood-related changes such as sea level rise. Some audiences begin to understand coastal changes only when they can visualize the impacts. For this reason the NOAA Coastal Services Center developed the Sea Level Rise and Coastal Flooding Impacts Viewer. This viewer uses local elevation data and visualization software that enables users to see, in maps and pictures, how one to six feet of sea level rise is likely to impact their coastal communities. Featured on the Digital Coast Web site, this tool has been very popular, garnering 9,760 direct Web hits between October 1, 2011, and July 20, 2012. The viewer is in year three of a four-year effort, covering a total of 98 counties or parishes in six states. The release of the viewer by region will include Webinars and meetings to ensure its application by coastal managers.

NOAA Completes Move into the Center for Weather and Climate Prediction

NOAA successfully moved into the NOAA Center for Weather and Climate Prediction (NCWCP). NCWCP is a newly-constructed, leased facility located in College Park, MD with 268,762 square feet of available space. NCWCP was a joint NOAA and General Services Administration project. This effort consolidates three current locations into one. Five of NOAA's National Centers for Environmental Prediction; two elements of NOAA's National Environmental Satellite, Data, and Information Service; and NOAA's Air Resources Laboratory will operate out of the NCWCP. The co-location of these organizations will improve programmatic integration in national weather and climate modeling and prediction product development. The NCWCP facility is currently a candidate for silver certification in the Leadership in Energy and Environmental Design (LEED) Green Building Rating System. LEED sets standards for green buildings, verifying that the building is environmentally responsible, profitable and healthy for occupants. NCWCP has environmentally-friendly features such as planted "green roofs," bio-retention areas, and a storm water cistern to collect water for irrigation.

Examining the State of the Climate in 2011

NOAA released the 2011 State of the Climate Report, which is a peer-reviewed report compiled by scientists from countries around the world. It provides a detailed update on global climate indicators, notable weather events, and other data collected by environmental monitoring stations and instruments on land, sea, ice, and in the sky. According to the report, 2011 was the coolest year on record since 2008 even though temperatures remained above the 1981–2010 average. The State of the Climate Report is peer-reviewed and published annually as a special supplement to the *Bulletin of the American Meteorological Society*. The report is part of a suite of climate services NOAA provides to government, business, and community leaders so they can make informed decisions. The National Climatic Data Center has led the annual effort to assemble the State of the Climate Report for the last 12 years. In that time, the number of contributing authors has grown from 13 in 2001 to 378 authors from every continent in 2012. Each year the report reaches a broader audience as an increasing number of businesses, groups, and individuals gather ever-growing interest and concern in the climate. Educators also use this report as a tool to teach students about various aspects of climate and climate change.

Explaining Extreme Events of 2011 from a Climate Perspective

A National Climatic Data Center scientist along with colleagues from the UK Met Office Hadley Centre and the NOAA Office of Program Planning and Integration authored a paper entitled "Explaining Extreme Events of 2011 from a Climate Perspective." The paper was published in the *Bulletin of the American Meteorological Society* and explains how the odds of extreme events have changed in response to global warming. Currently, scientists find attributing single extreme events to human-induced climate change very challenging. In the past, scientists often stated that it simply was not possible to say whether an individual weather or climate event could be attributed to climate change. However, scientists now widely accept that attributing individual weather or climate events to climate change is possible, if the probabilistic nature of doing so is properly taken into account. This paper explains which of several specific extreme events of 2011 can be attributed to human-induced climate change. By developing the ability to put recent extreme weather or climate events into the longer-term context of climate change, scientists can provide the public with the information needed to make decisions to effectively minimize and prepare for the impacts of these variations and changes in the climate system.

New Regional Climate Science Collaborations in Alaska, California-Nevada, and the Carolinas

NOAA established three new Regional Integrated Sciences and Assessments (RISA) 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 address issues expressed by regional decisionmakers and 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. The teams will support dialogue between scientists and decisionmakers through which social scientists and outreach experts can evaluate the use of climate information.

SUMMARY OF PERFORMANCE

The Department uses the following measures to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE (NOAA)	TARGET	ACTUAL	STATUS
U.S. temperature forecasts (cumulative skill score computed over the regions where predictions are made)	21	28	Exceeded
Uncertainty in the magnitude of the North American (NA) carbon uptake	0.40 GtC/year	0.40 GtC/year	Met
Error in global measurement of sea surface temperature	0.50ºC	0.56ºC	Not Met
Annual percentage of U.S. states and territories that use NOAA climate information and services to improve decision-making in the face of a changing climate	22%	22%	Met
[1] Pending final data and verification and validation.			

FY 2012 MISSED TARGETS

MEASURE	ERROR IN GLOBAL MEASUREMENT OF SEA SURFACE TEMPERATURE (NOAA)
Explanation	The primary reason for the increase is the residual effect of the unexpected short life spans for some batches of drifters. While correction procedures have been in place and more drifters have been deployed since April 2012 by the Global Drifter Program, deployments are lacking in the Southern Ocean during the Southern Hemisphere winter season. Combined with the times required for the deployed drifters to disperse to other areas from the deployment points, this resulted in more data gaps particularly in the Southern Ocean regions.
Action	With the planned enhanced deployment for the Southern Ocean region as the warmer Southern Hemisphere seasons come, combined with the farther spread of last season's deployed drifters, NOAA anticipates that the sea surface temperature GPRA results will improve.

OBJECTIVE 17

Develop sustainable and resilient fisheries, habitats, and species (NOAA)

PUBLIC BENEFITS

Ocean and coastal ecosystems provide many important human benefits, including nourishment, recreational opportunities, and support for U.S. economies. Yet ocean and coastal resources, stressed by human uses and habitat changes, are experiencing depleted fish and shellfish stocks, increased numbers of species at-risk and declining marine, coastal, and Great Lakes biodiversity. Since humans are an integral part of the ecosystem, these declines in ocean and coastal ecosystem functions and quality directly impact human health and well being. Global demands for seafood, recreational use of the marine environment, and other pressures on habitats and over-exploited species are expected to increase as a result of long-term environmental, climate, and population trends. Depleted fish stocks and declines in iconic species such as killer whales, salmon, and sea turtles result in lost opportunities for employment, economic growth, and recreation along the coasts. In addition, climate change impacts to the ocean such as sea level rise, acidification, and warming will alter habitats and the relative abundance and distribution of species as well as the productivity of coastal and marine ecosystems. This will affect recreational, economic, and conservation activities, as concerns about the sustainability of ecosystems and safety of seafood rise commensurately.

By working toward the long-term sustainability of all species, NOAA will also ensure that seafood is a safe, reliable, and affordable food source for present and future generations; that both consumptive and non-consumptive uses of living marine resources, including seafood production and recreational fishing opportunities, continue to support vibrant coastal communities and economies; and that species of cultural and economic value can flourish. Restoration of species that have declined to the point where, without intervention, they would simply die out does not occur overnight; it often requires a substantial amount of time to restore their natural habitat and their depleted levels. Native species also can be affected by the inadvertent introduction of invasive species, often through the shipping industry or through direct human release of such species. NOAA defines them as "aquatic and terrestrial organisms and plants that have been introduced into new ecosystems (i.e., Great Lakes, San Francisco Bay, Florida, Hawaii) throughout the United States and the world and are both harming the natural resources in these ecosystems and threatening the human use of these resources." Examples of recent invasive species include zebra mussels and snakeheads. NOAA will ensure that the ocean, estuarine, and related ecosystems and the species that inhabit these ecosystems are vibrant and sustainable in the face of these challenges. An ecosystem-based approach to management that accounts for the complex connections between organisms (including humans); their physical, biotic, cultural, and economic environments; and the wide range of processes that control their dynamics will assist policymakers by giving them a stronger understanding of these systems and allowing them to weigh trade-offs between alternative courses of action.

ACHIEVEMENTS

Major Management Milestone Reached for U.S. Fisheries

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. 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. During the next few years, as NOAA continues to manage fisheries under annual catch limits and completes new scientific stock assessments, it expects 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 the Nation's fisheries and fishing communities. NOAA commends 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.

Record Number of Stocks Rebuilt, Improving the Nation's Fisheries

By the close of 2011, NOAA had declared six fish stocks rebuilt—the most in a single year—and overall results showed a decrease in the number of both overfished stocks and stocks experiencing overfishing. Between December 31, 2010, and December 31, 2011, the number of overfished stocks dropped from 48 to 45, and the number of stocks experiencing overfishing dropped from 40 to 36. These results underscore the strength of NOAA's science-based management process and clearly demonstrate that the Agency is actively turning the corner on ending overfishing and rebuilding the Nation's fisheries.

Positive Results from First Year of Innovative Catch Shares Program for West Coast Groundfish

Final figures for the 2011 fishing year for the West Coast Groundfish Fishery showed successful fishing under the catch share system as reflected in a year-round fishery based on the business decisions of fishermen. In 2011, annual revenues were up by 14 percent in the non-whiting portion of the shoreside fishery compared to the historical average. Shoreside whiting landings and revenue both increased dramatically, with landings up by 40 percent and revenues up by 121 percent compared to the historical average. Buttressed by high sablefish prices and a large whiting quota, revenues in the combined fishery reached higher than average levels. These sectors combined reached a total of $54 million in 2011 compared to the 2006-2010 average of $38 million. NOAA scientists also support the fishery with timely information on fish stocks and retention. These results are promising for the groundfish resource, the fishermen, and their communities.

NOAA's Transformed Law Enforcement Provides Benefits for Protected Species, Marine Resources, and Constituents

The transition of NOAA's Office of Law Enforcement toward a more holistic approach that combines focused and effective criminal enforcement with more extensive compliance assistance, monitoring, patrols, and inspections has yielded benefits for protected species, marine resources, and constituents. For the first time, NOAA took a collaborative approach to creating its enforcement priorities, reaching out to commercial and recreational fishermen, fishery management councils and interstate commissions, federal and state enforcement partners, nongovernmental organizations, and others. As a result, NOAA adjusted the composition of its workforce such that a better balance exists between special agents and enforcement officers.

As an example of this successful approach, NOAA has made significant progress protecting endangered sea turtles. In the wake of high levels of sea turtle strandings in the Gulf of Mexico (525 documented in 2011 and 350 documented through July 15, 2012), NOAA inspected 240 shrimp trawl vessels for Turtle Excluder Device (TED) compliance from October 2011 through May 2012 and discovered 79 vessels with noncompliant TEDs. While this effort resulted in multiple warnings and violations as well as one civil penalty, NOAA personnel also helped many shrimpers comply with the TED requirements, correcting improperly installed TEDs, investigating reports of incorrect TED construction, and educating the industry on TED requirements.

NOAA Restores Access to Valuable Fish Habitat

NOAA worked with state and federal agencies and nongovernmental partners to open rivers and streams for fish and other species by removing barriers to fish passage while supporting national infrastructure and energy projects that promote economic growth. Mitigating the negative impacts of dams and other obstacles, such as water supply and diversion structures, is an important strategy for allowing migratory fish populations to return to their spawning grounds. NOAA contributions to partner programs will open more than 1,000 river miles with benefits for fish and entire riverine, coastal, and marine ecosystems. Important examples include:

- The removal of the Great Works dam on the Penobscot River in Maine;
- A new fish passage facility at the Savannah River's New Savannah Bluff Lock and Dam in South Carolina;
- Mitigation for the relicensing of the Toledo Bend Hydro Project on the Sabine River in the Gulf of Mexico river basin;
- Fish passage facilities negotiated by NOAA and partners at the Goose Creek Dam above Charleston, SC; and
- Large-scale dam removal projects on the Elwha and White Salmon rivers in Washington State.

Historic Sockeye Returns in Columbia River Basin

In 2012, the number of sockeye salmon passing Bonneville Dam was the highest in more than seven decades. Over 514,000 sockeye passed the dam in 2012, up from 386,000 in 2010. The average count for 2008 to 2012 was 295,000 fish. This increased abundance is even more impressive since the majority of these fish are wild fish from the Okanogan River, which pass nine mainstem dams, and Lake Wenatchee, which pass seven mainstem dams. High survival rates of in-river migrating smolts in recent years demonstrate positive impacts from recent improvement to fish passage and hydrosystem operations. For example, survival rates in 2010 and 2011 between Rock Island and Bonneville dams—a six-dam reach—were estimated at about 49 percent and 51 percent, respectively. Survival estimates in earlier low flow years (similar to 2010) were much lower: 15 percent in 2002 and 16 percent in 2005.

NOAA Protects Atlantic Sturgeon

On February 6, 2012, NOAA announced its decision to list five populations of Atlantic sturgeon along the U.S. East Coast under the Endangered Species Act (ESA): four as endangered and one as threatened. This listing follows a formal status review of Atlantic sturgeon in 2007 conducted by biologists from NOAA, the U.S. Geological Survey, and the U.S. Fish and Wildlife Service. Because the ESA requires consultation on actions that might affect listed species, and several Northeast fisheries are either known, or have the potential, to interact with Atlantic sturgeon, the listing triggered the need to analyze the effects on those fisheries. NOAA is working closely with partner agencies to gather the information necessary to fully assess the impacts of these fisheries on Atlantic sturgeon. Working with the New England and Mid-Atlantic Fishery Management Councils, NOAA is also identifying measures to minimize the impacts of these fisheries on Atlantic sturgeon as necessary. All nine planned fishery consultations should be finished by the end of 2012. The National Resources Defense Council petitioned NOAA to list Atlantic sturgeon and designate critical habitat under the ESA on October 6, 2009.

NOAA Achieves Key U.S. Goals in International Fora

NOAA made key contributions toward improving international management of marine resources. NOAA led the U.S. delegation to the 2012 Annual Meeting of the Inter-American Tropical Tuna Commission (IATTC) and was key to achieving a landmark international agreement that, for the first time ever, establishes catch limits for bluefin tuna in the Eastern Pacific. The IATTC adopted a catch limit of 10,000 metric tons and agreed to request that the Western and Central Pacific Fisheries Commission adopt similar measures. These catch limits are an essential step toward the sustainable management of this highly prized fish in the Pacific Ocean.

Improving Coastal Resiliency and Creating Jobs

The National Marine Fisheries Service awarded a $45 million construction contract funded by the Coastal Wetlands Planning, Protection and Restoration Act Program to restore two miles of Gulf of Mexico shoreline and 500 acres of coastal habitats on Louisiana's Pelican Island. The project largely completes a 15-year effort led by NOAA in partnership with Louisiana to restore over 12 miles of critically eroding barrier shoreline in the Barataria Basin, one of the Nation's most productive estuaries. That effort has created and protected 2,200 acres of coastal habitats while improving protection for significant energy supply infrastructure and maintaining the "first line of defense" against storm surge. The Pelican Island project uses over four million cubic yards of sediments (equivalent to filling 80 percent of the Louisiana Superdome) to re-create dune, salt marsh and other habitats important to Gulf of Mexico marine resources. Project construction is about 50 percent complete, with over 70 private sector employees providing a wide variety of marine construction, skilled labor, and supporting services. This project is part of NOAA's nationwide effort to ensure healthy habitats that sustain resilient and thriving marine resources and communities.

SUMMARY OF PERFORMANCE

The Department uses the following measures to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE (NOAA)	TARGET	ACTUAL	STATUS
Fish stock sustainability index (FSSI)	603.5	606	Met
Percentage of fish stocks with adequate population assessments and forecasts	57.4% (132/230)	56.1% (129/230)	Slightly Below
Number of protected species with adequate population assessments and forecasts	20.6% (78/378)	20.9% (79/378)	Met
Number of protected species designated as threatened, endangered, or depleted with stable or increasing population levels	28	29	Met
Number of habitat acres restored (annual)	80,007	8,242[1]	Exceeded

[1] 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.

FY 2012 MISSED TARGETS

MEASURE	PERCENTAGE OF FISH STOCKS WITH ADEQUATE POPULATION ASSESSMENTS AND FORECASTS (NOAA)
Explanation	The target of 57.4% or 132 stocks with adequate population assessments was missed by three stocks as a result of the following: ● Two new assessments (cobia and Spanish mackerel) have been completed but not yet fully reviewed and approved. They were delayed by the decision to include 2011 data and the need to revise the model, and the process was slowed by the workload of the scientific staff. ● One new assessment did not meet the adequacy requirements due to data limitations. The stock in question (skipjack tuna) is an international stock, and the survey was conducted by the Inter-American Tropical Tuna Commission, so data from multiple nations were required, and NOAA was not in charge of the assessment process. ● One existing assessment (blue king crab) was determined to be invalid due to problems with the assessment model. This effort was led by the Alaska Department of Fish and Game so NOAA was not in charge of the schedule for revision of the model.
Action	The delayed assessments for cobia and Spanish mackerel are expected to be completed in second quarter FY 2013. The revised model for blue king crab was accepted in September 2012 and will be fully implemented and the assessment finalized during FY first quarter FY 2013.

HISTORICAL TRENDS

Although the shortfalls in both FY 2011 and FY 2012 were largely related to individual assessment events, steps are being taken to address larger issues to ensure that this pattern does not turn into an ongoing negative trend. These issues include the loss of days at sea and the demand for increased frequency of assessments that are already adequate, especially in the Northeast. Individual Science Centers are working with their respective Regional Fishery Management Councils to revise assessment processes and get more stock assessments onto an expedited update schedule and streamlined review in lieu of full benchmark assessments.

OBJECTIVE 18

Support coastal communities that are environmentally and economically sustainable (NOAA)

PUBLIC BENEFITS

Coastal areas are among the most developed in the Nation, with over half the population living on less than one-fifth of the land in the contiguous United States. At over 230 persons per square mile, the population density of the near shore is three times that of the Nation as a whole. The portion of the U.S. economy that depends directly on the ocean is also large, with 13 million U.S. jobs provided by the water and transportation industry and over $800 billion in domestic trade added to the national economy in 2010. Approximately 90 million people support the travel and tourism industry along U.S. coasts every year. With its Exclusive Economic Zone of 3.4 million square miles, the United States manages one of the largest marine areas of any nation in the world. While an increasing range of uses will allow coastal communities to create diverse ocean-based economies, care must be taken to ensure continued access to coastal areas and sustained ecosystems services.

The complex interdependence of ecosystems and economies will grow with increasing uses of land, marine, and coastal resources, generating economic and environmental pressures that bear particularly heavily on the Nation's coastal communities. Maritime-dependent economies will expand in all Exclusive Economic Zone areas and coastal economies will be highly dependent on safe and efficient transportation of people and goods.

At the same time, these ecosystems will be increasingly vulnerable to environmental disruptions, such as harmful algal blooms, that can weaken coastal economies and communities by killing fish and closing beaches. Shifting patterns in weather and climate will result in coastal communities, urban centers, and economic sectors relying more heavily upon geospatial and other environmental information. The Nation's profound need for alternative energy solutions will result in more competition for land and ocean resources, adding additional challenges to sustaining environmentally and economically sustainable coastal and Great Lakes communities.

No single region better exemplifies the complex interdependence of communities and changing climate and ecosystem conditions than the Arctic. There is evidence of widespread, dramatic change in the Arctic region, with local to global implications. National security concerns are increasing as reductions in sea-ice bring opportunities for economic development and increased access to Arctic resources. The breadth and complexity of the cultural, societal, economic, and environmental impacts within this region requires a concerted, systematic, and rapid effort with partners from local to international levels.

NOAA works with its partners to achieve a balance between the use and protection of these resources to ensure their sustainability, health, and vitality for the benefit of this and future generations and their optimal contribution to the Nation's economy and society. Marine planning is a comprehensive management approach that is designed to support sustainable uses and ensure healthy and resilient ocean and coastal ecosystems. In some areas, NOAA and its partners collaboratively protect and manage critical coastal and ocean ecosystems. The National Ocean Service worked with states and localities to ensure accurate shoreline data for efficient debris cleanup.

NOAA will invigorate coastal communities and economies and lead to increased resiliency and productivity. Comprehensive planning will address competing uses to protect coastal communities and resources from the impacts of hazards and land-based pollution on vulnerable ecosystems, as well as to improve water quality and foster integrated management for sustainable uses. Geospatial services will support communities, navigation, and economic efficiency with accurate, useful characterizations, charts and maps, assessments, tools, and methods. Coastal decisionmakers will have the capacity to adaptively manage coastal communities and ecosystems with best available natural and social science. Enabling this goal are strong collaborative partnerships with regional, state, and local private and public entities that have responsibilities and interests in managing coastal communities and ecosystems. Close collaboration across goals will ensure success in meeting NOAA's strategic priorities.

NOAA's Marine Transportation System (MTS) spans ports and inland waterways across U.S. coastal waters and oceans to support commerce, recreation, and national security. MTS supports the Nation's economy, with more than 78 percent by weight and 95 percent by volume of U.S. overseas trade carried by ship. By 2020, the value of domestic maritime freight is forecasted to nearly double. MTS is increasingly vulnerable to natural and human-caused disruptions, potentially impacting the viability of the economy. Increased maritime activity can stress sensitive marine and freshwater environments and increase the risk of maritime accidents. Improving the reliability and resilience of MTS will decrease risks to the economy and the environment.

ACHIEVEMENTS

NOAA Responds to Changing Conditions in Alaska and the Arctic

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.

NOAA's Mapping and Charting Data, Products, and Services—Foundation for Applications in United States and Abroad (e.g., United Kingdom)

NOAA produces, updates, and maintains the Nation's suite of nautical charts, other public and private groups access and repackage the charts for sale. This year NOAA and the United Kingdom Hydrographic Office signed an agreement to repackage the NOAA charts and improve the distribution of these charts, especially those vessels that use UK Admiralty series. NOAA's electronic navigational charts (NOAA ENC®) that cover the approaches to the East Coast now alert mariners when they are approaching Right Whale seasonal management areas, giving them better information to plan to reduce their speeds or avoid the areas altogether. The ENCs also provide for an alarm on the ship's electronic chart display and information system as vessels enter the speed zone, further alerting the bridge watchstander of speed restrictions. NOAA's nautical charts are the backbone of today's modern computer navigation systems, both on the bridges of the largest commercial vessels and in the wheelhouses of countless boats that line local marinas from coast to coast. To continue to provide accurate nautical charting information, the FERDINAND R. HASSLER, a state-of-the-art coastal mapping vessel was recently commissioned. Ocean transportation contributes more than $742 billion to the national economy, and NOAA's effort to improve efficiencies benefits communities and industries that rely on maritime trade.

Record-Breaking Harmful Algal Bloom Forecasts in Texas and Lake Erie Algae Helps Businesses Prepare and Mitigate Impacts

Harmful algal bloom (HAB) forecasters at the Center for Operational Oceanographic Products and Services (CO-OPS) issued a final forecast in mid-February for a HAB that severely impacted the Texas coast and coastal bays over the past five months. *Karenia brevis* bloom or "red tide" may have been the longest lasting and one of the largest, extending from the southern tip of Texas to Galveston Bay. The *Houston Chronicle* reported preliminary costs to the Texas shellfish industry alone at $7 million due to this past season's HAB-related closures. Fortunately, HAB forecasts for Texas were transitioned from a research application, developed by the National Centers for Coastal Ocean Science, to routine and reliable operations at NOAA's CO-OPS just one year prior to the onset of this devastating bloom. NOAA and partners announced a new seasonal HAB forecast for Lake Erie during an event hosted by Ohio State University Sea Grant's Stone Laboratory. The seasonal forecast supplements a weekly, near-real-time forecast that helps water treatment plant operators know when to use extra carbon filtration to preserve the quality of lakeside communities' drinking water.

New Sanctuary Exploration Center in Santa Cruz Expected to Serve 150,000 Visitors a Year

NOAA's Monterey Bay National Marine Sanctuary, the City of Santa Cruz, and the National Marine Sanctuary Foundation opened the Sanctuary Exploration Center, a state-of-the-art facility full of interpretive and hands-on exhibits highlighting the sanctuary's extraordinary natural and cultural resources. More than 150,000 visitors a year are expected. The National Marine Sanctuary Foundation brought in over $3 million in private and public monies to fund the exhibits, which include the Exploration Theater, a walk through a kelp forest, an intertidal interactive display, an open-ocean mini-theater, and a replica deep-sea canyon with a remotely operated vehicle. Just steps from the ocean, the two-story, 12,387-square foot center located in Santa Cruz's famed beach area, educates visitors as they learn about NOAA's National Marine Sanctuary system, ocean conservation partners, and the vital role citizens play as ocean stewards. The Sanctuary Exploration Center also serves as a starting point for visitors to experience other facilities and on-the-water activities. NOAA and the City of Santa Cruz specified the project to be a model for sustainable, environmentally sensitive design, construction, and operation. The Sanctuary Exploration Center implemented multiple strategies during the construction process using U.S. Green Building Council's LEED criteria. The Sanctuary Exploration Center was built with the highest of green standards and is currently pursuing certification for a Gold rating.

Regional Operational Forecast System Available for the Northern Gulf of Mexico

NOAA's Office of Coast Survey and CO-OPS expanded the suite of operational Nowcast and forecast hydrodynamic models by unveiling the new Northern Gulf of Mexico Operational Forecast System developed with the NWS's National Centers for Environmental Prediction and the University of Massachusetts-Dartmouth. The system is NOAA's first regional ocean model, encompassing the shelf and coastal areas from Pensacola, FL to Corpus Christi, TX. These forecasts support mariners, port managers, and emergency response teams with present and future conditions of water levels, currents, wind, temperature, and salinity. The model includes spatial animations and time series for each parameter at nearly 100 stations across the entire Northern Gulf of Mexico region. NOAA's new Gulf of Mexico Disaster Response Center creates an unprecedented regional presence and expands federal capacity to plan for and respond to hazards in the Gulf of Mexico. In addition to the Office of Response and Restoration, the Disaster Response Center will house staff from the Office of Coast Survey, National Marine Fisheries Service, and NWS. The Disaster Response Center not only includes offices, a training room, and conference rooms, but also a large multifunction space which can be used for large trainings, meetings, emergency response operations, and drills. Training curriculum is being designed to expand the cadre of NOAA responders in the region and build a broader trained and educated response partnership across NOAA.

Coral Reef Program Collaborates on Monitoring, Mapping, and Education Efforts

In 2012, NOAA's Coral Program addressed climate-related risks to coral reefs by establishing ocean acidification monitoring equipment in one-third of the six Coral Triangle countries to support the U.S. Agency for International Development's U.S. Coral Triangle Initiative. In addition, the program advanced near-real-time satellite monitoring of ocean temperatures to provide higher spatial resolution products to more accurately predict mass coral bleaching events and monitor thermal stress at scales specific to coral reefs. To further support marine protected area management capacity and address/reduce impacts of land based sources of pollution, NOAA's Coral Program responded to a request from Puerto Rico's Coastal Zone Management Program and partnered with the Caribbean Fisheries Management Council, the U.S. Coast Guard, and academia to map Puerto Rico's Northeast Great Reserve, a recently established marine protected area. The program also launched NOAA Reef Smart in Puerto Rico, an education initiative designed to engage students, stakeholders, and policymakers and increase their awareness of NOAA's coral reef ecosystem research. The Reef Smart initiative also helped foster discussions about ways NOAA's existing technology, data, and expertise can be leveraged to support the needs of local managers in coral reef priority areas.

Historic 19th Century Shipwreck Discovered in Northern Gulf of Mexico

During a 2012 expedition in the Gulf of Mexico, NOAA Research, Department of Interior's Bureau of Ocean Energy Management, and partners discovered a historic wooden-hulled vessel which likely sank at least 200 years ago. Scientists on NOAA's OKEANOS EXPLORER ship used underwater robots with lights and high definition cameras to view remnants of the wreck: anchors, navigational instruments, glass bottles, ceramic plates, cannons, and boxes of muskets. Equipped with telepresence technology, OKEANOS EXPLORER reached audiences around the world who participated in the expedition through live streaming Internet video.

High Frequency Radar Efforts Advance Globally and Technically

The Group on Earth Observations recently launched an effort to develop a global High Frequency Radar (HFR) network, with short and long-term deliverables. HFR systems measure surface current speed and direction in near real time to benefit search and rescue, oil spill response, harmful algal bloom monitoring, water quality assessments, ecosystem assessments, and fisheries management. Long-term goals of the global effort include: make HFR data available in a single, standardized format in near real time; develop a worldwide quality assurance and control standard; develop easy-to-use standard products; assure HFR data assimilation in ocean and ecosystem modeling; and develop emerging uses of HFR in the areas of ecosystem, tsunami, and climate.

NOAA-Funded Researchers Find Caffeine in Pacific Northwest Coastal Waters

A July 2012 NOAA-funded study reveals that traces of caffeine in Pacific Northwest waters point to septic tanks and sewer overflows as likely source. Results of the study, funded in part by Oregon Sea Grant and NOAA, were published in the Marine Pollution Bulletin. This research, the first to look at caffeine contamination off the Oregon coast, found elevated levels of caffeine at several sites in Pacific Ocean waters off the coast of Oregon—though not necessarily where researchers expected. The study found high caffeine levels near Carl Washburne State Park in Florence, and at Cape Lookout—two areas not near the potential pollution sources. Meanwhile, the researchers also measured low levels of caffeine near large population centers like Astoria/Warrenton and Coos Bay. They also found that caffeine levels spiked following a late-season storm of wind and rain that triggered sewer overflows. The results suggest that wastewater treatment plants are effective at removing caffeine, but that high rainfall and combined sewer overflows flush the contaminants out to sea. The results also suggest that septic tanks, such as those used at the state parks, may be less effective at containing pollution.

SUMMARY OF PERFORMANCE

The Department uses the following measures to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE (NOAA)	TARGET	ACTUAL	STATUS
Annual number of coastal, marine, and Great Lakes ecological characterizations that meet management needs	51	51	Met
Cumulative number of coastal, marine, and Great Lakes issue-based forecasting capabilities developed and used for management	55	58	Met
Percentage of tools, technologies, and information services that are used by NOAA partners/customers to improve ecosystem-based management	88%	88%	Met
Annual number of coastal, marine, and Great Lakes habitat acres acquired or designated for long-term protection	69,550	8,694,070[1]	Exceeded
Percentage of U.S. coastal states and territories demonstrating 20% or more annual improvement in resilience capacity to weather and climate hazards (%/year)	34%	46%	Exceeded
Hydrographic survey backlog within navigationally significant areas (square nautical miles surveyed per year)	2,200	2,947	Met
Percent of U.S. and territories enabled to benefit from a new national vertical reference system for improved inundation management	20.0%	23.9%	Met

[1] 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. A total of 8,691,840 acres make up the sanctuary expansion.

THEME 3 PROGRAM EVALUATIONS

The following program evaluations were conducted on programs related to this theme in FY 2012.

BUREAU	REVIEWER	NAME OF EVALUATION	DATE	WEB SITE
NOAA	GAO	*Endangered Sea Turtles: Better Coordination, Data Collection, and Planning Could Improve Federal Protection and Recovery Efforts*	1/2012	*www.gao.gov*

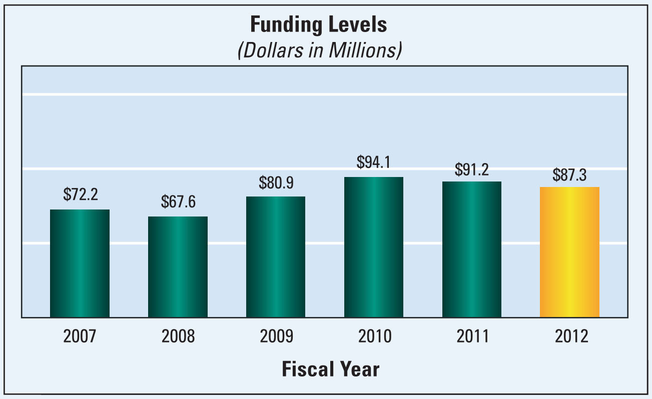
THEMES 4, 5, AND 6
MANAGEMENT THEMES

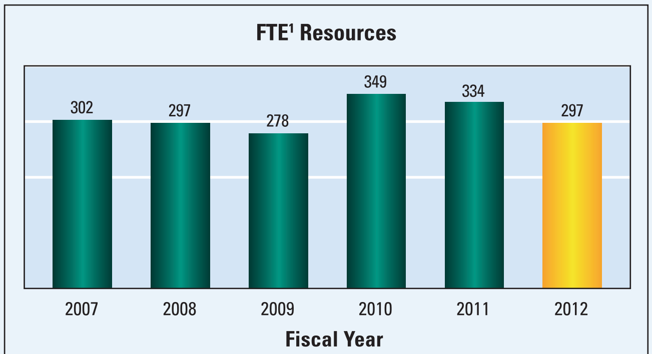
THEMES, STRATEGIC GOALS, AND OBJECTIVES	
THEME 4: CUSTOMER SERVICE	
Strategic Goal: ***Create a culture of outstanding communication and services to our internal and external customers***	
Objective 19	Provide streamlined services and a single point of contact assistance to customers, improving interaction and communication through CommerceConnect, partnerships, and other means of stakeholder involvement (DM)
Objective 20	Promote information access and transparency through the use of technology, fuller understanding of customer requirements, and new data products and services that add value for customers (DM)
Objective 21	Provide a high level of customer service to our internal and external customers through effective and efficient functions implemented by empowered employees (DM)
THEME 5: ORGANIZATIONAL EXCELLENCE	
Strategic Goal: ***Create a high-performing organization with integrated, efficient, and effective service delivery***	
Objective 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)
Objective 23	Re-engineer key business processes to increase efficiencies, manage risk, and strengthen effectiveness (DM)
Objective 24	Create an IT enterprise architecture that supports mission-critical business and programmatic requirements, including effective management of cyber security threats (DM)
THEME 6: WORKFORCE EXCELLENCE	
Strategic Goal: ***Develop and support a diverse, highly qualified workforce with the right skills in the right jobs to carry out the Department's mission***	
Objective 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)
Objective 26	Create an optimally-led Department by focusing on leadership development, accountability, and succession planning (DM)
Objective 27	Provide an environment that empowers employees and creates a productive and safe workforce (DM)

MANAGEMENT THEMES (THEMES 4, 5, AND 6)

Below is a summary of the following three management themes: Customer Service, Organizational Excellence, and Workforce Excellence. After this summary are individual sections for each of the themes.

MANAGEMENT THEMES TOTAL RESOURCES





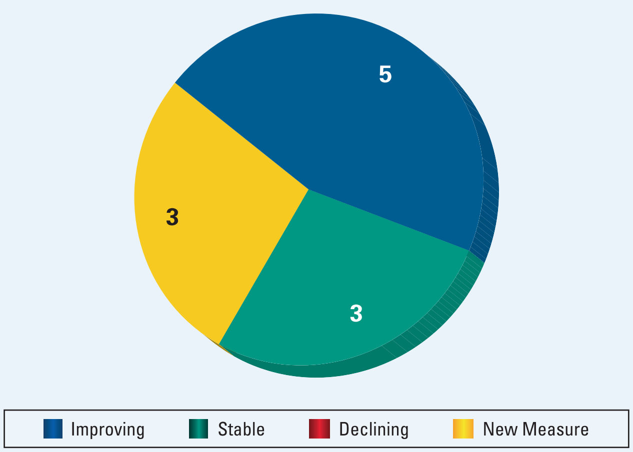
[1]*FTE—Full-Time Equivalent*

As U.S. society becomes increasingly oriented toward using electronic means of communication and information dissemination, federal agencies must ensure that they continue to be as responsive as possible to the needs of the public, the private sector, other levels of government, and other federal agencies.

Departmental Management (DM) must promote leading-edge technologies, collaboration, and technology transformation across the Department, ensuring alignment with mission requirements, goals, and objectives in order to deploy and maintain systems able to perform at the highest levels.

Achieving organizational and management excellence is a goal that requires extensive interaction and coordination among entities throughout the Department. DM—consisting of the Offices of the Secretary, Deputy Secretary, Chief Financial

MANAGEMENT THEMES STATUS OF CURRENT MEASURES



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

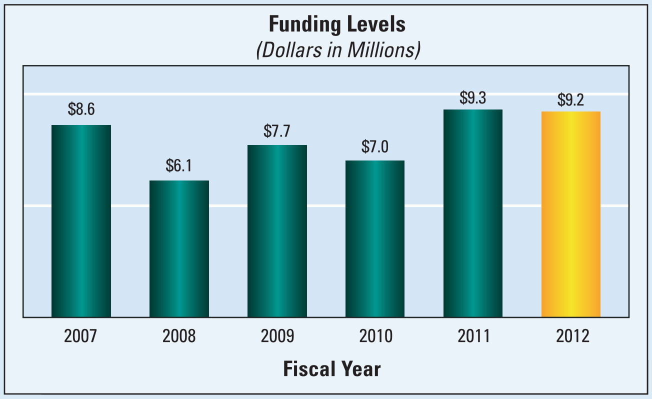
Officer (CFO) and Assistant Secretary for Administration (ASA), Chief Information Officer (CIO), and General Counsel—provides the policies and guidelines that support the management infrastructure the Department needs to carry out its mission.

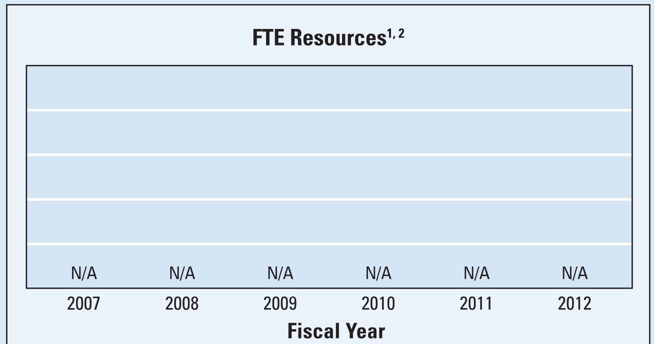
The Department must have the capacity to do business with the public and its partner agencies, as both a more than $8 billion worldwide enterprise, and an integrated set of individual programs. This requires that it identify, adopt, and maintain business practices essential to successful operations; use its resources wisely; and effectively implement the laws that affect it. In order to ensure the accomplishment of its mission, the Department has developed and put into place policies and programs designed to enable the successful operation of its units, the effective and efficient use of both material and human resources, and the implementation of laws and regulations that govern the use of those resources.

THEME 4: CUSTOMER SERVICE

Strategic Goal: *Create a culture of outstanding communication and services to our internal and external customers*

CUSTOMER SERVICE TOTAL RESOURCES





[1]FTE—Full-Time Equivalent
[2]DM and OIG FTEs are shown in Theme 5, Organizational Excellence.

This strategic goal is comprised of the following three objectives which contribute to the Secretary's theme of Customer Service and all of which are associated with DM.

OBJECTIVE 19

Provide streamlined services and a single point of contact assistance to customers, improving interaction and communication through CommerceConnect, partnerships, and other means of stakeholder involvement (DM)

OBJECTIVE 20

Promote information access and transparency through the use of technology, fuller understanding of customer requirements, and new data products and services that add value for customers (DM)

OBJECTIVE 21

Provide a high level of customer service to our internal and external customers through effective and efficient functions implemented by empowered employees (DM)

The following public benefits, achievements, and performance results are associated with each objective.

PUBLIC BENEFITS

Through its CommerceConnect initiative, the Department provided a one-stop approach to expose businesses to the array of programs, services, and data available from the federal government. CommmerceConnect teamed up with partner bureaus, and other federal and local agencies to develop and improve the delivery of programs that met business needs, and identified existing programs to better target areas of business needs.

CommerceConnect acted as a one-stop touch point for the entire Department by matching businesses and referring them to the Department's more than 70 programs, services, and resources. The goal was simple: help emerging entrepreneurs and established companies around the country overcome challenges, exploit opportunities, and connect to the right resources to advance their objectives.

The Department initiated CommerceConnect to transform government and breakdown bureaucratic silos. The initiative fostered customer service to U.S. business enterprises and interagency collaboration. CommerceConnect provided assistance to U.S. businesses through a Web-based portal, call center, stand alone field office, and bureau field offices. The assistance portals were fully integrated with a customer relationship management system to track customer service and performance metrics, respecting business privacy.

ACHIEVEMENTS

On October 28, 2011, the President issued a memorandum entitled, "Making it Easier for America's Small Businesses and America's Exporters to Access Government Services to Help Them Grow and Hire" and directed the adoption of a "No Wrong Door" policy that uses technology to quickly connect businesses to the services and information relevant to them, regardless of which agency's Web site, call center, or office they go to for help. The President directed the U.S. Department of Commerce and the U.S. Small Business Administration to lead this federal-wide initiative. CommerceConnect was selected as the Department's lead unit to oversee the implementation, development, and operations of BusinessUSA. CommerceConnect maintained limited operations through FY 2012 and transitioned to become BusinessUSA and oversaw the Program Management Office. The transition began in December 2011 and was completed by the end of the fiscal year.

BusinessUSA expanded the Department's customer service initiative. BusinessUSA streamlined access to enterprise assistance resources across the entire federal government by launching a new online platform, Business.USA.gov, to help small businesses and exporters of all sizes find information about available federal programs without having to waste time and resources navigating the federal bureaucracy.

The Business.USA.gov Web site was created with the customer in mind. BusinessUSA reached out to businesses and sought input as to what they would like to see from a Web site when it comes to finding federal government resources. Their feedback led to the creation of dynamic functionality in the Business.USA.gov Web site including: robust search engines, five content category "swim" lanes, dynamic content sorting and filtering, direct contact information for program resources, related resources, discoverable events, state and local resources, and more.

BusinessUSA combined information and services from 10 different government agencies through one consolidated Web site. It greatly enhanced the Department's capability to promote more resources to customers. It also multiplied the number of business-related resources to nearly 1,000 federal-wide, state and local resources by the end of FY 2012. In addition, over 100 success stories were captured online and nearly 4,000 local business events were captured and promoted via Business.USA.gov. Although the BusinessUSA Web site was officially launched on February 17, 2012, it had over 1.5 million pages viewed, with nearly 560 thousand unique visitors, and recorded an average use time of nearly 6.5 minutes on the site.

CommerceConnect also transitioned its former call center operations to a new BusinessUSA Contact Center at 1-800-FED-INFO. The new contact center is designed to compliment BusinessUSA and support caller questions and emails received. The new contact center will also implement a phased approach to conducting "warm hand-offs" between the contact center and partner agencies beginning in FY 2013.

The Department's participation in BusinessUSA helped improve information sharing to promote open and transparent access to information generated by the Department and bureaus. The Department fostered a culture of information sharing to promote outstanding customer service by using new tools, such as social media to provide timely information sharing; providing single point of contact assistance to customers; and promoting access to information that meets Department customers' needs.

- Develop the use of new tools, such as social media, to provide timely information sharing both inside and outside of the Department and bureaus. This may be achieved through integration of these tools into existing information dissemination processes.
- Provide single point of contact assistance to customers. This is achieved by understanding customer requirements, communicating clearly with Department customers, and following up with partners and customers to ensure that customers get the level of service they expect.
- Promote information access. This is achieved by understanding customer requirements, and then applying existing technology as well as creating new data products and services to meet customer requirements.

In addition to developing a culture of information sharing and a single point of access for customers, the Department used its open government initiative to improve transparency, collaboration, and cooperation with the public and across all levels of government.

In seeking to develop a culture which emphasizes outstanding customer service, a variety of strategies were developed and measured using a strategic planning and management system known as the Balanced Scorecard. The Department-wide strategies included the following:

- Provide integrated services and single point of contact assistance to customers. This may be achieved through enhanced stakeholder involvement, by means of improved interaction and communication using techniques such as partnerships and branding (see Objective 19).
- Promote information access. This may be achieved by establishing an understanding of customer requirements, and then applying existing technology as well as creating new data products and services to deliver added value to customers (see Objective 20).
- Establish the Department's open government initiative to improve transparency, collaboration, and cooperation with the public and across all levels of government (see Objective 20).
- Implement BusinessUSA (formerly CommerceConnect) to provide businesses and entrepreneurs with a single source for economic, technology, trade, and statistical information (see Objective 19).
- Re-engineer key business processes in accordance with the President's Government-wide Hiring Reform Initiative to increase efficiencies and strengthen effectiveness (see Objective 25).
- Improve risk management and reduce Department exposure to high-risk contracts (see Objective 23).

SUMMARY OF PERFORMANCE

The following three measures apply to Objectives 19, 20, and 21.

PERFORMANCE MEASURE (DM)	TARGET	ACTUAL	STATUS
Number of referrals made	1,100	703	Not Met
Number of companies engaged – field operations	400	401	Met
Number of existing Commerce field locations	30	19	Not Met

CommerceConnect reports partial accomplishment of its annual performance goals due to a strategic shift in priorities and objectives that occurred during FY 2012. CommerceConnect was identified as the Department's lead unit to oversee the implementation, development, and operations of BusinessUSA, a new federal-wide initiative.

CommerceConnect began BusinessUSA work assignments on October 28, 2011. It supported itself and BusinessUSA throughout FY 2012 while executing a progressive shift in work priorities, resulting in a full transition by end of FY 2012. During the transition, staff continued to serve customers through a new virtual platform at business.usa.gov.

The original performance measures were determined to be insufficient and were no longer tracked prior to mid-year. Subsequently, the development of new performance measures were initiated and completed by the end of FY 2012.

The table above represents substantive, yet partial year performance achievements for CommerceConnect including:

- 63 percent of goal accomplished for Number of Referrals Made;
- 100 percent of goal accomplished for Number of Companies Engaged – Field Operations; and,
- 63 percent of goal accomplished for Number of Existing Commerce Field Locations.

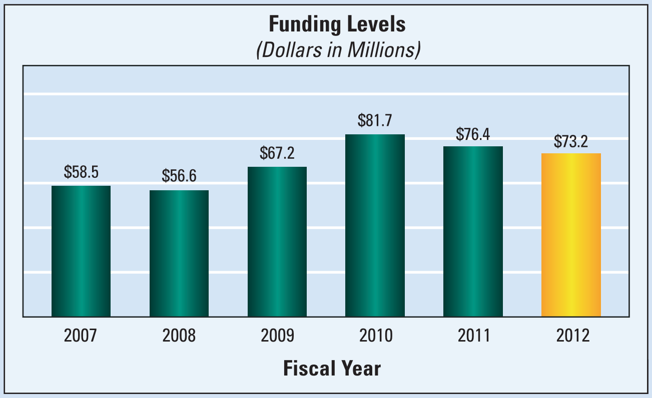
FY 2012 MISSED TARGETS

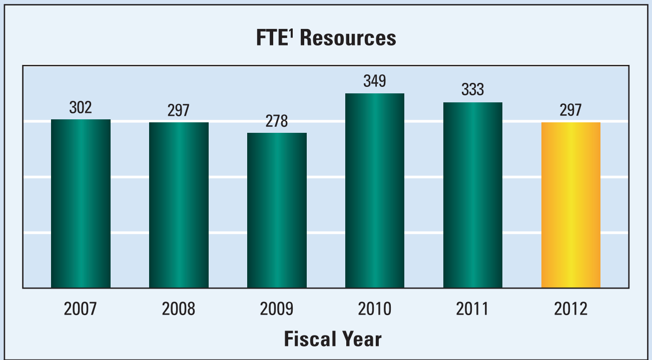
MEASURE	NUMBER OF REFERRALS MADE (DM)
Explanation	Strategic transition from CommerceConnect to BusinessUSA occurred during FY 2012. New BusinessUSA performance measures were developed and identified for release in FY 2013.
Action	New performance measures and targets established for BusinessUSA and will be reported for FY 2013 and beyond.
MEASURE	**NUMBER OF COMPANIES ENGAGED – FIELD OPERATIONS (DM)**
Explanation	Strategic transition from CommerceConnect to BusinessUSA occurred during FY 2012. New BusinessUSA performance measures were developed and identified for release in FY 2013.
Action	New performance measures and targets established for BusinessUSA and will be reported for FY 2013 and beyond.
MEASURE	**NUMBER OF EXISTING COMMERCE FIELD LOCATIONS (DM)**
Explanation	Strategic transition from CommerceConnect to BusinessUSA occurred during FY 2012. New BusinessUSA performance measures were developed and identified for release in FY 2013.
Action	New performance measures and targets established for BusinessUSA and will be reported for FY 2013 and beyond.

THEME 5: ORGANIZATIONAL EXCELLENCE

STRATEGIC GOAL: *Create a high-performing organization with integrated, efficient, and effective service delivery*

ORGANIZATIONAL EXCELLENCE TOTAL RESOURCES





[1]FTE—Full-Time Equivalent

This theme is comprised of three objectives which contribute to the Secretary's theme of Organizational Excellence. The following public benefits, achievements, and performance results are associated with each objective.

OBJECTIVE 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)

PUBLIC BENEFITS

DM strengthens financial and non-financial internal controls within the Department by conducting the Office of Management and Budget (OMB) Circular A-123 financial internal controls assessments annually, performing non-financial management internal controls reviews on selected sensitive programs, overseeing the development of corrective action plans to address any identified weakness, and continuously monitoring the progress made on corrective actions.

The Office of Inspector General (OIG) improves Departmental programs and operations through independent and objective oversight and detects and deters fraud, waste, and mismanagement. As required by statute, the OIG's annual *Top Management Challenges* report presents the Secretary with an objective analysis of the major issues and areas of greatest program risk facing the Department.

As part of its mission, the OIG keeps Departmental decisionmakers and Congressional stakeholders informed of longstanding as well as emerging problems identified through its audits and investigations so that timely corrective action can be taken. In addition to areas identified in its *Top Management Challenges* report, the OIG performs audits required by law (such as the Federal Information Security Management Act of 2002 (FISMA)); of interest to Congress, the Secretary, or the current Administration; and/or based on significant issues uncovered during a previous review or when a program or office is determined to be higher risk. OIG criminal, civil, and administrative investigations continue to disclose instances of misconduct by employees, contractors, and grantees that threaten the integrity of the Department's programs and operations.

ACHIEVEMENTS

In FY 2012, OIG issued 30 audit and evaluation reports addressing programs overseen by the Economics and Statistics Administration (ESA), International Trade Administration (ITA), National Institute of Standards and Technology (NIST), National Oceanic and Atmospheric Administration (NOAA), National Telecommunications and Information Administration (NTIA), U.S. Patent and Trademark Office (USPTO), and the Department itself. Many of its products addressed issues identified in the *Top Management Challenges* report: cost reductions and operations improvements, oversight of resources for long-term benefits, Department-wide information security, and acquisitions and contracting. Among the areas that underwent OIG scrutiny were USPTO's backlog of *ex parte* appeals, NTIA's American Recovery and Reinvestment Act-funded Broadband Technology Opportunities Program, compliance with improper payment requirements, FISMA and Web security management audits, managing risks in the acquisition and development of the next generation of environmental satellites, and the Department's Acquisition Human Capital Plan and its Office of Acquisition Management.

During FY 2012, the OIG examined 374 audit reports prepared by independent public accountants and local, state, and other federal auditors for recipients of grants from multiple bureaus. The OIG identified $2.9 million in the federal share of questioned costs and $229,000 in funds to be put to better use from these audit reports.

Most significant was the $112.6 million in financial benefits identified by OIG audit and evaluation recommendations, which far surpassed this year's target of $30 million. The OIG's review of NOAA's cost-plus-award-fee and award-term processes accounted for $104.7 million of this amount. Going forward, Department bureaus will be able to increase efficiency and effectiveness by implementing action plans that respond to OIG's findings and recommendations.

On the investigative front, the OIG participated in criminal and civil cases that resulted in financial recoveries to the government totaling more than $63.2 million. Additionally, the OIG conducted investigations that resulted in numerous judicial and administrative actions. Among these successes were the guilty pleas from two NOAA grant recipients for theft, the indictment of an NTIA grant recipient for fraud and theft, a guilty plea from a Georgia resident who assaulted a Census enumerator, and a 23-year prison sentence given to a former Census Bureau employee for attempted murder. The OIG also issued multiple investigative reports with findings and recommendations resulting in programmatic and policy changes at NOAA, NIST, and Department management. Also, the Inspector General issued a letter, co-signed by the Census Bureau Director, to all law enforcement agencies nationwide noting the risk of physical harm faced by Census workers and encouraging investigation and prosecution of reported assaults on Census employees.

Department-related hotline complaints increased significantly in FY 2012, and the OIG developed several initiatives to improve complaint handling and to provide guidance and assistance to bureaus conducting fact-finding inquiries in response to OIG complaint referrals. These efforts have helped to increase awareness in the Department regarding the role of the OIG, and its commitment to whistleblower protection.

SUMMARY OF PERFORMANCE

The Department uses the following measures to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Provide accurate and timely financial information and conform to federal standards, laws, and regulations governing accounting and financial management (DM)	• Eliminate any significant deficiency within 1 year of determination that there is a significant deficiency • Complete FY 2012 A-123 assessment of internal controls	• Did not eliminate significant deficiency • Completed A-123 assessment	Not Met
Effectively use commercial services management (DM)	• Increase use of competition by 2% measured by procurement dollars awarded • Decrease procurement dollars awarded on cost-reimbursement, time and materials, and labor hour contracts by 10%	• 1% increase • 16% decrease	Slightly Below
Percent of OIG recommendations accepted by Departmental and bureau management (OIG)	95%	90%[1]	Slightly Below
Dollar value of financial benefits identified by the OIG (OIG)	$39.0M	$175.8M	Exceeded
Percent of criminal and civil matters that are accepted for prosecution (OIG)	75%	40%	Not Met

[1] Estimate.

FY 2012 MISSED TARGETS

MEASURE	PROVIDE ACCURATE AND TIMELY FINANCIAL INFORMATION AND CONFORM TO FEDERAL STANDARDS, LAWS, AND REGULATIONS GOVERNING ACCOUNTING AND FINANCIAL MANAGEMENT (DM)
Explanation	This measure was partially met since the Department had completed FY 2012 A-123 Assessment of Internal Controls, but did not eliminate the significant deficiency finding related to NOAA Satellite Programs. As a result of delays encountered by NOAA for the corrective actions as planned and identification of new findings related to the satellite programs, this significant deficiency has been elevated to a material weakness in the FY 2012 Financial Statements Audit.
Action	Discussions are in progress both at the Departmental and bureau level to ensure additional corrective actions and monitoring needed to properly address the areas of findings. The Department will continue its effort to eliminate repeat findings in FY 2013.
MEASURE	**EFFECTIVELY USE COMMERCIAL SERVICES MANAGEMENT (DM)**
Explanation	Actual increase of one percent. Reason target was missed: there were some large dollar procurements that did not lend themselves to competitive procedures..
Action	None.
MEASURE	**PERCENT OF OIG RECOMMENDATIONS ACCEPTED BY DEPARTMENTAL AND BUREAU MANAGEMENT (OIG)**
Explanation	The performance target was set at an approximate target level, and the deviation from that level is slight.
Action	None.
MEASURE	**PERCENT OF CRIMINAL AND CIVIL MATTERS THAT ARE ACCEPTED FOR PROSECUTION (OIG)**
Explanation	The Inspector General Act of 1978 states, "each Inspector General *shall* report expeditiously to the Attorney General whenever the Inspector General has reasonable grounds to believe there has been a violation of Federal criminal law." This means the OIG is required to refer matters even when our experience leads us to believe the matter will not be accepted for prosecution. Department of Justice (DOJ) acceptance depends on considerations, including individual U.S. Attorney's Office prosecutive priorities, monetary thresholds, and workload, in addition to other factors such as availability and appropriateness of administrative remedies.
Action	Notwithstanding DOJ acceptance considerations, improvement in case selection and management—with emphasis on developing grant and contract cases viable for criminal and civil prosecution—should enable future target attainment.

HISTORICAL TRENDS

The OIG will continue to work to meet targets and address shortfalls identified in FY 2012.

OBJECTIVE 23

Re-engineer key business processes to increase efficiencies, manage risk, and strengthen effectiveness (DM)

PUBLIC BENEFITS

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

ACHIEVEMENTS

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

Acquisition is one of the key areas in terms of re-engineering key business processes. The Office of Acquisition Management achieved the following results in FY 2012:

- Established a Procurement Performance Excellence Office to sustain existing strategic sourcing cost reduction savings and implement new initiatives to drive additional efficiencies;
- Developed a Scalable Acquisition Project Management Framework to serve as the infrastructure to an integrated acquisition project management system to institute a systematic approach to overseeing and managing acquisitions; and
- Increased the focus on acquisition planning in order to maximize competition and create more effective acquisition strategies.

SUMMARY OF PERFORMANCE

The Department uses the following measure to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE (DM)	TARGET	ACTUAL	STATUS
Obligate funds through performance-based contracting (% of eligible service contracting $)	50%	45%	Not Met

FY 2012 MISSED TARGETS

MEASURE	OBLIGATE FUNDS THROUGH PERFORMANCE-BASED CONTRACTING (% OF ELIGIBLE SERVICE CONTRACTING $) (DM)
Explanation	Not all requirements lend themselves to performance-based contracting. Successful implementation of performance-based contracting requires a behavioral management approach. Due to staffing shortages, resources have not been available to assist bureaus and program offices with a better understanding and implementation of performance-based contracting.
Action	Implementation of the Acquisition Project Management Framework will be used to help identify requirements suitable for performance-based contracting.

HISTORICAL TRENDS

DM has consistently missed this target due to the reasons noted in the explanation above.

OBJECTIVE 24

Create an IT enterprise architecture that supports mission-critical business and programmatic requirements, including effective management of cyber security threats (DM)

PUBLIC BENEFITS

The benefits of this objective are both internal and external. By having a strong information technology (IT) enterprise architecture, the Department ensures the security of information both within its own structure and with outside stakeholders. The priorities driving the achievement of this objective are to (1) improve the effectiveness of IT investments and resources across the Department, (2) strengthen cyber security through an increased use of security technologies, and (3) increase collaboration across bureaus using the Department CIO community.

The Department IT Enterprise Architecture has a federated structure. This allows the various bureaus the flexibility they need to meet their mission-specific goals while at the same time providing an overarching structure to meet Department-wide program needs, and to encourage deploying and using IT resources more effectively wherever possible.

The goals of the Enterprise Architecture are to:

- Foster the development and use of IT architectural standards based on established best practices;
- Assist in identifying applications and systems that can be deployed with new technology solutions;
- Identify technologies and services that can be purchased and/or deployed Department-wide to reduce costs;
- Increase the use of automated continuous monitoring tools; and
- Provide tools and analysis to capital planners and acquisitions staff to channel purchases in the direction established by the CIO Council.

Taking a phased approach, initially the larger bureaus are looking at optimization and consolidation across geographically distributed organizations, while smaller co-located bureaus are prompted to work collaboratively. Subsequently, such efforts can be expanded to optimize more broadly the activities, operations, and investments of the Department as a whole.

ACHIEVEMENTS

Significant IT Security accomplishments in FY 2012 include:

- **OCIO Balanced Scorecard and IT Security Performance Measures**
  - Developed and measured metrics quarterly in the Office of the CIO (OCIO) Balanced Scorecard, including plan of action and milestones (POA&M) management, Internal Control Reviews, IT Security Workforce, Cyberscope and general vulnerability scans, Continuous Monitoring, and Enterprise Initiatives. Implemented and tracked progress on "Top 3" security controls; 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 Herbert C. Hoover Building (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 the 2012 calendar year.
  - Issued request for proposals and set milestones for Enterprise Cybersecurity Monitoring and Operations (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 Department of Homeland Security (DHS) Cyber Hygiene initiative to assess the "health" of Department unclassified systems reachable via the Internet on a recurring basis. Cyber Hygiene activities consist of network mapping, vulnerability scanning, and configuration review of common services (e.g., Domain Name System (DNS)) for errors or deviations from accepted best practice.
  - Continued implementation of the Personal Identity Verification (PIV) pilot program to deliver PIV multifactor logical access authentication to all Office of Secretary users.

- **IT Security Policy**
  - Issued Department policies for Vulnerability Scanning and Patch Management, Security Configuration Checklist Program, POA&M Management, Risk Management Framework, and Safeguarding Information while on Foreign Travel. Also issued FAQ guidance on Commerce Interim Technical Requirements (CITR) implementation.
  - Issued Department-wide guidance for the secure implementation, use, and management of mobile technology.

- **Compliance**
  - Remediated a significant deficiency in the FY 2011 Federal Financial Management Improvement Act (FFMIA) IT Audit.
  - Focused efforts on Economic Development Administration (EDA) compliance and configuration management assessments to assist in recovery and reconstitution of EDA IT security infrastructure.

- Completed 29 IT security assessments, exceeding 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 the 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 the Cyber Security Assessment and Management (CSAM) application from Department environment to DOJ Cloud environment.
- Performed monthly reviews of selected Department IT investments and provided IT security program compliance ratings.
- Launched monthly DHS Cyberscope 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 working group that meets weekly. Created charter and developed action plans to implement shared services by first quarter FY 2013. The focus areas include common controls, IT security training, IT security assessments, and configuration management.

IT Security Training

- Trained Authorizing Officials and System Owners throughout the Department with quarterly workshops.
- 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 training employees for implementation of revised Department FISMA reporting tool.

SUMMARY OF PERFORMANCE

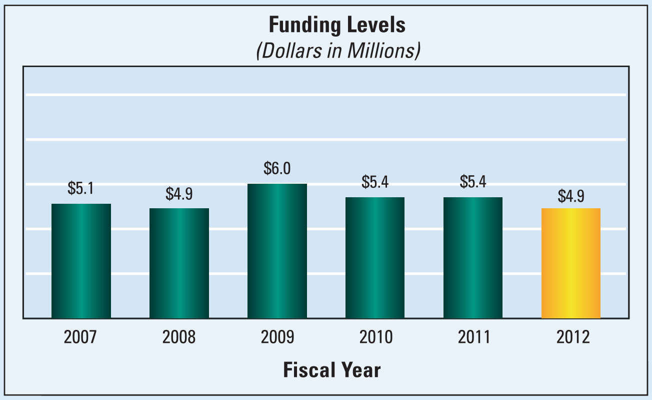
The Department uses the following measure to gauge the performance of the activities associated with this objective.

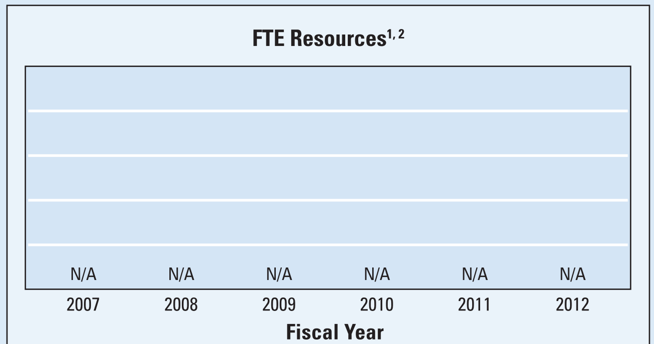
PERFORMANCE MEASURE (DM)	TARGET	ACTUAL	STATUS
Improve the management of information technology	• IT investments have cost/schedule overruns and performance shortfalls averaging less than 10% • Perform IT security compliance review of all operating units, and 10 FISMA systems in CSAM • Increase security 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.	• 75% of major 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.	Met

THEME 6: WORKFORCE EXCELLENCE

STRATEGIC GOAL: *Develop and support a diverse, highly qualified workforce with the right skills in the right jobs to carry out the Department's mission*

WORKFORCE EXCELLENCE TOTAL RESOURCES





[1] *FTE—Full-Time Equivalent*
[2] *DM and OIG FTEs are shown in Theme 5, Organizational Excellence.*

This theme is comprised of three objectives which contribute to the Secretary's theme of Workforce Excellence. The following public benefits, achievements, and performance results are associated with each objective.

The Department continues to refine and develop programs to help train and retain a highly qualified workforce and avoid disruption in the services it provides. Leadership priorities for improvement are based on employee feedback to surveys, various skills assessments, and comprehensive workforce analyses. While performance management systems are effective in rewarding high performers, more targeted approaches are necessary to close skill gaps in the entire workforce. Learning and development programs are based on training needs assessments for mission-critical occupations such as meteorologist, statistician, acquisition, engineer, and chemist.

OBJECTIVE 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)

PUBLIC BENEFITS

The Department implemented the President's Government-wide Hiring Reform Initiative that became effective November 1, 2010. This initiative streamlined the process and increased the number of applicants who apply for positions thus attracting applicants in mission-critical occupations. The Department's front-end automated hiring system allows applicants to electronically submit their resumes (in any format), and cover letters as mandated by the President's initiative, enabling hiring managers and human resources practitioners to reduce the processing time. In addition, the front-end system allows applicants to receive status notifications electronically. The Department updated the Veterans Recruitment and Employment Operational Plan for FY 2011–2012; maintained the Recruiting, Hiring and Retaining People with Disabilities Operational Plan for FY 2011–2015; and developed the Diversity and Inclusion Strategic Plan for FY 2012–2016 as models to recruit, develop, and retain veterans, people with disabilities, and other special emphasis groups. The Department will continue to provide retention incentives to retain skilled employees at all levels of the organization and to implement its pay for performance systems that have proven to be positive factors in the scientific and engineering fields, where private sector pay scales for these difficult-to-fill positions are historically much higher than in the federal sector.

ACHIEVEMENTS

- Increased disabled veteran new hires from 2.5 percent in FY 2011 to 2.9 percent in FY 2012, in support of Executive Order 13518, "Employment of Veterans in the Federal Government." Enhanced employment opportunities for veterans were cultivated through the creation of a Veterans/Schedule A Non-Competitive Appointment Resume Database, the incorporation of a Veterans Preference e-learning module into the Commerce Learning Center for hiring managers and HR practitioners, participation in the 2012 VA for VETS Career Fair at the Washington DC Convention Center, and direct delivery of qualified disabled veteran resumes to hiring managers. The Department also served on the Office of Personnel Management (OPM) working group on federal best practices to create an FY 2013–2015 Veterans Employment and Recruitment Operational Plan that will highlight strategies for continued progress.
- Implemented Executive Order 13583, "Establishing a Coordinated Government-wide Initiative to Promote Diversity and Inclusion in the Workforce," by developing and submitting the FY 2012–2016 Commerce Diversity and Inclusion Strategic Plan. Additionally, the formation of a formal Departmental Diversity and Inclusion Program and Diversity and Inclusion Council was approved by the Deputy Secretary. A Chief Diversity Officer and Deputy Chief Diversity Officer will be appointed to manage the program and oversee the council by the end of FY 2012. The council will consist of both bureau and functional representatives participating in three working groups—Recruitment; Development and Retention; and Education, Awareness, and Innovation. The program kicked off with the attendance of least 109 local Senior Executive Service (SES) members at a Diversity and Inclusion Workshop co-sponsored by OPM during June and July 2012, which received very positive feedback.
- Developed and launched a high school intern program for students with disabilities through Project Search in September 2012. This initiative is a collaborative effort with the Department, Department of Interior, General Services Administration, and OPM. Project Search integrates education and work experience in an academic year program for students with disabilities who are in their last year of high school or who recently graduated, to prepare the students for competitive employment in the community. The federal and local government partners work collaboratively to create school to career transition experiences and employment opportunities for the participants, with each student participating in a variety of classroom and work place experiences to acquire skills leading to employment in the community and/or within the federal government.

SUMMARY OF PERFORMANCE

The Department uses the following measures to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE (DM)	TARGET	ACTUAL	STATUS
Acquire and maintain diverse and highly qualified staff in mission-critical occupations	• Meet or exceed the 80-day hiring goals mandated by OPM • Train 100-200 Department participants on leadership development programs via ALDP, ELDP, APCP, and SES CDP • Train 180-200 participants via Careers in Motion	• 84 calendar days • 122 Department participants in leadership development programs • 711 participants in Careers in Motion	Met

FY 2012 MISSED TARGETS

MEASURE	ACQUIRE AND MAINTAIN DIVERSE AND HIGHLY QUALIFIED STAFF IN MISSION-CRITICAL OCCUPATIONS (DM)
Subpart	Meet or exceed the 80 day hiring goals mandated by OPM
Explanation	The deviation from the target was slight. In fact, the target was met in the first and second quarters. There was no effect on overall program or activity performance.
Action	The Department's Principle Human Resources Managers Council will quarterly review and discuss status and progress made towards reaching the 80-day hiring goals and establish action plans for improvement in areas that are not meeting the goals, as part of the HRstat program pilot.

HISTORICAL TRENDS

Over its three years as a measure, the actuals for the 80-day hiring goals exhibited a positive trend from the 2009 baseline to the FY 2011 results but remained slightly below the target in FY 2012, with the target itself remaining the same. Over its four years as a measure, the actuals for the leadership development program training met the target during the past two years and exceeded it during the two years prior, with the target being increased over time to about three times the original goal. Over its three years as a measure, the actual for Careers in Motion training have consistently met or exceeded the target, with the target itself remaining the same.

OBJECTIVE 26

Create an optimally-led Department by focusing on leadership development, accountability, and succession planning (DM)

PUBLIC BENEFITS

By creating, sustaining, and strengthening its development of emerging leaders to assume leadership positions within all levels, the Department will ensure effective leadership during the Departmental changes that are sure to come within future decades. Additionally, by ensuring that the workforce's composition remains aligned with Departmental strategic and budgetary priorities, the Department can continue to provide its many services to the public in the most efficient and effective manner. A continuous cycle of improved performance will become the culture of the Department by putting systems for accountability in place that will drive individual and Agency performance and excellence.

ACHIEVEMENTS

- Developed an automated tool to offer management teams a highly practical approach to succession planning. The tool incorporates a set of pre-formatted templates, workforce reports, and user-friendly instructions to guide users through a process designed to identify high impact positions, assess attrition risk in those positions, and document a specific set of actions that the unit's management team can implement to help plan for and mitigate the impact of attrition in those positions. The tool is currently being piloted in select CFO/ASA directorates and is expected to be marketed Department-wide in FY 2013. With over 35 percent of the Department's general workforce and 55 percent of its SES currently eligible for retirement, effective succession planning, including data and tools to support actionable workforce planning efforts, will become increasingly vital to the Department's ability to execute its mission.
- Implemented the Department's skills management strategy by administering leadership development and other training programs and analyzing mission-critical occupations for appropriate action planning. In FY 2012, 22 employees were trained under the Aspiring Leaders Development Program for GS-7-12 or equivalent; 27 were trained under the Executive Leadership Development Program for GS-13-14 or equivalent; 19 were trained under the SES Candidate Development Program for GS-14-15 or equivalent; 114 Executives were trained under the Leading EDGE Program; 219 were trained in the Project Management discipline; over 220 mentors and nearly 250 mentees were supported under the Mentoring Program; and all employees had access to the Commerce Learning Center's over 2,000 online courses. Additionally, the Department participated in the interagency effort to identify federal and agency mission-critical occupations and high-risk mission-critical occupations, led by OPM and the Chief Human Capital Officers Council. Various data were analyzed on the Department's 23 mission-critical occupations; appropriate actions plans for the federal mission-critical occupations and any high-risk agency mission-critical occupations are expected to be completed by the end of FY 2012; and federal competency assessments will be administered during FY 2013.
- Continued to successfully implement workforce reshaping efforts through the use of 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. Currently the VERA/VSIP authority covers designated positions within certain units of the Bureau of Economic Analysis (BEA), Census Bureau, ITA, Minority Business Development Agency (MBDA), NIST, NOAA, NTIA, and Office of the Secretary. 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. Additionally, the Department Voluntary Resume Bank Program provided special consideration to employees who occupied competitive service positions that had been identified for potential elimination due to proposed budget reductions, lack of work, or reprogramming. All eligible participants were able to submit their resume, and vacancies matching the occupational series and grade of Resume Bank participants were not advertised on USAJOBS until after well-qualified resume bank participants were interviewed and a selection decision effected. Five Department employees were selected for positions through this process and three employees accepted job offers.

SUMMARY OF PERFORMANCE

The Department is in the process of developing measures to evaluate progress toward achieving this objective. Measures will appear in the FY 2013 PAR.

OBJECTIVE 27

Provide an environment that empowers employees and creates a productive and safe workforce (DM)

PUBLIC BENEFITS

In the current economic climate, an effective and efficient workforce will be more critical than ever to the continued success of the Department in achieving its diverse missions. This will require work environments that monitor and implement activities to encourage high levels of employee satisfaction, engagement and productivity, and workplaces free of recognized hazards so personnel can conduct their work safely in a variety of environments, and the Department can provide its visitors and partners a safe experience.

The Department focuses on having its executives and managers responsible for safety programs in their bureaus actively participate in safety activities, such as the Department's Safety and Health Council meetings and awareness training opportunities. The Department enhances the role of leadership by making certain that the executives, managers, supervisors, and employees have the knowledge, skills, resources, and commitment in order to control hazards in the workplace and to strengthen efforts to protect employees, contractors, visitors, and others who enter Department workplaces. One method of doing this is conducting a gap analysis and preparing a written strategy to update and continuously improve the Department's Safety and Health Program Manual so that it is a comprehensive policy document to guide the bureaus' occupational safety and health programs to ensure a culture of safety.

ACHIEVEMENTS

- Exceeded the government-wide average for positive responses on 70 out of 78 eligible items on the 2011 Federal Employee Viewpoint Survey (FEVS), which was administered by OPM to gauge employee perceptions on critical work life areas which drive employee satisfaction, commitment, and retention. The Department was ranked 5th out of 37 agencies on the Results-Oriented Performance Culture Index and exhibited major strengths in work experiences, supervisors/team leaders, the use of alternative work schedules, and telework implementation. No Department averages for positive responses were "notably" (i.e., 5 percentage points or more) below the government-wide averages for any items. The release of OPM's 2012 FEVS results reports is scheduled to be completed by November 30, 2012.

- Launched a Safety Risk Assessment Program for the smaller bureaus to assist them in identifying risks to employee safety and health. This program also provides guidance to the bureaus as they develop their safety program to control the identified risks and provide a safe work environment for employees. Currently four bureaus have started the assessment process that looks at their safety and health risks based on mission and operational needs.

SUMMARY OF PERFORMANCE

The Department is in the process of developing measures to evaluate progress toward achieving these objectives. Measures will appear in the FY 2013 PAR.

Financial Section

Message from the Chief Financial Officer

This FY 2012 Performance and Accountability Report provides financial and program performance information to enable the Department's stakeholders to understand and evaluate the Department's achievements relative to its mission and resources. The report highlights the Department's performance, provides detailed financial information, and fulfills several statutory requirements, including the Reports Consolidation Act of 2000, the Chief Financial Officers Act, the Government Performance and Results Act, the Federal Managers' Financial Integrity Act (FMFIA), and the Government Management Reform Act.

For FY 2012, the Department achieved an unqualified audit opinion for the fourteenth consecutive year. The Department received a material weakness relating to the need for improved financial management oversight at the National Oceanic and Atmospheric Administration (NOAA) in the areas of budgetary controls and accounting for general property and satellites. We are aggressively strengthening controls and ensuring proper and accurate accounting. Our goal is to eliminate this material weakness by the close of FY 2013. In addition, the Department received a significant deficiency, citing the need to improve information technology security, access, and configuration management controls. With the Office of the Chief Information Officer, we will improve our information security program, with the aim of eliminating this deficiency, as we did in FY 2011.

The Department is enhancing financial and non-financial controls under FMFIA and Office of Management and Budget (OMB) Circular A-123. The Department has provided 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. This material weakness is related to the budgetary control issues identified for the unauthorized reprogramming of funds at the National Weather Service and other potential matters under review by the Department, and accounting for satellites and property at NOAA. Other than this exception, internal controls operated effectively, and no other material weaknesses were found in the Department.

The Department is applying a "One-Commerce" vision to engage a broad range of leaders, and other employees, in how best to meet program goals, and implement the President's Campaign to Cut Waste and A Government for the 21st Century management initiatives. This engagement takes place through the Executive Management Team, the Department Management Council, and various other councils (e.g., chief financial officers, chief information officers, and acquisitions, human capital, security, facilities managers), in addition to the Labor Management Forum. Employees are also directly engaged through the Performance Excellence Program, corporate communications, and other channels (e.g., town hall discussions).

This "One-Commerce" vision has led to a new way to formulate the budget, aligning resources with priorities in an inclusive manner. The Department is committed to preserving resources for program delivery and stewardship by removing well over $100 million in administrative expenses, in such areas as acquisition, personnel, facility, travel, and related costs through its FY 2012 Administrative Savings Plan. For example, the Department launched a Department-wide strategic sourcing and cost reduction program built around personal computer and other specific commodity purchasing, saving $15 million in FY 2012.

The Department is focused on stewardship, controls, and transparency, and engaging and training employees in addition to reinforcing procedural, supervisory, and system improvements. The implementation of a new Enterprise Risk Management framework, which provides an interconnected system of people, processes, and tools, and an enhanced suspension and debarment program, are part of these efforts. The Department has implemented a new comprehensive Acquisition Improvement Policy, and Department-wide standards and training have been put in place for the Department's acquisition program and project managers.

Another priority for the Department is human resource management. The Department has cut the time to hire new employees by nearly 20 percent since FY 2010. It completed the first implementation phase of a new Human Resource Management System, moving 24 disaggregated human resource systems into one, with full implementation expected by the end of FY 2014. The Department is also emphasizing training for both leadership and staff as critical for mission success.

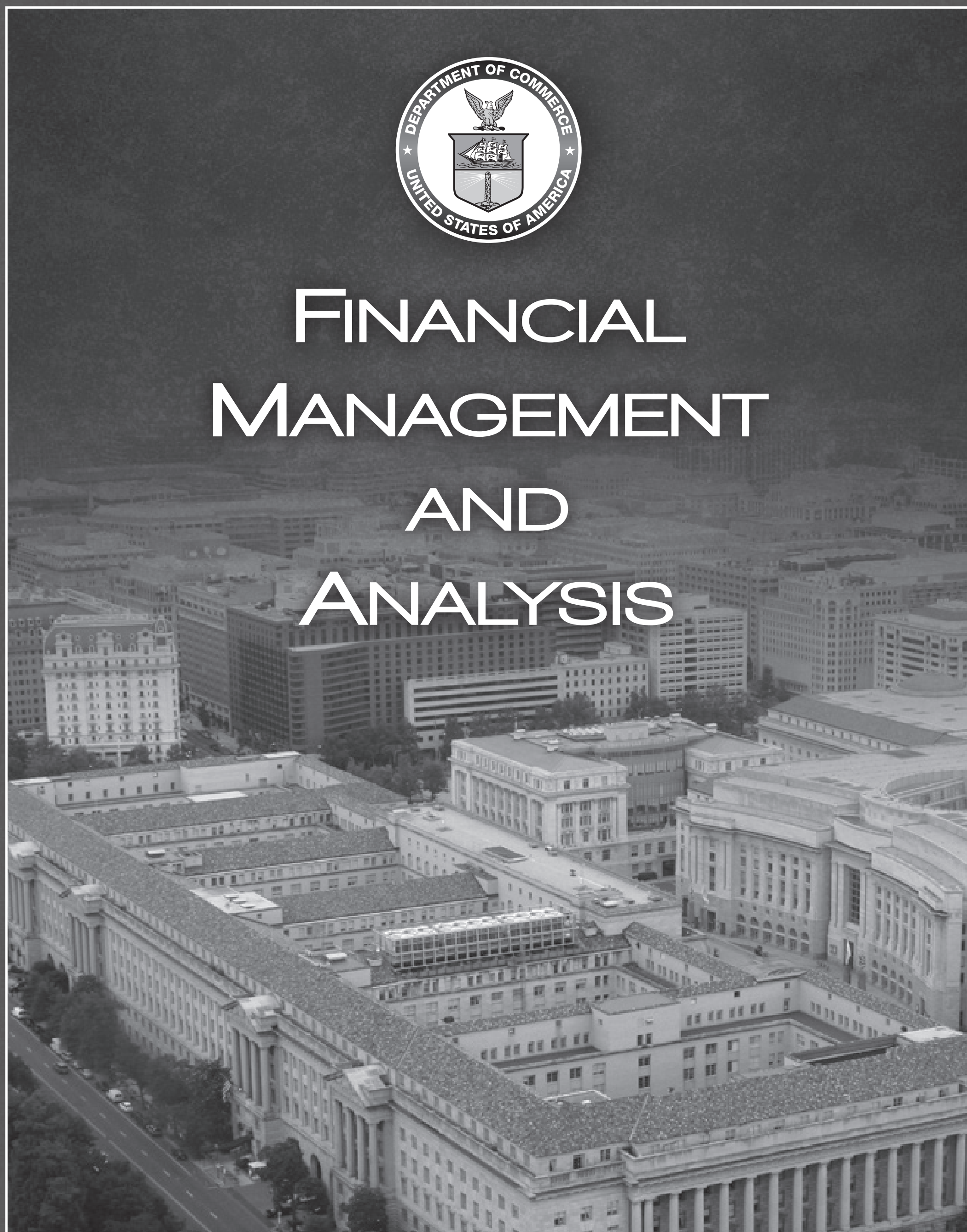
The Department is improving its security, with a focus on enhancing its investigatory and mitigation efforts. It is implementing a Department-wide continuous monitoring capability that will enable enterprise-wide, real-time visibility into the Department's security status relating to a number of key cyber security controls.

The Department is also proud of its efforts in answering the President's call to make it easier for U.S. businesses to access the full range of government programs and services with the launch of BusinessUSA in FY 2012. Co-led by the Department of Commerce and the Small Business Administration, BusinessUSA released the first fully-integrated government online platform that provides information on hundreds of federal, state, and local resources and events aimed at the business community. BusinessUSA initiated a customer service line through 1-800-FED-INFO to field calls and provide program contact referrals. These tools are intended to create a "No Wrong Door" approach that uses technology to quickly connect businesses to services and information relevant to them. Through the Open Government Initiative, the Department has made over 300 thousand datasets available to the public, and has implemented an automated Freedom of Information Act (FOIA) system for the public (FOIAonline). This and BusinessUSA are part of the Department's efforts to make government services and programs easily accessible for taxpayers.

Moving forward, the Department will update its strategic plan, which will provide direction for new initiatives and priorities. Some critical efforts to help shape the Department of Commerce into a 21st century Department are already underway. For example, the Department has launched the "Commerce Way," a streamlined integrated cycle of planning, risk assessment, budgeting, acquisition, performance management and reporting. The goal is to improve decision-making and manage risk and performance at the appropriate level of organization structure, eliminating duplication and fragmentation, and critically, promoting a more integrated Department. The Department will continue to engage our employees, improve controls, drive effective and efficient program delivery, and position the Department for success in the years ahead.

Scott Quehl
Chief Financial Officer
and Assistant Secretary for Administration
November 15, 2012

FINANCIAL SECTION



FINANCIAL MANAGEMENT AND ANALYSIS

Under the Secretary's leadership, the Department is continuing to give the highest priority to providing accurate financial data to its internal and external customers, and to its accountability for all assets. Ensuring that there are strong internal controls throughout the Department remains a priority. The Department has created a financial management environment that complies with federal laws and regulations and that provides its executives with timely, accurate financial and performance information. This is evidenced with the Department continuing to receive unqualified audit opinions, maintaining a single integrated financial system, and continuing its compliance with the Federal Financial Management Improvement Act (FFMIA).

Highlights of accomplishments for FY 2012 and future initiatives are discussed further below.

FINANCIAL MANAGEMENT SYSTEMS

The Department maintains an FFMIA-compliant financial management system, the Commerce Business Systems (CBS). CBS provides reliable, timely information within a sophisticated security infrastructure. The system is capable of producing both financial and budget reports from information generated within the financial management system. CBS consists of a Core Financial System (CFS), including the Commerce Purchase Card System (CPCS) and the Budget and Execution Data Warehouse. CBS is interfaced with the Commerce Standard Acquisition and Reporting System (CSTARS), the National Finance Center Payroll System, and the Automated Standard Application for Payments (ASAP).

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

During FY 2012, the Department accomplished the following initiatives:

- Continued Operations and Maintenance (O&M) activities for CBS;
- Continued definition and planning for the Business Application Solutions (BAS) project that will modernize the Department's financial and administrative business systems;
- Completed the C.Award migration—upgrading the Commerce Standard Acquisition and Reporting System (CSTARS) contract writing and management system—for NOAA, Office of the Secretary, NIST and Census;
- Began design and development of modifications to CBS to accommodate several new federal mandates, including the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS), Six-digit Standard General Ledger (SGL), and Automated Standard Application for Payments (ASAP), Central Contractor Registration – System for Award Management (CCR-SAM), and Accelerated Payments to Small Businesses;

- Completed several technical CBS upgrades, including Fusion Middleware/WebLogic to 11g, and the CBS development/test environment hardware and Operating System. Initiated the Oracle Database Migration to 11g and the upgrade of two of the three bureau production environment hardware and Operating Systems;
- Developed a prototype for the CFO Community Connector, a central location for the Department's financial and administrative management communities to share information about best practices, challenges and solutions, and deadlines;
- Deployed the beta version of the Process Toolbox that describes processes and provides the tools, templates, and samples to support the effective management of initiatives and provide guidance on how to perform project management and solution deployment activities;
- Developed the initial functional and technical design for the redesigned Project Dashboard that will provide project status and documentation information for CFO/ASA projects through a standard status reporting mechanism and document repository for all projects;
- Completed an Invoice Processing Platform (IPP) (formerly known as Internet Payment Platform) Pilot Proof of Concept; and
- Maintained and enhanced the Department's Executive Dashboard application (the DASHER). The DASHER provides a Department-wide, executive-level overview of the Department's highest priority and highest risk mission and administrative initiatives, including High-Priority Performance Goals, Risk Management, Financial Management, Customer Service, Human Capital and Administrative Metrics, as well as more Operational Initiatives such as Acquisition Metrics, Sustainability and Program Results.

In FY 2013 and beyond, the Department will continue its efforts to enhance its financial systems. The Department plans to accomplish the following:

- Continue Operations and Maintenance activities for CBS;
- Continue stakeholder outreach and incorporate feedback, include additional process guidance, and deploy production version of the Process;
- Deploy the redesigned Project Dashboard to the CFO/ASA;
- Complete the Oracle Database Migration to 11g and the upgrade of two of the three bureau production environment hardware and Operating Systems and initiate the upgrade of the third bureau production environment hardware and Operating System;
- Complete the design, development, and testing of the GTAS, Six-digit SGL, ASAP, and CCR-SAM modifications to CBS and deploy into production;
- Determine approach and next steps for IPP;
- Maintain and possibly enhance the OFM/CSC Portal that provides for a unified gateway for access to Department administrative applications, including self-service administration, as well as hosting the Project Dashboard, Project Toolbox, DASHER, and CFO Community Connector;
- Continue to maintain and enhance the DASHER; and
- Deploy and maintain the CFO Community Connector.

FINANCIAL REPORTING

The Department is committed to making financial management a priority, and significant efforts are being made to further improve the management of its financial resources. The Department has received unqualified opinions on its consolidated financial statements since 1999 and met the financial statement submission deadlines for FY 2012. These achievements resulted from the Department's commitment to strong management controls and accountability for its resources. The Department received a material weakness relating to the need for improved financial management oversight at National Oceanic and Atmospheric Administration (NOAA) in the areas of budgetary controls, accounting for general property, and accounting for satellites and a significant deficiency relating to the Department's information technology security, access and configuration management controls. In FY 2012, the Department conducted an assessment of the effectiveness of internal controls over financial reporting in accordance with OMB Circular A-123, Management's Responsibility for Internal Control, Appendix A, including adhering to the risk-based three-year rotational testing plan. A Senior Management Council (SMC) and a Senior Assessment Team (SAT) worked together to provide oversight guidance and decision-making for the A-123 implementation process. As a result of the assessment, 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. 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 NOAA. Other than this exception, internal controls were operating effectively and no other material weaknesses were found. In addition, the Department conducted an improper payments sample testing; the results revealed no significant improper payments or internal control deficiencies. Overall, the Department's assessments demonstrate that the Department has strong internal controls over the disbursement processes, the amounts of improper payments in the Department are immaterial, and the risk of improper payments is low. See Appendix E for reporting details of the Improper Payments Information Act (IPIA) of 2002, as amended.

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

- Effective 2012, expanded payment recapture audits of bureau-specific contracts/obligations and Department-wide grants/cooperative agreements to include items for which the period of performance has expired but for which the contract/obligation or grant/cooperative agreement has not yet been closed out. In 2012, the Department completed payment recapture audits of contracts/obligations for Census Bureau, Franchise Fund, MBDA, OIG, and USPTO, and of Department-wide grants/cooperative agreements;
- Each of the Department's bureaus/reporting entities continued to prepare or update improper payment risk assessments covering all programs/activities as required by OMB Circular A-123, Appendix C. These improper payment risk assessments of the entity's programs/activities also include assessments of the control, procurement, and grants management environments, and are now in the continuous process stage of being updated every three years, unless significant changes occur, in which case an assessment will be updated quicker;
- Submitted a draft and final plan to OMB to implement, in FY 2013, for applicable bureau payment offices, pre-payment eligibility reviews in Treasury's Do Not Pay portal solution;
- Completed an evaluation of options for data analytics of vendors and payments by bureau payment offices, including Treasury's Do Not Pay Data Analytic Services;
- Implemented, effective FY 2012, Technical Release 14, Implementation Guidance on the Accounting for the Disposal of General Property, Plant, and Equipment;
- Worked with Treasury and the bureaus to implement Administrative Wage Garnishment to further facilitate collection of debts owed to Commerce;

- Facilitated intragovernmental transaction reconciliations using the Department's Corporate Database application to collect, extract, and report on a quarterly basis its intragovernmental account balances, by trading partner, to the Treasury Department. The Department took a proactive approach of initiating contact with all trading partner agencies to reconcile large differences. Although the Department has seen an improvement in trading partners' participation, continued improvement is needed in order to reconcile all differences;
- Quarterly financial metrics were compiled, analyzed, and reported to individual bureaus which also included a status report comparing bureau results with Departmental goals. The results of bureaus' metrics and any corrective actions needed were discussed at the bureau CFOs' individual monthly meetings;
- Published guidance on the preparation and submission of financial statements, including a calendar of milestone dates. Each quarter, with the participation of all bureaus, guidance was reviewed and updated to reflect lessons learned and to identify best practices among the bureaus. When necessary, task forces were formed to resolve issues that could have impeded the Department's ability to produce timely, accurate financial statements;
- Implemented, effective FY 2012, the Schedule of Spending by Major Budget Account in the Other Accompanying Information section of the PAR. The Schedule of Spending (SOS) presents an overview of how and where the Department is spending money; and
- Continued preparation efforts towards the FY 2013 implementation of Technical Bulletin 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs, and Federal Financial Accounting Technical Release 10, Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment.

In FY 2013 and beyond, the Department plans to accomplish the following:

- Continue to monitor and minimize improper payments, including the performance of payment recapture audits, and carry out the FY 2013 implementation, for applicable bureau payment offices, of pre-payment eligibility reviews in Treasury's Do Not Pay portal solution;
- Implement, for applicable bureau payment offices, Treasury's Do Not Pay Data Analytics Services for data analytics of vendors and payments;
- Implement Technical Bulletin 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs, and Federal Financial Accounting Technical Release 10, Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment;
- Continue to work with OMB, Treasury Department, and the government-wide Central Reporting Team to improve the intragovernmental transactions reconciliation process; and
- Continue to work with Treasury Department to implement Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) for production in December 2013.

GRANTS MANAGEMENT

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

An important feature of the Department's effort to move aggressively into the world of electronic grants is the continued utilization of the National Oceanic and Atmospheric Administration's (NOAA) Grants Online system, a back-office solution to the Grants.gov storefront. NOAA administers almost two-thirds of the Department's financial assistance programs. Grants OnLine is designed to facilitate efficiencies through standardized business processes and provide a direct interface to other Departmental systems and with grant recipients. It continues to demonstrate significant success in reducing paperwork, increasing accountability, and simplifying the post award process. The system has also been identified as a possible solution to standardizing grants procedures in the Department. Grants Online is a paperless electronic grants management system that has gained government-wide recognition for streamlining and accelerating the grants application process. In October 13, 2010, the Department CFO advised the grant making bureaus at the National Institute of Standards and Technology (NIST), NOAA, and the Economic Development Administration (EDA) that the Department had committed to OMB to consolidate all the bureau grant management systems within the Department to NOAA's Grants Online system if a planned analysis demonstrates that it makes good business sense. The current stove piped configuration of separate bureau grant management systems is not conducive to maximum efficiency in resource and time management. The Department secured the services of a contractor to complete a gap analysis between Grants Online, employed by NOAA, and the grants systems employed by NIST, known as Grants Management Information System (GMIS), and the system employed by the EDA, known as the Operations Planning and Control System (OPCS).

The gap analysis was completed in January, 2012 and in summary it:

- Identified and documented almost 100 gaps in functionality between Grants Online and the other two systems
- Provided potential options to remedy the gaps:
  - Workarounds and modifications to GMIS, OPCS, and Grants OnLine are necessary to make the systems functionally compatible.
  - Minimally compatible solution – $1.5M and $0.7M for EDA and NIST, respectively. The minimally compliant solution focuses on critical gaps to enable the processing of grants through Grants OnLine. It maximizes the use of process changes and work arounds and minimizes additional cost for resources not presently available. It does not address EDA/NIST processing efficiency.
  - Fully compatible solution – $3.9M and $1.9M for EDA and NIST, respectively. This comprehensive approach addresses closing all gaps to enable the management of a grant through Grants OnLine. It uses changes and workarounds wherever appropriate. It further uses systems changes and interface development where best suited to continue fully automated functionality typically incorporated into Grants OnLine. This solution does not attempt to minimize resource requirements to transition and includes planning, business process engineering, implementation, and operations.
  - Costs of system integration are expressed in rough order of magnitude and subject to change.

Next steps currently under consideration would include the performance of a Business Case analysis which would involve the following steps:

- Baseline the current cost of doing business for EDA, NIST, and NOAA systems
- Identify alternatives to be evaluated to include other Grants Line of Business systems
- Price inclusion of possible ARRA-type reporting of base programs as proposed in draft legislation

  - Conduct the business case analysis with contractors or knowledgeable government personnel
- Make decision on course of action based on the conclusions of the fit gap analysis and business case
- If in-house consolidation is recommended, begin the planning effort
  - Overall acquisition strategy
  - Project management plan, schedules, cost estimate, and procurement

The conclusions and recommendations of the gap analysis present formidable challenges in terms of potential costs as well as system changes and business process reengineering in the bureaus. Consequently, Department of Commerce (DOC) bureaus and collateral support organizations including the Office of Financial Management (OFM) continue to study other potential solutions to consolidate the Department's three grants management systems. The objective is to identify the most effective solution to utilized limited budgetary resources to consolidate the department-wide grants management portfolio into a single system that can meet all the requirements of the 75 DOC financial assistance programs.

OFM's actions to consolidate the Department's grants management systems continued a process already set in motion by the migration of the grant management functions of the International Trade Administration (ITA), the Minority Business Development Administration (MBDA), and the Office of the Secretary (OS) from OAM to NOAA Grants Online. OAM coordinates regular Departmental Grants Council meetings and works closely with the OIG and the Office of General Counsel (OGC) to implement sound policy and ensure consistency for the Department's financial assistance programs. The Department is committed to the goal of strengthening its grant operations and improving its business processes to provide better services to its customers in the federal grant recipient community.

The Department has incorporated the challenge of consolidating grant management systems into a department-wide review of business application solutions (BAS) which address the full scope of DOC functions and systems. The BAS approach will consider commercial off-the shelf (COTS) solutions in addition to Grants OnLine as a department wide grants management solution.

The Department has revised its Grants and Cooperative Agreements Manual and Standard Grants Terms and Conditions to recognize the emerging growth of electronic government. During FY 2012, a multi-bureau task force chaired by Grants Management Division (GMD) reviewed the 21 chapter grants manual and made extensive revisions to ensure that the manual is consistent with updates in government-wide financial assistance policy directives. Additionally, the Department of Commerce Financial Assistance Standard Terms and Conditions have been significantly updated to align the document with the rapid growth and changes in government wide guidance. Continued review and updating of the DOC policy guidance will occur to keep pace with the new requirements engendered by the transition to Grants.gov as the business process model for federal financial assistance programs.

In FY 2012, OAM/GMD began a new initiative to strengthen oversight and create a broader understanding of the dynamics and impact of DOC financial assistance awards. The focus of this Grants Overview is to provide a perspective on the amount and type of awards made by DOC as well as insight into the extent to which the DOC grants management process functions efficiently and effectively. The format of the Grants Overview is a PowerPoint presenting breakdowns of various elements of the award structure in snapshots of activities such as new awards and cost amendments obligated by bureau. Charts were created to display the rate and status of funds disbursed at various award stages for both Recovery Act and base programs. The study examined the status of awards by dollars in various phases of the grants management process. Risk factors were identified and shared with the DOC grants community.

The Grants Overview includes tracking of pre-award and post award requirements such as audit resolution and the negotiation of indirect cost rates. It charts single audit reports with findings/no findings by bureau during the period FY 2009-2011. The Overview also analyzes the status of compliance with closeout requirements and deobligation of undisbursed funds. Additionally, GMD is providing bureaus with monthly reports intended to prompt closer monitoring of the grant audit resolution process and compliance with negotiated indirect cost rate requirements. These are just some of the examples of key activities of the grants life cycle addressed by the Grants Overview.

The Grants Overview is regularly updated and serves as a framework for OAM/GMD's effort to reach out to the DOC grant making bureaus to energize the oversight relationship. It has served as the basis for meetings and ongoing dialogue with each DOC bureau to create a path forward for the development of more efficient business practices and tighter internal controls in the administration of DOC financial assistance awards.

The Department made significant progress in meeting the data-reporting requirements of the Federal Funding Accountability and Transparency Act of 2006 (PL 109-282). Significant technical requirements were presented by this act. As of FY 2012, the Department continues to be up to date with its three grant-making bureaus in providing accepted data to the universal Web site, USAspending.gov, consistent with the goal established in the FY 2008 PAR.

OAM GMD is the point of contact for Catalogue of Federal Domestic Assistance (CFDA) updates and represents the Department at CFDA User Group meetings. GMD coordinates the response to annual CFDA data calls. OAM GMD continues to hold the responsibility for coordinating and processing Individual Background Screenings utilizing form CD-346 (Applicant for Funding Assistance) which passed from the OIG to OAM/GMD in FY 2010. GMD processed approximately 480 Individual Background screenings in FY 2012, through the Federal Bureau of Investigation database operated by the Census Bureau. OAM continues to support accuracy in data quality for all Department financial assistance programs. Grants officers and subordinate supervisors along with program offices are required to verify quarterly that data reported to USASpending.gov is accurate and consistent. This element will be a performance metric in grants management reviews conducted by GMD.

The three major grant making bureaus—NIST, NOAA, and EDA upload grant award data monthly to USASpending.gov through the Data System Validation Tool Web site. In addition to their own grant awards, these bureaus serve as grants offices for the programs of smaller Department grant making bureaus including NTIA, ITA, and OS.

The Department's bureaus have made progress in reducing the backlog of expired awards and deobligating unexpired balances of funds from these awards during FY 2012. The following table illustrates the number of awards closed and amount deobligated by each bureau from October 1, 2011 through July 31, 2012, as well as the expired awards remaining to be closed and funds pending deobligation. NTIA, ITA and OS are included in the NOAA data below as NOAA is their servicing bureau.

Bureau	Awards Closed	Funds Deobligated	Awards Pending Closure	Funds Pending Deobligation
NOAA	648	$ 9,152,528	131	$ 1,153,895
NIST	364	$ 6,556,661	705	$ 31,381,764
EDA	179	$ 25,639,503	105	$ 19,081,020

Under OMB circulars, organizations receiving federal awards are assigned to a single federal agency (cognizant agency) which acts on behalf of all federal agencies in approving indirect cost and other rates for that organization. The Department is responsible for reviewing indirect cost proposals (IDC) submitted by assigned grantee organizations and, based on those reviews, negotiates appropriate indirect cost rates. OAM's responsibility for the management of this program continued throughout the fiscal year.

New rate review procedures that were implemented during FY 2007 produced greater levels of financial analysis that resulted in financial savings to the Department through indirect cost rate adjustments from grantees' proposed rates. Program focus for the coming year will include continued implementation of stronger internal controls.

OAM will continue to actively seek opportunities to support government-wide goals of transparency and data quality management.

HUMAN CAPITAL

Both the President and Congress recognize that the federal workforce is central to the delivery of services to the U.S. public. Acknowledging that people are the key to mission accomplishment, Departmental leadership continues to implement and evaluate programs to ensure that there is succession planning in the area of financial management. Internship and leadership development programs are used as vehicles for making progress in the recruitment and retention of a highly-skilled and diverse workforce. Internship programs are implemented through a variety of sources to provide finance and accounting majors an opportunity to gain hands-on experience, while introducing potential future employees to the opportunities that exist at the Department. Ongoing training and development opportunities are offered as a component of continuous learning in the area of financial management.

The Department continued its recruitment efforts in the area of financial management by maintaining its partnership with the National Academy Foundation (NAF) Academy of Finance (AOF) and reducing the average time to hire accounting and budgeting professionals. The NAF AOF students have been hired through the Student Temporary Employment Program to enhance their individual and collective learning experiences in the finance and accounting fields. At the completion of the eight weeks of the NAF program, students make presentations to Department leaders to demonstrate newly acquired skills in their respective areas. Departmental supervisors monitor the performance of the interns throughout their appointment, and after successful completion, many supervisors have extended the temporary appointment or utilized other programs (i.e., Student Career Experience Program) to bring in entry-level talent. In FY 2012, the Department recruited seven AOF high school students for the summer who were placed across finance offices in bureaus and organizational units including, EDA, ITA, NOAA, and OFM. Additionally, one previous NAF intern was asked to return as a temporary appointment to the Census Bureau. Going forward for future years, the Student Pathways program will be the primary appointing authority for hiring students under the NAF program. For selections made through USAJobs, the time to hire employees within the professional and administrative 0500 Accounting and Budgeting series was reduced from 70 calendar day in second quarter FY 2012 to 47 calendar days in fourth quarter FY 2012.

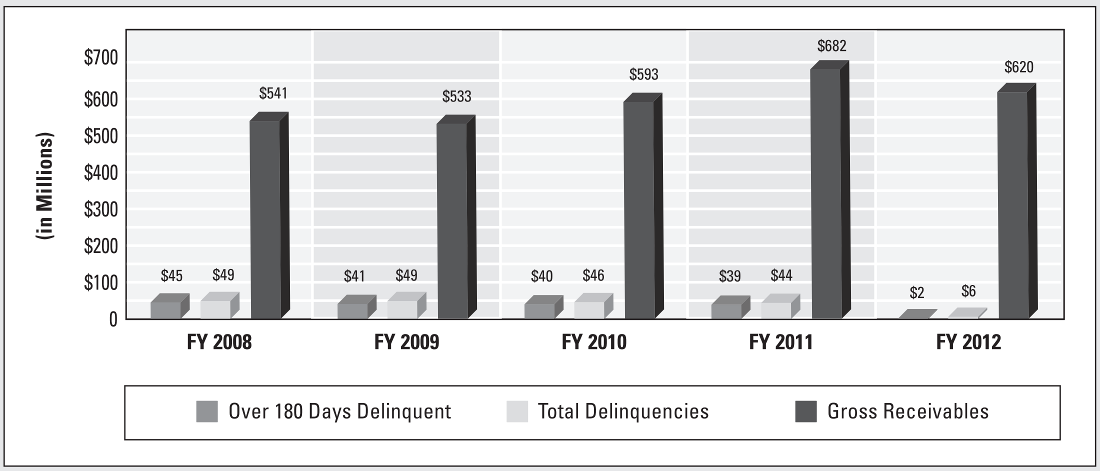
In addition to the recruitment efforts being implemented to attain a highly-skilled workforce in the area of financial management, the Department has succession planning and retention strategies in place, including the development of competencies within the current workforce and use of telework. As one of the Department's recognized mission-critical occupations, accounting and budgeting series employees at the GS-7 through GS-15 and equivalent levels are eligible to apply for the following major leadership development programs: Executive Leadership Development Program, and Senior Executive Service Candidate Development Program. These program activities include competency assessments, formal classroom training, developmental assignments, seminars, action learning task team projects, and mentoring sessions. The Commerce Learning Center (CLC), the Department's Learning Management System, offers 60 Commerce-wide and bureau-specific online financial management courses that were completed by 185 employees in the 0500 accounting and budgeting occupational group and by an additional 100 employees in other occupations, during FY12. The CLC also recorded 472 employees in the 0500 occupational group attending 435 financial management classroom courses. Additionally, approximately 24 percent of accounting and budgeting employees engaged in telework, which is used by the Department to position itself as an "employer of choice" in attracting qualified employees, facilitating employee work/life balance, increasing employee satisfaction and engagement, and ultimately increasing employee productivity.

DEBT MANAGEMENT

RECEIVABLES AND DEBT MANAGEMENT

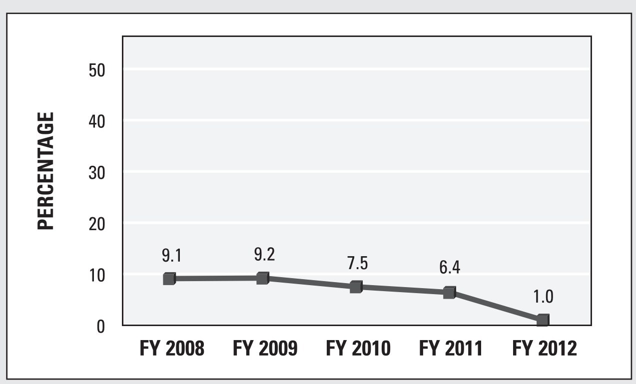
The Department has incorporated the principles of the Credit Reform Act of 1990 into the operations of its credit and debt programs. Prescreening procedures, account-servicing standards, determined collection of delinquent debt, inventory management, and asset disposition standards have helped to diminish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

GROSS RECEIVABLES



The Department's gross receivables decreased 9.0 percent, from $682 million at September 30, 2011 to $620 million at September 30, 2012, as reported on the Department's Treasury Report on Receivables (TROR). The TROR is the primary means for the Department to provide comprehensive information on its gross receivables and delinquent debt due from the public. Debt over 180 days delinquent decreased from just under $39 million at September 30, 2011 to $2 million at September 30, 2012. Total delinquencies as a percentage of gross receivables decreased from 6.4 percent at September 30, 2011 to 1.0 percent at September 30, 2012. The decreases resulted from NOAA moving a large portion of its delinquent debts which are currently in forbearance, litigation, and bankruptcy, to Currently Not Collectible on the TROR.

TOTAL DELINQUENCIES AS A PERCENTAGE OF GROSS RECEIVABLES



The Debt Collection Improvement Act of 1996 established the Treasury Department as the collection agency for eligible federal agency debts that are more than 180 days delinquent. It also established Treasury's Financial Management Service as the federal government's debt collection center. Nearly $43 million in delinquent debt has been referred to Treasury for cross-servicing since FY 2002. Currently, over 51 percent of the Department's overall delinquent debt that is eligible for referral to Treasury is in litigation with the Department of Justice for enforced collection.

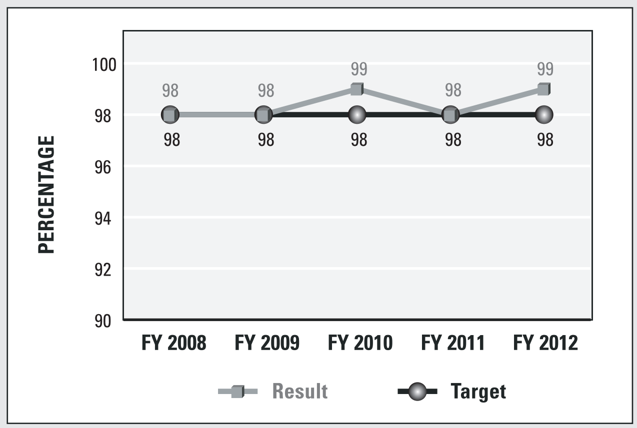
During FY 2001, the issuance of the revised *Federal Claims Collection Standards* and the revised OMB Circular No. A-129, *Policies for Federal Credit Programs and Non-Tax Receivables*, provided agencies greater latitude to maximize the effectiveness of federal debt collection procedures. Since then, the Department has utilized all the tools available to improve the management of its debt.

PAYMENT PRACTICES

Prompt Payment

The Prompt Payment Act of 1982 generally requires agencies to pay their bills to vendors on a timely basis (within 30 days of receipt of relevant documents), and to pay interest penalties when payments are made late. The Department closely monitors its prompt payment performance, and the bureaus submit quarterly reports of prompt payment performance to the Deputy Chief Financial Officer.

TIMELY VENDOR PAYMENT



The Department has increased slightly its prompt payment performance to 99 percent in FY 2012 from 98 percent in FY 2011. The number of invoices with late-payment interest penalties decreased significantly to 2,562 in FY 2012 from 5,108 in FY 2011. The Department continues to focus on improving its prompt payment percentage by working closely with its bureaus to identify opportunities for new or improved business processes. For example, the Department completed a pilot proof of concept in May 2012 for the Department of the Treasury's Invoice Processing Platform (IPP) and is now working to remove obstacles to possible implementation. IPP is an internet-based invoice processing system that can efficiently manage vendor invoicing from purchase order through payment notification.

A July 2012 OMB memorandum, *Providing Prompt Payment to Small Business Subcontractors*, establishes the Executive Branch policy, that, to the full extent permitted by law, agencies shall take steps to ensure that prime contractors are able to pay their small business subcontractors in a prompt fashion. In particular, agencies should, to the full extent permitted by law, temporarily for one year accelerate payments to all prime contractors, in order to allow them to provide prompt payments to small business subcontractors. Agencies shall make payments to all prime contractors as soon as practicable, with a goal of paying all prime contractors within 15 days of receiving proper documentation. The Department implemented, in July 2012, this new payment policy for all prime contractors, and is monitoring bureaus' monthly performance. The Department's acquisition offices are also taking appropriate actions with prime contractors regarding new and existing contracts to help maximize accelerated payments to small business subcontractors.

Bankcards

The Department is committed to the use of bankcards (purchase cards) as a means of streamlining Departmental procurements. Bankcard usage is closely monitored, and those that are no longer needed are promptly closed. The Department has incorporated more effective oversight and risk management reviews relative to purchase card accounts that are inactive over an 18-month period. For inactive accounts, the Department determines if there is a need for the card; if it is determined that there is not a sufficient need for the card, the account is subsequently closed. Additionally, more stringent training requirements are required for employees with purchase cards, which has contributed to the decrease over the years in the number of bankcards issued and in use by the Department.

The Department has incorporated the use of the purchase card for existing Departmental payment vehicles, when possible, to enhance Departmental efficiency for disbursements and increase purchase card refunds.

The Purchase Card sub-process is normally tested under the OMB Circular A-123, Appendix A process on a three-year rotational basis; however, was tested in FY 2012 due to the risks and weaknesses associated with findings identified in FY 2010. Due to the results of FY 2012 testing, with similar findings across all bureaus, the Purchase Card sub-process continued to present a significant deficiency for the Department. The Department will work towards implementing appropriate corrective actions to address the FY 2012 findings. The Department will reevaluate the controls around the Purchase Card sub-process at the completion of the corrective actions.

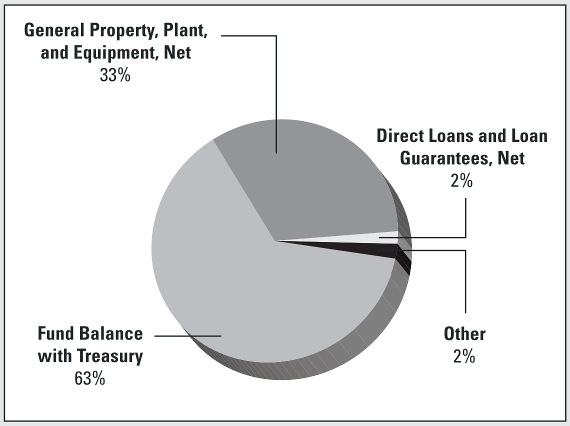
ANALYSIS OF FY 2012 FINANCIAL CONDITION AND RESULTS

Composition of Assets and Assets by Responsibility Segment

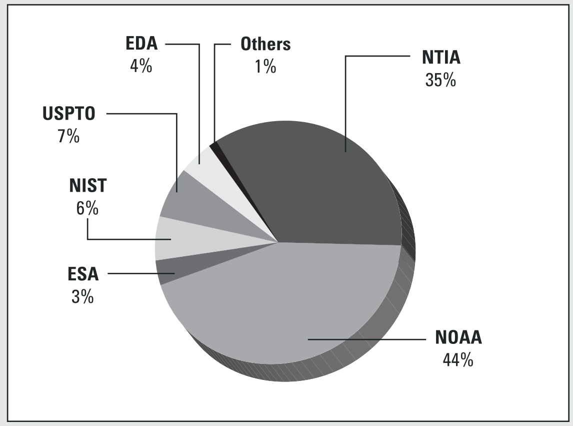
The composition (by percentage) and distribution (by responsibility segment) of the Department's assets changed somewhat from September 30, 2011 to September 30, 2012. Fund Balance with Treasury decreased from 69 percent of total assets at September 30, 2011 to 63 percent of total assets at September 30, 2012. General Property Plant and Equipment, Net increased from 27 percent of total assets at September 30, 2011 to 33 percent of total assets at September 30, 2012. NOAA's assets increased from 38 percent of total assets at September 30, 2011 to 44 percent of total assets at September 30, 2012, and NTIA's assets decreased from 41 percent of total assets at September 30, 2011 to 35 percent of total assets at September 30, 2012.

The Department's total assets amounted to $30.42 billion at September 30, 2012. Fund Balance with Treasury of $19.26 billion is the aggregate amount of funds available to make authorized expenditures and pay liabilities. General Property, Plant, and Equipment, Net of Accumulated Depreciation (General PP&E) of $10.00 billion includes $7.13 billion of Construction-in-progress, primarily of satellites and weather measuring and monitoring systems; $1.16 billion of Structures, Facilities, and Leasehold Improvements; $762 million of Satellites/Weather Systems; and $947 million of other General PP&E. Direct Loans and Loan Guarantees, Net of $570 million primarily relates to NOAA's direct loan programs, including Fisheries Finance Traditional Loans and Crab Buyback Loans. Other Assets of $587 million primarily includes Accounts Receivable, Net of $221 million, Advances and Prepayments of $208 million; and Inventory, Materials, and Supplies, Net of $105 million.

COMPOSITION OF THE DEPARTMENT'S FY 2012 ASSETS



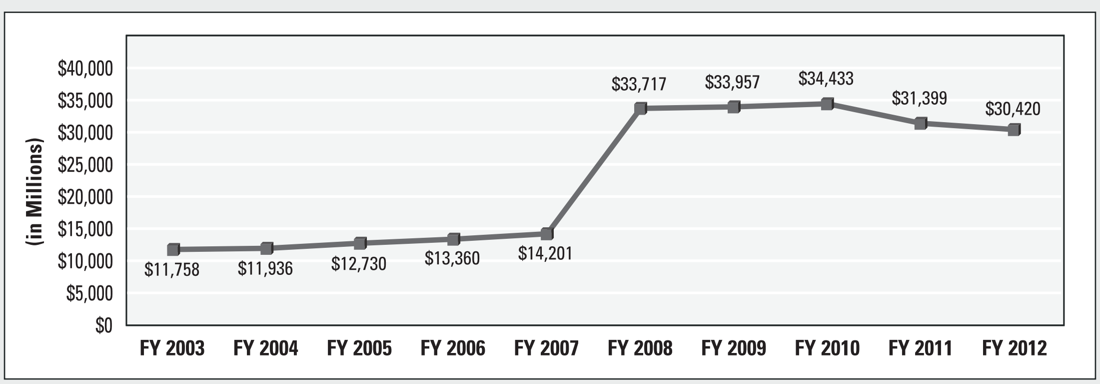
FY 2012 ASSETS BY RESPONSIBILITY SEGMENT



Trends in Assets

The Department's total Assets decreased $979 million or 3 percent, from $31.40 billion at September 30, 2011 to $30.42 billion at September 30, 2012. Fund Balance with Treasury decreased $2.40 billion or 11 percent, from $21.66 billion to $19.26 billion, primarily due to a $1.68 billion decrease in Fund Balance with Treasury for NTIA's Broadband Technology Opportunities Program under the Recovery Act mainly due to 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 PP&E, Net increased $1.64 billion or 20 percent, from $8.36 billion to $10.00 billion, mainly due to an increase in NOAA Construction-in-progress of $1.65 billion, primarily for satellite programs. Other Assets decreased by $222 million or 27 percent, from $809 million to $587 million, primarily due to a decrease of $109 million in Advances to the Federal Emergency Management Agency related to the Public Safety Interoperable Communications Program and a $93 million decrease in Advances for NOAA's Pacific Region Center construction project.

TRENDS IN TOTAL ASSETS

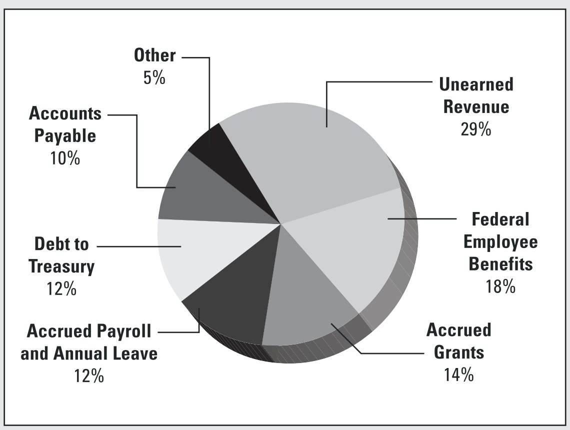


NOTE: *The significant fluctuation between FY 2007 and FY 2008 assets is primarily due to NTIA proceeds of $18.96 billion from the Federal Communications Commission auction of licenses for recovered analog spectrum in FY 2008.*

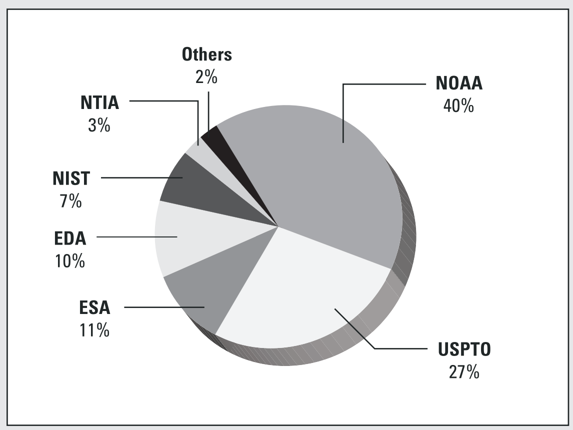
Composition of Liabilities and Liabilities by Responsibility Segment

The composition (by percentage) and distribution (by responsibility segment) of the Department's liabilities remained consistent from September 30, 2011 to September 30, 2012. The Department's total liabilities amounted to $4.70 billion at September 30, 2012. Unearned Revenue of $1.39 billion represents the portion of monies received from customers for which goods and services have not been provided or rendered by the Department. Federal Employee Benefits Liability of $851 million is composed of the actuarial present value of projected benefits for the NOAA Corps Retirement System ($578 million) and the NOAA Corps Post-retirement Health Benefits ($45 million), and Actuarial Federal Employees Compensation Act (FECA) Liability ($228 million), which represents the actuarial liability for future workers' compensation benefits. Accrued Grants of $636 million, which relates to a diverse array of financial assistance programs and projects, includes EDA's accrued grants of $421 million for its economic development assistance funding to state and local governments. Accrued Payroll and Annual Leave of $581 million includes salaries and wages earned by employees, but not disbursed as of September 30, 2012. Debt to Treasury of $554 million consists of monies borrowed primarily for NOAA's direct loan programs. Accounts Payable of $453 million consists primarily of amounts owed for goods, services, or capitalized assets received, progress on contract performance by others, and other expenses due. Other Liabilities of $242 million primarily includes Environmental and Disposal Liabilities of $60 million, Accrued Benefits of $53 million, Accrued FECA Liability of $36 million, Resources Payable to Treasury of $13 million, ITA Foreign Service Nationals' Voluntary Separation Pay Liability of $12 million, and Capital Lease Liabilities of $8 million.

COMPOSITION OF THE DEPARTMENT'S FY 2012 LIABILITIES



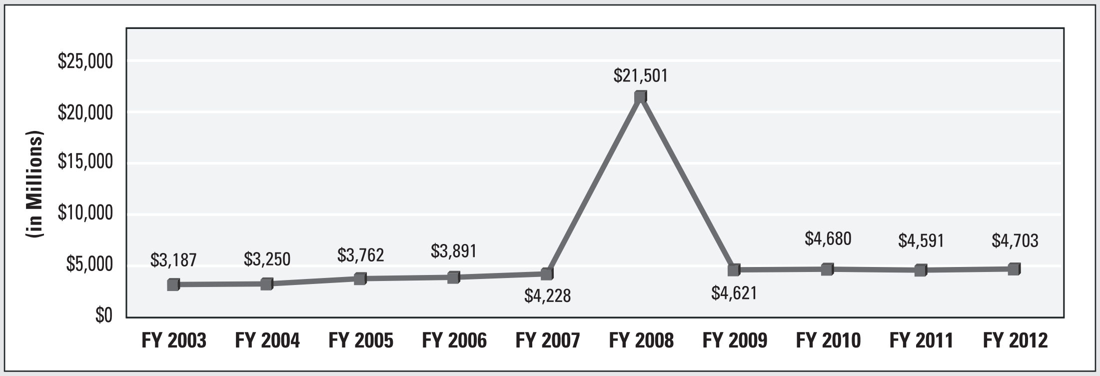
FY 2012 LIABILITIES BY RESPONSIBILITY SEGMENT



Trends in Liabilities

The Department's total Liabilities increased $112 million or 2 percent, from $4.59 billion at September 30, 2011 to $4.70 billion at September 30, 2012. Federal Employee Benefits Liability increased $43 million or 5 percent, from $808 million to $851 million, primarily due to an increase of $54 million in the NOAA Corps Retirement System Liability. Accrued Grants increased by $40 million or 7 percent, from $596 million to $636 million, primarily due to an increase for EDA of $36 million for economic development grants.

TRENDS IN TOTAL LIABILITIES



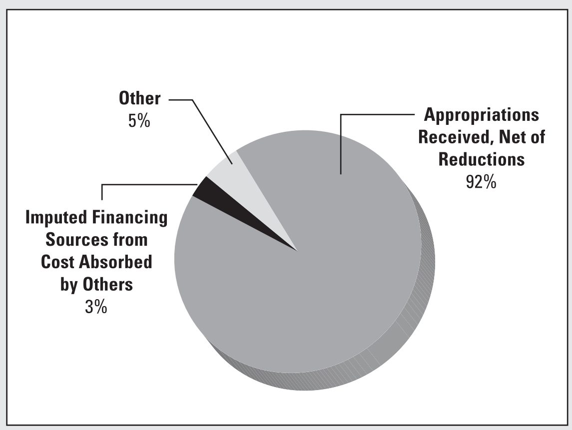
NOTE: *The significant fluctuation between FY 2007 and FY 2008 liabilities is primarily due to NTIA's Spectrum Auction Proceeds Liability to FCC for auction proceeds for which licenses had not yet been granted by FCC as of September 30, 2008. During FY 2009, this liability was significantly reduced as a significant amount of licenses were granted by FCC.*

Accounts Payable increased by $21 million or 5 percent, from $432 million to $453 million, primarily due to an increase in NOAA's Accounts Payable of $40 million mainly related to NOAA's satellites and weather systems. Debt to Treasury increased by $14 million or 3 percent, from $540 million to $554 million, mainly due to new borrowings in FY 2012 for NOAA's direct loan programs.

Composition of and Trends in Financing Sources

The composition by percentage of the Department's financing sources remained somewhat consistent from FY 2011 to FY 2012. The Department's Financing Sources, shown on the Consolidated Statement of Changes in Net Position, are traditionally obtained primarily from Appropriations Received, Net of Reductions. The dollar amount of Appropriations Received, Net of Reductions, however, increased significantly by $2.05 billion or 35 percent, from $5.81 billion for FY 2011 to $7.86 billion for FY 2012, mainly due to $1.74 billion of rescissions in FY 2011 for Census Bureau's Periodic Censuses and Programs fund group as a result of the completion of the 2010 Decennial Census, with no Census Bureau rescissions in FY 2012. Other typical Financing Sources include net transfers to and from other federal agencies without reimbursement, and imputed financing sources from cost absorbed by other federal agencies. The Department's total Financing Sources increased $2.30 billion or 37 percent, from $6.29 billion for FY 2011 to $8.59 billion for FY 2012, primarily due to the $1.74 billion of rescissions in FY 2011 for Census Bureau's Periodic Censuses and Programs fund group, whereas there were no Census Bureau rescissions in FY 2012.

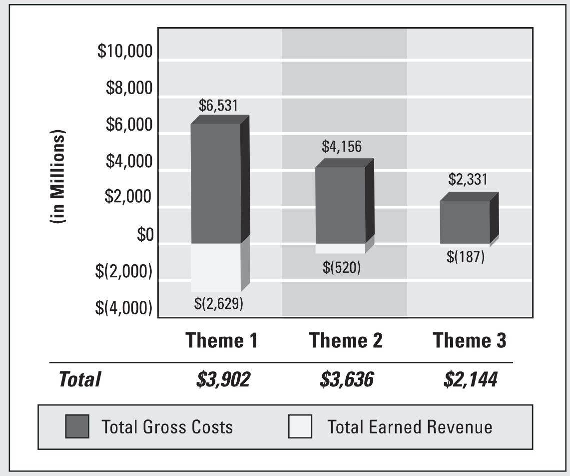
COMPOSITION OF THE DEPARTMENT'S FY 2012 FINANCING SOURCES



FY 2012 Net Cost of Operations by Theme

In FY 2012, the Department's Net Cost of Operations amounted to $9.68 billion, which consists of Gross Costs of $13.02 billion less Earned Revenue of $3.34 billion.

FY 2012 NET PROGRAM COSTS BY THEME



Theme 1, Economic Growth, with Net Program Costs of $3.90 billion for the Department, is related to enabling economic growth through innovation and entrepreneurship, market development and commercialization, and trade promotion and compliance. Theme 1 includes Net Program Costs of $(106) million (Gross Costs of $2.32 billion less Earned Revenue of $2.43 billion) for the U.S. Patent and Trademark Office's (USPTO) patents and trademark programs. The issuance of patents provides incentives to invent and invest in new technology by allowing innovators the opportunity to benefit from their discoveries. Registration of trademarks assists businesses in protecting their investments and safeguards consumers against confusion and deception in the marketplace by providing notice of trademarks in use. Through dissemination of patent and trademark information, the Department promotes a global understanding of intellectual property protection and facilitates the development and sharing of new technologies worldwide. Theme 1 also includes Net Program Costs of $687 million (Gross Costs of $812 million less Earned Revenue of $125 million) for NIST's Measurement and Standards Laboratories major program. These laboratories are the stewards of the Nation's measurement infrastructure, and provide measurement methods, reference materials, test procedures, instrument calibrations, fundamental data, and standards that comprise essential tools for research, production, and buyer-seller transactions. NTIA's programs and activities also support Theme 1, with Net Program Costs of $1.99 billion (Gross Costs of $2.02 billion less Earned Revenue of $26 million). NTIA serves as the principal adviser to the President on domestic and international communications and information policy-making, promotes access to telecommunications services for all Americans and competition in domestic and international markets, manages all federal use of the electromagnetic spectrum and generally promotes efficient use of spectrum, and conducts telecommunications technology research, including standards-setting in partnership with business and other federal agencies. ITA's programs and activities also support Theme 1, with Net Program Costs of $458 million (Gross Costs of $478 million less Earned Revenue of $20 million). ITA assists the export growth of small and medium-sized businesses, enforces U.S. trade laws and trade agreements, monitors and maintains trading relationships with established markets, promotes new business in emerging markets, and improves access to overseas markets by identifying and pressing for the removal of trade barriers. Theme 1 also includes Net Program Costs of $466 million (Gross Costs of $473 million less Earned Revenue of $7 million) for EDA. EDA helps distressed communities address problems associated with long-term economic distress, as well as sudden and severe economic dislocations including recovering from the economic impacts of natural disasters, the closure of military installations and other federal facilities, changing trade patterns, and the depletion of natural resources.

Theme 2, Science and Information, with Net Program Costs of $3.64 billion for the Department, is related to promoting science and information by generating and communicating new cutting-edge scientific understanding of technical, economic, social, and environmental systems. Theme 2 includes Net Program Costs of $2.34 billion (Gross Costs of $2.47 billion less Earned Revenue of $135 million) for NOAA's programs and activities related to improving weather, water, and climate reporting and forecasting, which assist the Nation to prepare and respond to environmental events that affect safety, health, the environment, the economy, and homeland security. NOAA develops and procures satellite systems, aircraft, and ships to examine oceanic and atmospheric patterns worldwide and to provide information on weather patterns and forecasts. The Census Bureau also supports Theme 2, with Net Program Costs of $1.15 billion (Gross Costs of $1.46 billion less Earned Revenue of $311 million). The Census Bureau carries out the Decennial Census, periodic censuses, and demographic and other surveys, and prepares and releases targeted data products for economic and other programs.

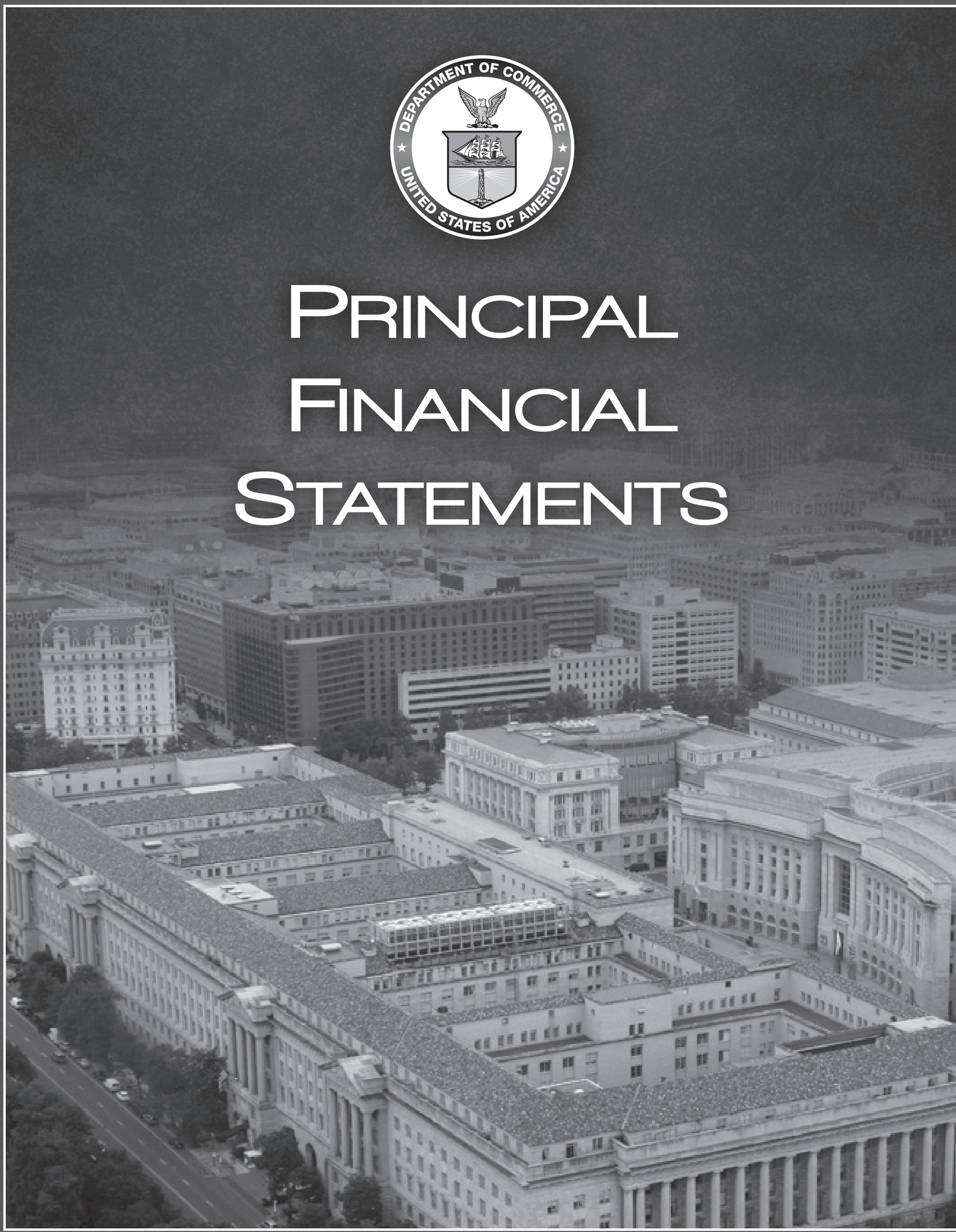
Theme 3, Environmental Stewardship, with Net Program Costs of $2.14 billion for the Department, is related to promoting economically-sound environmental stewardship and science. Theme 3 includes Net Program Costs of $2.11 billion (Gross Costs of $2.31 billion less Earned Revenue of $204 million) related to NOAA's stewardship of ecosystems, which reflects NOAA's mission to conserve, protect, manage, and restore fisheries and coastal and ocean resources. The Department has a responsibility for stewardship of the marine ecosystem and for setting standards to protect and manage the shared resources and harvests of the oceans. The Department strives to balance sustainable development and healthy functioning marine ecosystems, and to conserve, protect, restore, and better manage resources.

LIMITATIONS OF THE FINANCIAL STATEMENTS

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

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

FINANCIAL SECTION



Principal Financial Statements

United States Department of Commerce Consolidated Balance Sheets
As of September 30, 2012 and 2011 *(In Thousands)*

	FY 2012	FY 2011
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Notes 2 and 18)	$ 19,261,281	$ 21,661,030
Accounts Receivable (Note 3)	116,009	98,360
Advances and Prepayments	208,368	415,683
Total Intragovernmental	**19,585,658**	**22,175,073**
Cash (Note 4)	4,834	3,466
Accounts Receivable, Net (Note 3)	104,941	140,846
Direct Loans and Loan Guarantees, Net (Note 5)	570,348	566,250
Inventory, Materials, and Supplies, Net (Note 6)	104,978	97,823
General Property, Plant, and Equipment, Net (Note 7)	10,000,512	8,362,263
Other (Note 8)	48,276	53,320
TOTAL ASSETS	**$ 30,419,547**	**$ 31,399,041**
Stewardship Property, Plant, and Equipment (Note 23)		
LIABILITIES		
Intragovernmental:		
Accounts Payable	$ 156,032	$ 88,455
Debt to Treasury (Note 10)	554,281	540,001
Other		
Resources Payable to Treasury	12,862	21,448
Unearned Revenue	332,923	338,657
Other (Note 11)	102,412	93,104
Total Intragovernmental	**1,158,510**	**1,081,665**
Accounts Payable	296,869	343,280
Loan Guarantee Liabilities (Notes 5 and 16)	518	563
Federal Employee Benefits (Note 12)	851,211	808,482
Environmental and Disposal Liabilities (Note 13)	59,945	63,377
Other		
Accrued Payroll and Annual Leave	580,715	578,952
Accrued Grants	635,856	595,721
Capital Lease Liabilities (Note 14)	8,377	10,068
Unearned Revenue	1,053,580	1,035,867
Other (Note 11)	57,732	73,153
TOTAL LIABILITIES	**$ 4,703,313**	**$ 4,591,128**
Commitments and Contingencies (Notes 5,14, and 16)		
NET POSITION		
Unexpended Appropriations		
Unexpended Appropriations - Earmarked Funds (Note 21)	$ 1,660,141	$ 3,390,451
Unexpended Appropriations - All Other Funds	5,056,293	5,829,206
Cumulative Results of Operations		
Cumulative Results of Operations - Earmarked Funds (Note 21)	9,939,669	10,073,516
Cumulative Results of Operations - All Other Funds	9,060,131	7,514,740
TOTAL NET POSITION	**$ 25,716,234**	**$ 26,807,913**
TOTAL LIABILITIES AND NET POSITION	**$ 30,419,547**	**$ 31,399,041**

The accompanying notes are an integral part of these financial statements.

United States Department of Commerce Consolidated Statements of Net Cost

For the Years Ended September 30, 2012 and 2011 (Note 17) *(In Thousands)*

	FY 2012	FY 2011
Theme 1: Economic Growth		
Gross Costs	$ 6,531,035	$ 5,315,520
Less: Earned Revenue	(2,628,952)	(2,450,163)
Net Program Costs	**3,902,083**	**2,865,357**
Theme 2: Science and Information		
Gross Costs	4,156,232	4,436,424
Less: Earned Revenue	(520,569)	(481,062)
Net Program Costs	**3,635,663**	**3,955,362**
Theme 3: Environmental Stewardship		
Gross Costs	2,331,038	2,667,910
Less: Earned Revenue	(186,763)	(254,829)
Net Program Costs	**2,144,275**	**2,413,081**
NET COST OF OPERATIONS	**$ 9,682,021**	**$ 9,233,800**

The accompanying notes are an integral part of these financial statements.

United States Department of Commerce Consolidated Statements of Changes in Net Position
For the Years Ended September 30, 2012 and 2011 *(In Thousands)*

	FY 2012			FY 2011		
	Earmarked Funds (Note 21)	All Other Funds	Consolidated Total	Earmarked Funds (Note 21)	All Other Funds	Consolidated Total
Cumulative Results Of Operations:						
Beginning Balance	$ 10,073,516	$ 7,514,740	$ 17,588,256	$ 10,189,816	$ 6,680,597	$ 16,870,413
Budgetary Financing Sources:						
Appropriations Used	1,638,458	8,631,942	10,270,400	665,766	8,776,595	9,442,361
Non-exchange Revenue	222,494	12,539	235,033	95,804	15,379	111,183
Donations and Forfeitures of Cash and Cash Equivalents	-	5,303	5,303	-	1,651	1,651
Transfers In/(Out) Without Reimbursement, Net	18,390	104,419	122,809	25,795	93,378	119,173
Rescissions (Note 18)	(18,198)	-	(18,198)	-	(54,800)	(54,800)
Other Budgetary Financing Sources/(Uses), Net	-	6,208	6,208	-	(4,000)	(4,000)
Other Financing Sources (Non-exchange):						
Donations and Forfeitures of Property	-	579	579	-	458	458
Transfers In/(Out) Without Reimbursement, Net	-	182,220	182,220	-	(4,062)	(4,062)
Imputed Financing Sources from Cost Absorbed by Others	20,415	277,279	297,694	22,797	325,128	347,925
Other Financing Sources/(Uses), Net	-	(8,483)	(8,483)	-	(8,246)	(8,246)
Total Financing Sources	**1,881,559**	**9,212,006**	**11,093,565**	**810,162**	**9,141,481**	**9,951,643**
Net Cost of Operations	**(2,015,406)**	**(7,666,615)**	**(9,682,021)**	**(926,462)**	**(8,307,338)**	**(9,233,800)**
Net Change	**(133,847)**	**1,545,391**	**1,411,544**	**(116,300)**	**834,143**	**717,843**
Cumulative Results of Operations – Ending Balance	**9,939,669**	**9,060,131**	**18,999,800**	**10,073,516**	**7,514,740**	**17,588,256**
Unexpended Appropriations:						
Beginning Balance	3,390,451	5,829,206	9,219,657	4,099,319	8,782,873	12,882,192
Budgetary Financing Sources:						
Appropriations Received (Note 18)	-	7,884,258	7,884,258	-	7,669,352	7,669,352
Appropriations Transferred In/(Out), Net	-	23,223	23,223	-	11,239	11,239
Rescissions of Appropriations (Note 18)	-	(5,450)	(5,450)	-	(1,803,198)	(1,803,198)
Other Adjustments	(91,852)	(43,002)	(134,854)	(43,102)	(54,465)	(97,567)
Appropriations Used	(1,638,458)	(8,631,942)	(10,270,400)	(665,766)	(8,776,595)	(9,442,361)
Total Budgetary Financing Sources	**(1,730,310)**	**(772,913)**	**(2,503,223)**	**(708,868)**	**(2,953,667)**	**(3,662,535)**
Unexpended Appropriations – Ending Balance	**1,660,141**	**5,056,293**	**6,716,434**	**3,390,451**	**5,829,206**	**9,219,657**
NET POSITION	**$ 11,599,810**	**$ 14,116,424**	**$ 25,716,234**	**$ 13,463,967**	**$ 13,343,946**	**$ 26,807,913**

The accompanying notes are an integral part of these financial statements.

United States Department of Commerce Combined Statements of Budgetary Resources For the Years Ended September 30, 2012 and 2011 (Note 18) *(In Thousands)*

	FY 2012		FY 2011	
	Budgetary	Non-budgetary Credit Program Financing Accounts	Budgetary	Non-budgetary Credit Program Financing Accounts
BUDGETARY RESOURCES:				
Unobligated Balance, Brought Forward, October 1	$ 9,995,115	$ 86	$ 12,155,652	$ 873
Adjustments to Unobligated Balance, Brought Forward	3	(1)	2	(1)
Unobligated Balance Brought Forward, October 1, as Adjusted	9,995,118	85	12,155,654	872
Actual Recoveries of Prior-years Unpaid Obligations	298,066	4,561	323,886	98,196
Actual Nonexpenditure Transfers of Unobligated Balance, Net	17,329	-	21,056	-
Borrowing Authority Withdrawn	-	(4,561)	-	(97,570)
Other Changes in Unobligated Balance, Net	(134,689)	-	(97,678)	-
Unobligated Balance From Prior-years Budget Authority, Net	**10,175,824**	**85**	**12,402,918**	**1,498**
Appropriations	8,035,812	-	5,939,022	-
Borrowing Authority	2,538	71,668	-	77,597
Spending Authority From Offsetting Collections	4,270,868	33,701	3,947,942	30,057
TOTAL BUDGETARY RESOURCES	**$ 22,485,042**	**$ 105,454**	**$ 22,289,882**	**$ 109,152**
STATUS OF BUDGETARY RESOURCES:				
Obligations Incurred	$ 12,132,645	$ 105,452	$ 12,294,767	$ 109,066
Unobligated Balance, End of Year				
Apportioned	1,157,028	-	581,374	-
Exempt From Apportionment	136,995	-	392,735	-
Unapportioned	9,058,374	2	9,021,006	86
Total Unobligated Balance, End of Year	**10,352,397**	**2**	**9,995,115**	**86**
TOTAL STATUS OF BUDGETARY RESOURCES	**$ 22,485,042**	**$ 105,454**	**$ 22,289,882**	**$ 109,152**
CHANGE IN UNPAID OBLIGATED BALANCE, NET:				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, October 1	$ 11,152,608	$ 145,079	$ 13,171,979	$ 229,115
Adjustments to Unpaid Obligations, Brought Forward	153	4	-	-
Obligations Incurred	12,132,645	105,452	12,294,767	109,066
Outlays, Gross	(14,638,956)	(115,838)	(13,990,252)	(94,906)
Actual Recoveries of Prior-years Unpaid Obligations	(298,066)	(4,561)	(323,886)	(98,196)
UNPAID OBLIGATIONS, END OF YEAR	**$ 8,348,384**	**$ 130,136**	**$ 11,152,608**	**$ 145,079**
Uncollected Customer Payments:				
Uncollected Customer Payments, Brought Forward, October 1	$ (646,248)	$ (390)	$ (523,383)	$ (735)
Adjustments to Uncollected Customer Payments, Brought Forward	(158)	(1)	-	-
Change in Uncollected Customer Payments	38,076	(103)	(122,865)	345
UNCOLLECTED CUSTOMER PAYMENTS, END OF YEAR	**$ (608,330)**	**$ (494)**	**$ (646,248)**	**$ (390)**
Unpaid Obligated Balance, Net, Brought Forward, October 1	**10,506,360**	**144,689**	**12,648,596**	**228,380**
Unpaid Obligated Balance, Net, End of Year	**7,740,054**	**129,642**	**10,506,360**	**144,689**
BUDGET AUTHORITY, NET:				
Budget Authority, Gross	$ 12,309,218	$ 105,369	$ 9,886,964	$ 107,654
Actual Offsetting Collections	(4,304,870)	(104,012)	(4,026,213)	(72,048)
Change in Uncollected Customer Payments	38,076	(103)	(122,865)	345
BUDGET AUTHORITY, NET	**$ 8,042,424**	**$ 1,254**	**$ 5,737,886**	**$ 35,951**
OUTLAYS, NET:				
Outlays, Gross	$ 14,638,956	$ 115,838	$ 13,990,252	$ 94,906
Actual Offsetting Collections	(4,304,870)	(104,012)	(4,026,213)	(72,048)
Outlays, Net	10,334,086	11,826	9,964,039	22,858
Distributed Offsetting (Receipts)/Outlays, Net	(62,667)	-	(33,570)	-
AGENCY OUTLAYS, NET	**$ 10,271,419**	**$ 11,826**	**$ 9,930,469**	**$ 22,858**

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

(All Tables are Presented in Thousands)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Reporting Entity

The Department of Commerce (the Department) is a cabinet-level agency of the Executive Branch of the U.S. government. Established in 1903 to promote U.S. business and trade, the Department's broad range of responsibilities includes predicting the weather, granting patents and registering trademarks, measuring economic growth, gathering and disseminating statistical data, expanding U.S. exports, developing innovative technologies, helping local communities improve their economic development capabilities, promoting minority entrepreneurial activities, and monitoring the stewardship of national assets. The Department is composed of 12 bureaus, the Emergency Oil and Gas and Steel Loan Guarantee Programs, and Departmental Management.

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

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

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

B Basis of Accounting and Presentation

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

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

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

The Department has allocation transfer transactions with other federal agencies as both a transferring (parent) entity and as a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activity related to these allocation transfers (e.g. budget authority, obligations, and outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations, and budget apportionments are derived. EDA allocates funds, as the parent, to the U.S. Department of Agriculture's Rural Development Administration. Therefore, all financial activity related to these EDA funds are reported in the Department's financial statements. NOAA, EDA, Census Bureau, and BEA have received allocation transfers, as the child, from the General Services Administration (GSA), Environmental Protection Agency, Delta Regional Authority, Appalachian Regional Commission, and Northern Border Regional Commission. Activity relating to these child allocation transfers is not reported in the Department's financial statements, except that the Department has recognized Imputed Costs and Imputed Financing Sources From Cost Absorbed by Others for expenses, as the child, under GSA's Federal Buildings Funds.

C Earmarked Funds

Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the government's general revenues. Earmarked funds include general funds, public enterprise revolving funds (not including credit reform financing funds), special funds, and a trust fund. (See Note 21, *Earmarked Funds*.)

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

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

E Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of funds in the Department's accounts with the U.S. Department of the Treasury (Treasury). Deposit Funds include amounts held in customer deposit accounts.

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

F Accounts Receivable, Net

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

G Advances and Prepayments

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

H Direct Loans and Loan Guarantees, Net

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

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

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

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

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

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

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

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

The amount of any downward subsidy reestimates as of September 30 must be disbursed to Treasury in the subsequent fiscal year. Appropriations are normally obtained in the following fiscal year for any upward subsidy reestimates.

I Inventory, Materials, and Supplies, Net

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

J General Property, Plant, and Equipment, Net

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

Capitalization Threshold: The Department's general policy is to capitalize General PP&E if the initial acquisition price is $25 thousand or more and the useful life is two years or more. NOAA, NIST and USPTO are an exception to this policy, based on a cost vs. benefits and materiality analysis given the size of these bureaus, having a capitalization threshold of $200 thousand and $50 thousand for NOAA, and NIST and USPTO respectively. General PP&E with an acquisition cost less than the capitalization threshold is expensed when purchased. All bureaus other than NOAA have a personal property bulk purchase capitalization threshold of $250 thousand, and NOAA has a personal property bulk purchase capitalization threshold of $1 million.

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

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

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

K Notes Receivable

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

L Non-entity Assets

Non-entity assets are assets held by the Department that are not available for use in its operations. Non-entity Fund Balance with Treasury includes customer deposits held by the Department until customer orders are received, and monies payable to the Treasury General Fund for custodial activity and for loan programs. Non-entity Direct Loans and Loan Guarantees, Net includes EDA's Drought Loan Portfolio. The Portfolio collections are submitted to Treasury monthly.

Ⓜ Liabilities

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

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

Debt to Treasury: The Department has borrowed funds from Treasury through the Fisheries Finance Financing Account for various NOAA direct loan programs, through the Fishing Vessel Obligation Guarantee (FVOG) loan guarantee program, and through NTIA's Public Safety Trust Fund, and State and Local Implementation Fund. To simplify interest calculations, the Fisheries Finance Financing Account and FVOG borrowings are dated October 1. Interest rates are based on a weighted average of rates during the term of the borrowed funds. The weighted average rate for each cohort's borrowing is recalculated at the end of each fiscal year during which disbursements are made. Annual interest payments on unpaid principal balances as of September 30 are required. Principal repayments are required only at maturity, but are permitted at any time during the term of the loan. The Department's primary financing source for repayments of Debt to Treasury is the collection of principal on the associated Loans Receivable, and deposits from public safety communications and electromagnetic spectrum auction proceeds. Balances of any borrowed but undisbursed Fisheries Finance Financing Account and FVOG funds will earn interest at the same rate used in calculating interest expense. The amount borrowed by NTIA are interest-free. The amount, reported for Debt to Treasury includes accrued interest payable.

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

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

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

Loan Guarantee Liabilities: Post-FY 1991 obligated loan guarantees are governed by the Federal Credit Reform Act of 1990. For a guaranteed loan disbursed during a fiscal year, a subsidy cost is initially recognized. Subsidy costs are intended to estimate the long-term cost to the U.S. government of its loan programs. The subsidy cost equals the present value of estimated cash outflows over the lives of the loans, minus the present value of estimated cash inflows, discounted at the applicable Treasury interest rate.

Administrative costs such as salaries are not included in the subsidy costs. Subsidy costs can arise from interest rate differentials, interest subsidies, delinquencies and defaults, loan origination and other fees, and other cash flows. The Department calculates its subsidy costs based on a model created and provided by OMB.

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

Federal Employee Benefits:

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

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

NOAA Corps Retirement System Liability and NOAA Corps Post-retirement Health Benefits Liability: These liabilities are recorded at the actuarial present value of projected benefits, calculated annually, as of September 30. The actuarial cost method used to determine these liabilities is the aggregate entry age normal method. Under this method, the actuarial present value of projected benefits is allocated on a level basis over the earnings or the service of the group between entry age and assumed exit ages. The portion of this actuarial present value allocated to the valuation year is called the normal cost. For purposes of calculating the normal cost, certain actuarial assumptions utilized for the actual valuation of U.S. Military Retirement System are used. Actuarial gains and losses, and prior and past service costs, if any, are recognized immediately in the year they occur, without amortization. The medical claim rates used for the NOAA Corps Post-retirement Health Benefits Liability actuarial calculations are based on the claim rates used for the U.S. Department of Defense Medicare-Eligible Retiree Health Care Fund actuarial valuations. Demographic assumptions appropriate to covered personnel are also used. For background information about these plans, see Note 1.Q, *Employee Retirement Benefits*.

Environmental and Disposal Liabilities: NIST operates a nuclear reactor licensed by the U.S. Nuclear Regulatory Commission, in accordance with NIST's mission of setting standards and examining new technologies. The Department currently estimates the cost of decommissioning this facility to be $75.3 million. The NIST decommissioning estimate includes an assumption that an offsite waste disposal facility will become available, when needed, estimated in 2029. Currently, an offsite disposal location has not been identified, and the NIST environmental liability cost estimate includes an amount approved by the Nuclear Regulatory Commission for offsite waste disposal. The total estimated decommissioning cost is being accrued on a straight-line basis over the expected life of the facility. Under current legislation, funds to cover the expense of decommissioning the facility's nuclear reactor should be requested in a separate appropriation when the decommissioning date becomes relatively certain.

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

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

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

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

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

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

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

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

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

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

N Commitments

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

O Net Position

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

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

P Revenues and Other Financing Sources

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

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

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

Imputed Financing Sources from Cost Absorbed by Others (and Related Imputed Costs): In certain cases, operating costs of the Department are paid for in full or in part by funds appropriated to other federal entities. For example, Civil Service Retirement System pension benefits for applicable Departmental employees are paid for in part by the U.S. Office of Personnel Management (OPM), and certain legal judgments against the Department are paid for in full from the Judgment Fund maintained by Treasury. The Department includes applicable Imputed Costs on the *Consolidated Statements of Net Cost*. In addition, an Imputed Financing Source from Cost Absorbed by Others is recognized on the *Consolidated Statements of Changes in Net Position*.

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

Q Employee Retirement Benefits

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

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

For CSRS-covered regular employees, the Department was required to make contributions to the plan equal to 7 percent of an employee's basic pay. Employees contributed 7 percent of basic pay. For each fiscal year, OPM calculates the U.S. government's service cost for covered employees, which is an estimate of the amount of funds, that, if accumulated annually and invested over an employee's career, would be enough to pay that employee's future benefits. Since the U.S. government's estimated service cost exceeds contributions made by employer agencies and covered employees, this plan is not fully funded by the Department and its employees. The Department has recognized an Imputed Cost and an Imputed Financing Source From Cost Absorbed by Others for the difference between the estimated service cost and the contributions made by the Department and its covered employees.

For FERS-covered regular employees, the Department was required to make contributions of 11.9 percent and 11.7 percent of basic pay for FY 2012 and FY 2011, respectively. Employees contributed 0.8 percent of basic pay. For each fiscal year, OPM calculates the U.S. government's service cost for covered employees. Since the U.S. government's estimated service cost exceeds contributions made by employer agencies and covered employees, this plan was not fully funded by the Department and its employees. The Department has recognized an Imputed Cost and an Imputed Financing Source From Cost Absorbed by Others for the difference between the estimated service cost and the contributions made by the Department and its covered employees.

Employees participating in FERS are covered under the Federal Insurance Contributions Act (FICA), for which the Department contributes a matching amount to the Social Security Administration.

NOAA Corps Retirement System: Active-duty officers of the NOAA Corps are covered by the NOAA Corps Retirement System, an unfunded, pay-as-you-go, defined-benefit plan administered by the Department. Participants do not contribute to this plan. Plan benefits are based primarily on years of service and compensation. Participants, as of September 30, 2012, included 311 active duty officers, 364 nondisability retiree annuitants, 17 disability retiree annuitants, and 50 surviving families. Key provisions include voluntary nondisability retirement after 20 years of active service, disability retirement, optional survivor benefits, Consumer Price Index (CPI) optional survivor benefits, and CPI adjustments for benefits.

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

Thrift Savings Plan (TSP): Employees covered by CSRS and FERS are eligible to contribute to the U.S. government's TSP, administered by the Federal Retirement Thrift Investment Board. A TSP account is automatically established for FERS-covered employees, and the Department makes a mandatory contribution of one percent of basic pay. The Department also makes matching contributions of up to four percent of basic pay for FERS-covered employees. FERS and CSRS-covered employees have no limit on the percentage of pay contributed to their TSP account. However, the total contribution for 2012 may not exceed the IRS limit of $17 thousand. The Department makes no matching contributions for CSRS-covered employees. TSP participants age 50 or older who are already contributing the maximum amount of contributions for which they are eligible may also make catch-up contributions, subject to the IRS dollar limit for catch-up contributions.

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

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

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

R Use of Estimates

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

S Tax Status

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

T Fiduciary Activities

Fiduciary activities are the collection or receipt, and the management, protection, accounting, and disposition by the U.S. government of cash or other assets in which non-federal individuals or entities have an ownership interest that the U.S. government must uphold. Fiduciary cash and other assets are not assets of the U.S. government, and, accordingly, are not recognized in the accompanying consolidated financial statements.

The Department's fiduciary activities consist of the following:

The Patent Cooperation Treaty authorizes USPTO to collect patent filing and search fees on behalf of the World Intellectual Property Organization (WIPO), European Patent Office, Korean Intellectual Property Office, and the Australian Patent Office, from U.S. citizens requesting an international patent. The Madrid Protocol Implementation Act authorizes USPTO to collect trademark application fees on behalf of the International Bureau of WIPO from U.S. citizens requesting an international trademark. These fiduciary activities are reported in Note 20.

NOTE 2. FUND BALANCE WITH TREASURY

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

	FY 2012	FY 2011
General Funds	$ 8,987,526	$ 11,214,030
Revolving Funds	970,075	957,367
Special Funds		
Digital Television Transition and Public Safety Fund	8,842,490	9,062,212
Patent and Trademark Surcharge Fund	233,529	233,529
Others	83,948	76,244
Deposit Funds	138,405	126,983
Trust Funds	4,611	1,407
Other Fund Types	697	(10,742)
Total	$ 19,261,281	$ 21,661,030

Status of Fund Balance with Treasury is as follows:

	FY 2012	FY 2011
Temporarily Precluded From Obligation	$ 796,526	$ 810,049
Unobligated Balance		
Available	1,293,699	973,765
Unavailable	9,058,369	9,021,092
Obligated Balance Not Yet Disbursed	7,740,057	10,506,354
Non-budgetary	372,630	349,770
Total	$ 19,261,281	$ 21,661,030

See Note 18, *Combined Statements of Budgetary Resources*, for legal arrangements affecting the Department's use of Fund Balance with Treasury for FY 2012 and FY 2011.

NOTE 3. ACCOUNTS RECEIVABLE, NET

FY 2012

	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ 116,009	$ -	$ 116,009
With the Public	$ 116,327	$ (11,386)	$ 104,941

FY 2011

	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ 98,360	$ -	$ 98,360
With the Public	$ 152,642	$ (11,796)	$ 140,846

As a major partner in the federal response to the 2010 Deepwater Horizon oil spill, NOAA has incurred certain costs for providing coordinated scientific weather and biological response services to that region, for which it expects to be reimbursed. NOAA has receivables from the Coast Guard (Intragovernmental) totaling $11.5 million and $33.5 million for response and removal activities as of September 30, 2012 and 2011, respectively. NOAA also has receivables from an oil company (With the Public) for restoration activities totaling $66.0 million and $94.8 million as of September 30, 2012 and 2011, respectively. NOAA believes these receivables are fully collectible, based on costs submitted to date, and reimbursements received. Therefore, no allowance for uncollectible accounts has been established for these receivables.

NOTE 4. CASH

	FY 2012	FY 2011
Cash Not Yet Deposited with Treasury	$ 4,463	$ 3,120
Imprest Funds	371	346
Total	$ 4,834	$ 3,466

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

NOTE 5. DIRECT LOANS AND LOAN GUARANTEES, NET

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

Direct Loan Programs:

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

[1] No loans have been issued under these programs as of September 30, 2012.

Loan Guarantee Programs:

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

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

	FY 2012	FY 2011
Direct Loans Obligated Prior to FY 1992	$ 17,062	$ 20,910
Direct Loans Obligated After FY 1991	552,764	544,773
Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees	4	4
Defaulted Guaranteed Loans from Post-FY 1991 Guarantees	518	563
Total	$ 570,348	$ 566,250

Direct Loans Obligated Prior to FY 1992 consist of:

FY 2012

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
CEIP	$ 20,124	$ 5,065	$ (19,404)	$ 5,785
Drought Loan Portfolio	7,207	95	(73)	7,229
Fisheries Loan Fund	148	16	(164)	-
Economic Development Revolving Fund	4,066	22	(40)	4,048
Total	$ 31,545	$ 5,198	$ (19,681)	$ 17,062

FY 2011

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
CEIP	$ 20,223	$ 4,965	$ (18,974)	$ 6,214
Drought Loan Portfolio	9,926	141	(104)	9,963
Fisheries Loan Fund	244	39	(283)	-
Economic Development Revolving Fund	4,756	25	(48)	4,733
Total	$ 35,149	$ 5,170	$ (19,409)	$ 20,910

Direct Loans Obligated After FY 1991 consist of:

FY 2012

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans, Net
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	$ 32,122	$ 72	$ 6,425	$ 38,619
Bering Sea Pollock Fishery Buyback	42,695	75	2,817	45,587
Crab Buyback Loans	89,533	2,786	24,424	116,743
Fisheries Finance IFQ Loans	24,803	240	4,054	29,097
Fisheries Finance Traditional Loans	240,004	1,964	29,876	271,844
Pacific Groundfish Buyback Loans	30,040	989	7,724	38,753
Alaska Purse Seine Fishery Buyback Loans	11,861	13	247	12,121
Total	$ 471,058	$ 6,139	$ 75,567	$ 552,764

FY 2011

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans, Net
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	$ 33,458	$ 274	$ 7,304	$ 41,036
Bering Sea Pollock Fishery Buyback	46,499	63	4,190	50,752
Crab Buyback Loans	91,609	2,798	22,098	116,505
Fisheries Finance IFQ Loans	24,362	214	4,561	29,137
Fisheries Finance Traditional Loans	229,847	2,129	33,189	265,165
Pacific Groundfish Buyback Loans	31,662	1,021	9,495	42,178
Total	$ 457,437	$ 6,499	$ 80,837	$ 544,773

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

Direct Loan Program	FY 2012	FY 2011
Fisheries Finance IFQ Loans	$ 5,595	$ 5,132
Fisheries Finance Traditional Loans	56,734	50,811
Alaska Purse Seine Fishery Buyback Loans	13,133	-
Total	$ 75,462	$ 55,943

Subsidy Expense for Direct Loans by Program and Component:

Subsidy Expense for New Disbursements of Direct Loans:

FY 2012

Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	$ (1,205)	$ 11	$ (35)	$ 472	$ (757)
Fisheries Finance Traditional Loans	(8,017)	60	(194)	2,763	(5,388)
Total	$ (9,222)	$ 71	$ (229)	$ 3,235	$ (6,145)

FY 2011

Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	$ (1,064)	$ 19	$ (29)	$ 444	$ (630)
Fisheries Finance Traditional Loans	(8,018)	158	(236)	3,805	(4,291)
Total	$ (9,082)	$ 177	$ (265)	$ 4,249	$ (4,921)

Modifications and Reestimates:

	FY 2012	FY 2012		
Direct Loan Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	$ -	$ -	$ 523	$ 523
Bering Sea Pollock Fishery Buyback	-	-	911	911
Crab Buyback Loans	-	-	(7,434)	(7,434)
Fisheries Finance IFQ Loans	-	-	1,045	1,045
Fisheries Finance Traditional Loans	-	-	7,481	7,481
Pacific Groundfish Buyback Loans	-	-	552	552
Total	$ -	$ -	$ 3,078	$ 3,078

	FY 2011	FY 2011		
Direct Loan Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	$ -	$ -	$ 187	$ 187
Bering Sea Pollock Fishery Buyback	-	-	1,605	1,605
Crab Buyback Loans	-	-	(3,823)	(3,823)
Fisheries Finance IFQ Loans	-	-	(781)	(781)
Fisheries Finance Traditional Loans	-	-	(2,008)	(2,008)
Fisheries Finance Tuna Fleet Loans	-	-	(3)	(3)
Pacific Groundfish Buyback Loans	-	-	(196)	(196)
Total	$ -	$ -	$ (5,019)	$ (5,019)

Total Direct Loan Subsidy Expense:

Direct Loan Program	FY 2012	FY 2011
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	$ 523	$ 187
Bering Sea Pollock Fishery Buyback	911	1,605
Crab Buyback Loans	(7,434)	(3,823)
Fisheries Finance IFQ Loans	288	(1,411)
Fisheries Finance Traditional Loans	2,093	(6,299)
Fisheries Finance Tuna Fleet Loans	-	(3)
Pacific Groundfish Buyback Loans	552	(196)
Total	$ (3,067)	$ (9,940)

Subsidy Rates for Direct Loans by Program and Component:

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

FY 2012

Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	(23.54) %	0.19 %	(0.79) %	11.34 %	(12.80) %
Fisheries Finance Traditional Loans	(18.46) %	0.06 %	(0.53) %	5.16 %	(13.77) %
Alaska Purse Seine Fishery Buyback Loans	(3.24) %	4.24 %	0.00 %	0.00 %	1.00 %

FY 2011

Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	(18.51) %	0.14 %	(0.38) %	3.50 %	(15.25) %
Fisheries Finance Traditional Loans	(13.28) %	0.06 %	(0.17) %	2.93 %	(10.46) %

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

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

	FY 2012	FY 2011
Beginning Balance of the Allowance for Subsidy Cost	$ 80,837	$ 76,655
Add Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component:		
Interest Rate Differential Costs	9,222	9,082
Default Costs (Net of Recoveries)	(71)	(177)
Fees and Other Collections	229	265
Other Subsidy Costs	(3,235)	(4,249)
Total of the above Subsidy Expense Components	6,145	4,921
Adjustments:		
Loan Modifications	(131)	-
Fees Received	(305)	(378)
Subsidy Allowance Amortization	(7,901)	(5,380)
Total of Adjustments	(8,337)	(5,758)
Ending Balance of the Allowance for Subsidy Cost Before Reestimates	78,645	75,818
Add or Subtract Subsidy Reestimates by Component:		
Technical/Default Reestimates	(3,078)	5,019
Ending Balance of the Allowance for Subsidy Cost	$ 75,567	$ 80,837

Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees:

FY 2012

Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	$ 7,318	$ 1	$ (7,315)	$ 4

FY 2011

Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	$ 7,785	$ 2	$ (7,783)	$ 4

Defaulted Guaranteed Loans from Post-FY 1991 Guarantees:

FY 2012

Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	$ 14,128	$ 1,254	$ (14,864)	$ 518

FY 2011

Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	$ 14,128	$ 1,254	$ (14,819)	$ 563

Loan Guarantees:

Guaranteed Loans Outstanding:

Outstanding non-acquired guaranteed loans as of September 30, 2012 and 2011, which are not reflected in the financial statements, are as follows:

	FY 2012		FY 2011	
Loan Guarantee Program	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
FVOG Program	$ 1,613	$ 1,613	$ 2,467	$ 2,467

New Guaranteed Loans Disbursed:

There were no new guaranteed loans disbursed during FY 2012 and FY 2011.

Loan Guarantee Liabilities:

	FY 2012	FY 2011
Loan Guarantee Program	Loan Guarantee Liabilities for Post-FY 1991 Guarantees, Present Value	Loan Guarantee Liabilities for Post-FY 1991 Guarantees, Present Value
FVOG Program	$ 518	$ 563

Subsidy Expense for Loan Guarantees by Program and Component:

Subsidy Expense for New Loan Guarantees Disbursed:

As there were no new loan guarantees disbursed during FY 2012 and FY 2011, there is not any related subsidy expense.

Modifications and Reestimates:

FY 2012	
Loan Guarantee Program	Total Modifications
FVOG Program	$ -

FY 2012		
Interest Rate Reestimates	Technical Reestimates	Total Reestimates
$ -	$ (1)	$ (1)

FY 2011	
Loan Guarantee Program	Total Modifications
FVOG Program	$ -

FY 2011		
Interest Rate Reestimates	Technical Reestimates	Total Reestimates
$ -	$ 614	$ 614

Total Loan Guarantee Subsidy Expense:

Loan Guarantee Program	FY 2012	FY 2011
FVOG Program	$ (1)	$ 614

Subsidy Rates for Loan Guarantees by Program and Component:

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

There were no new cohorts of guaranteed loans during FY 2012 and FY 2011.

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

	FY 2012	FY 2011
Beginning Balance of Loan Guarantee Liabilities	$ 563	$ 565
Adjustments:		
Fees Received	-	1
Interest Accumulation on the Liabilities Balance	(45)	(3)
Ending Balance of Loan Guarantee Liabilities	$ 518	$ 563

Administrative Expenses:

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

Direct Loan Program	FY 2012	FY 2011
Drought Loan Portfolio and Economic Development Revolving Fund	$ 696	$ 1,206
NOAA Direct Loan Programs	2,780	3,368
Total	$ 3,476	$ 4,574

Loan Guarantee Program	FY 2012	FY 2011
FVOG Program	$ 141	$ 189
Total	$ 141	$ 189

NOTE 6. INVENTORY, MATERIALS, AND SUPPLIES, NET

Category	Cost Flow Assumption	FY 2012	FY 2011
Inventory			
Items Held for Current Sale			
NIST Standard Reference Materials	Average	$ 21,612	$ 22,414
Other	Various	923	449
Allowance for Excess, Obsolete, and Unserviceable Items		(93)	(97)
Total Inventory, Net		22,442	22,766
Materials and Supplies			
Items Held for Use			
NOAA's National Logistics Support Center	Weighted-average	46,700	44,279
Other	Various	4,902	4,971
Items Held for Repair			
NOAA's National Reconditioning Center	Weighted-average	41,576	42,607
Allowance for Excess, Obsolete, and Unserviceable Items		(10,642)	(16,800)
Total Materials and Supplies, Net		82,536	75,057
Total		$ 104,978	$ 97,823

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

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

FY 2012

Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	$ 16,733	$ -	$ 16,733
Land Improvements	30-40	2,996	(1,471)	1,525
Structures, Facilities, and Leasehold Improvements	2-50	1,778,876	(616,975)	1,161,901
Satellites/Weather Systems Personal Property	3-20	4,734,829	(3,973,204)	761,625
Other Personal Property	2-30	2,697,484	(1,772,375)	925,109
Assets Under Capital Lease	3-40	23,182	(19,203)	3,979
Construction-in-progress	N/A	7,129,640	-	7,129,640
Total		$ 16,383,740	$ (6,383,228)	$ 10,000,512

FY 2011

Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	$ 16,749	$ -	$ 16,749
Land Improvements	30-40	2,996	(1,378)	1,618
Structures, Facilities, and Leasehold Improvements	2-50	1,543,671	(571,303)	972,368
Satellites/Weather Systems Personal Property	3-20	5,137,980	(4,091,908)	1,046,072
Other Personal Property	2-30	2,499,056	(1,656,622)	842,434
Assets Under Capital Lease	3-40	23,067	(18,274)	4,793
Construction-in-progress	N/A	5,478,229	-	5,478,229
Total		$ 14,701,748	$ (6,339,485)	$ 8,362,263

NOTE 8. OTHER ASSETS

	FY 2012	FY 2011
With the Public		
Advances and Prepayments	$ 40,220	$ 45,448
Note Receivable	1,567	1,601
Bibliographic Database, Net	6,114	6,267
Other	375	4
Total	$ 48,276	$ 53,320

As of September 30, 2012 and 2011, there is one Note Receivable with a maturity date of July 2024 and an interest rate of 7.0 percent. The balance includes accrued interest.

The bibliographic database relates to NTIS's scientific and technical information used to prepare products and services for sale. The database is stated at capitalized costs of $67.8 million and $65.3 million, less accumulated amortization of $61.7 million and $59.0 million, at September 30, 2012 and 2011, respectively.

NOTE 9. NON-ENTITY ASSETS

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

	FY 2012	FY 2011
Intragovernmental		
Fund Balance with Treasury	$ 124,296	$ 121,036
Accounts Receivable	10,496	-
Total Intragovernmental	134,792	121,036
With the Public		
Cash	1,133	756
Accounts Receivable, Net	490	2,187
Direct Loans and Loan Guarantees, Net	7,229	13,693
Other	-	1,604
Total	$ 143,644	$ 139,276

NOTE 10. DEBT TO TREASURY

FY 2012

Loan Program	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	$ 539,302	$ 12,440	$ 551,742
Loan Guarantee Program			
FVOG Program	699	(698)	1
NTIA's Public Safety Trust Fund, and State and Local Implementation Fund	-	2,538	2,538
Total	$ 540,001	$ 14,280	$ 554,281

For the Direct Loan and Loan Guarantee programs, maturity dates range from September 2012 to September 2052, and interest rates range from 2.59 to 6.81 percent.

FY 2011

Loan Program	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	$ 514,841	$ 24,461	$ 539,302
Loan Guarantee Program			
FVOG Program	3,089	(2,390)	699
Total	$ 517,930	$ 22,071	$ 540,001

NOTE 11. OTHER LIABILITIES

	FY 2012			FY 2011
	Current Portion	Non-current Portion	Total	Total
Intragovernmental				
Accrued FECA Liability	$ 27,480	$ 8,717	$ 36,197	$ 30,405
Accrued Benefits	53,117	-	53,117	47,907
Custodial Activity	490	-	490	1,769
Downward Subsidy Reestimates Payable to Treasury	10,496	-	10,496	9,135
Other	2,112	-	2,112	3,888
Total	$ 93,695	$ 8,717	$ 102,412	$ 93,104
With the Public				
ITA Foreign Service Nationals' Voluntary Separation Pay	$ 2,674	$ 9,071	$ 11,745	$ 12,393
Contingent Liabilities (Note 16)	502	-	502	3,402
Employment-related	4,295	-	4,295	8,000
Other	41,190	-	41,190	49,358
Total	$ 48,661	$ 9,071	$ 57,732	$ 73,153

The Current Portion represents liabilities expected to be paid by September 30, 2013, while the Non-current Portion represents liabilities expected to be paid after September 30, 2013.

NOTE 12. FEDERAL EMPLOYEE BENEFITS

These liabilities consist of:

	FY 2012	FY 2011
Actuarial FECA Liability	$ 228,211	$ 235,982
NOAA Corps Retirement System Liability	577,900	524,100
NOAA Corps Post-retirement Health Benefits Liability	45,100	48,400
Total	$ 851,211	$ 808,482

Actuarial FECA Liability:

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

	FY 2012	FY 2011
Year 1	2.29%	3.54%
Year 2 and Thereafter	3.14%	4.03%

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

FY 2012

Fiscal Year	Cost of Living Allowance	Consumer Price Index - Medical
2013	2.83 %	3.65 %
2014	2.03 %	3.66 %
2015	1.93 %	3.72 %
2016	2.00 %	3.73 %
2017	2.03 %	3.80 %

FY 2011

Fiscal Year	Cost of Living Allowance	Consumer Price Index - Medical
2012	2.10 %	3.07 %
2013	2.53 %	3.62 %
2014	1.83 %	3.66 %
2015	1.93 %	3.73 %
2016	2.00 %	3.73 %

NOAA Corps Retirement System Liability:

This liability represents the unfunded actuarial present value of projected plan benefits. The actuarial calculation is performed annually, as of September 30. The September 30, 2012 and 2011 actuarial calculations used the following economic assumptions:

	FY 2012	FY 2011
Discount Rate	4.43%	4.73%
Annual Basic Pay Scale Increases	2.96%	3.15%
Annual Inflation	2.46%	2.40%

Schedule for Reconciling NOAA Corps Retirement System Liability:

A reconciliation of the NOAA Corps Retirement System Liability from the beginning balance to the ending balance, including the components of the related pension costs included in the *Consolidated Statements of Net Costs*, follows:

	FY 2012	FY 2011
Beginning Balance - NOAA Corps Retirement System Liability	$ 524,100	$ 502,800
Add Pension Costs:		
Normal Cost	10,600	9,800
Interest on the Unfunded Liability	24,300	24,100
Actuarial (Gains)/Losses, Net		
From Experience	3,700	(6,500)
From Discount Rate Assumption Change	24,100	11,000
From Long-term Assumption Changes		
Annual Inflation	4,600	1,500
Annual Basic Pay Scale Increases	(800)	600
Demographic	9,800	1,800
Total Pension Costs	76,300	42,300
Subtract Benefit Payments	(22,500)	(21,000)
Ending Balance - NOAA Corps Retirement System Liability	$ 577,900	$ 524,100

NOAA Corps Post-retirement Health Benefits Liability:

This liability represents the unfunded actuarial present value of projected post-retirement plan benefits. The actuarial calculation is performed annually, as of September 30. The actuarial calculations used the following economic assumptions:

	FY 2012	FY 2011
Discount Rate	4.42%	4.74%
Ultimate Medical Trend Rate	5.25%	5.65%

Schedule for Reconciling NOAA Corps Post-retirement Health Benefits Liability:

A reconciliation of the NOAA Corps Post-retirement Health Benefits Liability from the beginning balance to the ending balance, including the components of the related post-retirement health benefits costs included in the *Consolidated Statements of Net Costs*, follows:

	FY 2012	FY 2011
Beginning Balance - NOAA Corps Post-retirement Health Benefits Liability	$ 48,400	$ 56,000
Add Health Benefits Costs:		
Normal Cost	1,400	1,500
Interest on the Unfunded Liability	2,000	2,600
Actuarial (Gains)/Losses, Net		
From Experience	700	(100)
From Discount Rate Assumption Change	1,200	100
From Long-term Assumption Changes		
Medical Claims Costs	(6,300)	(9,200)
Other	200	100
Total Health Benefits Costs	(800)	(5,000)
Subtract Benefit Payments	(2,500)	(2,600)
Ending Balance - NOAA Corps Post-retirement Health Benefits Liability	$ 45,100	$ 48,400

NOTE 13. ENVIRONMENTAL AND DISPOSAL LIABILITIES

	FY 2012	FY 2011
Nuclear Reactor	$ 55,036	$ 57,362
Pribilof Islands Cleanup	2,352	2,569
Other	2,557	3,446
Total	$ 59,945	$ 63,377

NOTE 14. LEASES

Capital Leases:

Assets under capital leases are as follows:

	FY 2012	FY 2011
Structures, Facilities, and Leasehold Improvements	$ 22,902	$ 23,043
Equipment	280	24
Less: Accumulated Depreciation	(19,203)	(18,274)
Net Assets Under Capital Leases	$ 3,979	$ 4,793

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

Capital Lease Liabilities:

Future payments due under capital leases are as follows:

FY 2012			
	General PP&E Category		
Fiscal Year	Real Property	Personal Property	Total
2013	$ 3,674	$ 95	$ 3,769
2014	2,985	-	2,985
2015	1,870	-	1,870
2016	874	-	874
2017	809	-	809
Thereafter	9,141	-	9,141
Total Future Lease Payments	19,353	95	19,448
Less: Imputed Interest	(7,932)	(6)	(7,938)
Less: Executory Costs	(3,127)	(6)	(3,133)
Net Capital Lease Liabilities	$ 8,294	$ 83	$ 8,377

FY 2011

Fiscal Year	General PP&E Category Real Property
2012	$ 3,877
2013	3,723
2014	3,041
2015	1,903
2016	873
Thereafter	9,929
Total Future Lease Payments	23,346
Less: Imputed Interest	(9,303)
Less: Executory Costs	(3,975)
Net Capital Lease Liabilities	$ 10,068

Operating Leases:

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

The Department's (1) estimated real property rent payments to GSA for FY 2013 through FY 2017; and (2) future payments due under noncancellable operating leases (non-GSA real property) are as follows:

FY 2012

	General PP&E Category	
Fiscal Year	GSA Real Property	Non-GSA Real Property
2013	$ 236,732	$ 17,923
2014	236,798	13,616
2015	235,142	11,849
2016	230,824	11,192
2017	231,078	11,193
Thereafter	[1]	97,969
Total Future Lease Payments		$ 163,742

[1] *Not estimated.*

NOTE 15. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

	FY 2012	FY 2011
Intragovernmental		
Accrued FECA Liability	$ 36,097	$ 30,307
Total Intragovernmental	36,097	30,307
Accrued Payroll	39,450	41,003
Accrued Annual Leave	270,955	270,561
Federal Employee Benefits	851,211	808,482
Environmental and Disposal Liabilities	59,945	63,377
Contingent Liabilities	502	3,402
Unearned Revenue	592,829	667,775
ITA Foreign Service Nationals' Voluntary Separation Pay	11,745	12,393
Other	3	89
Total	$ 1,862,737	$ 1,897,389

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

NOTE 16. COMMITMENTS AND CONTINGENCIES

Commitments:

The Department has entered into long-term contracts for the purchase, construction, and modernization of environmental satellites and weather measuring and monitoring systems. A summary of major long-term commitments as of September 30, 2012 is shown below.

Major Long-term Commitments:

			FY 2012				
Description	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Thereafter	Total
Geostationary Operational Environmental Satellites	$ 831,900	$ 977,700	$ 874,600	$ 810,700	$ 731,300	$ 3,432,400	$ 7,658,600
Convergence Satellites	916,400	916,000	958,600	943,600	921,100	3,889,900	8,545,600
Polar Operational Environmental Satellites	32,200	29,400	32,200	28,100	5,700	-	127,600
Ocean Surface Topography	30,000	37,000	9,000	6,000	6,000	11,300	99,300
Deep Space Climate Observatory	22,900	19,300	3,200	3,200	2,400	2,300	53,300
Weather Service	96,538	122,067	106,405	106,877	76,369	88,830	597,086
Total	$ 1,929,938	$ 2,101,467	$ 1,984,005	$ 1,898,477	$ 1,742,869	$ 7,424,730	$ 17,081,486

Legal Contingencies:

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

Probable Likelihood of an Adverse Outcome:

The Department is subject to potential liabilities where adverse outcomes are probable, and claims are approximately $502 thousand and $3.4 million as of September 30, 2012 and 2011, respectively. Accordingly, these contingent liabilities were included in Other Liabilities on the *Consolidated Balance Sheets* as of September 30, 2012 and 2011, respectively. For a majority of these claims, any amounts ultimately due will be paid out of Treasury's Judgment Fund. For the claims to be paid by Treasury's Judgment Fund, once the claims are settled or court judgments are assessed relative to the Department, the liability will be removed and an Imputed Financing Source From Cost Absorbed by Others will be recognized.

Reasonably Possible Likelihood of an Adverse Outcome:

The Department and other federal agencies are subject to potential liabilities for a variety of environmental cleanup costs, many of which are associated with the Second World War, at various sites within the U.S. Since some of the potential liabilities represent claims with no stated amount, the exact amount of total potential liabilities is unknown, but may exceed $234.5 million as of September 30, 2012. For these potential liabilities, it is reasonably possible that an adverse outcome will result. It is not possible, however, to speculate as to a range of loss. In the absence of a settlement agreement, decree, or judgment, there is neither an allocation of response costs between the U.S. government and other potentially responsible parties, nor is there an attribution of such costs to or among the federal agencies implicated in the claims. Although the Department has been implicated as a responsible party, the U.S. Department of Justice was unable to provide an amount for these potential liabilities that is attributable to the Department. Of these potential liabilities, all will be funded by Treasury's Judgment Fund, if any amounts are ultimately due.

The Department and other federal agencies are subject to other potential liabilities. Since some of the potential liabilities represent claims with no stated amount, the exact amount of total potential liabilities is unknown, but may exceed $450.6 million as of September 30, 2012. For these potential liabilities, it is reasonably possible that an adverse outcome will result. It is not possible, however, to speculate as to a range of loss. Of these potential liabilities, most will be funded by Treasury's Judgment Fund, if any amounts are ultimately due.

Guaranteed Loan Contingencies

Fishing Vessels Obligation Guarantee Program: This loan guarantee program has outstanding non-acquired guaranteed loans (fully guaranteed by the Department) as of September 30, 2012 and 2011, with outstanding principal balances totaling $1.6 million and $2.5 million, respectively. A loan guarantee liability of $518 thousand and $563 thousand is recorded for the outstanding guarantees at September 30, 2012 and 2011, respectively.

Restructuring the National Polar-orbiting Operational Environmental Satellite System (NPOESS) to the Joint Polar Satellite System (JPSS)

In 2010, the Executive Office of the President (EOP) directed the restructure of the government's approach to meeting its polar-orbiting environmental data collection needs, to put the critical program on a more sustainable path towards success and announced NOAA and the Air Force will cease the joint procurement of NPOESS.

NOAA, with the National Aeronautics and Space Administration (NASA) as its acquisition agent, is responsible for JPSS, which will fly in the afternoon orbit. DoD is responsible for the early morning orbit, and will continue to provide observations in the mid-morning. The agencies will continue to partner in those areas that have been successful in the past, such as sharing a common ground system NOAA and NASA will continue to partner to ensure a successful way forward for the respective programs, while utilizing international partnerships to sustain and enhance weather and climate observation from space.

The restructuring effort primarily occured in FY 2011. During this time, NOAA and the Air Force continued to work together to decide which program components will transfer to NOAA to become part of JPSS. During FY 2011, the following equipment and instruments were transferred to NOAA under the NASA/NOAA Memorandum of Understanding and NASA contracts: 1) Ground Systems equipment; 2) Ozone Mapping and Profiler Suite (OMPS-Nadir); 3) Cross-track Infrared Sounder (CrIS); and 4) Visible Infrared Imaging Radiometer Suite (VIIRS) Flight Model 2 (F2) for JPSS-1. Advanced Technology Microwave Sounder (ATMS) was transferred to NOAA. The material for VIIRS F3 and the Charlie 1 (C1) bus remained under the Air Force contract.

NOAA/NASA will develop the JPSS-1 spacecraft based on the design used for the NPOESS Preparatory Project (NPP) satellite, and NOAA is planning a request for proposal to compete contract construction for the spacecraft for JPSS-2 in 2014. The NPP satellite was successfully launched on October 28, 2011, and was renamed Suomi National Polar-orbiting Partnership, or Suomi NPP.

Since the Air Force terminated the original development contract under the NPOESS program, administrative and termination activities have continued. As a result of additional analysis into the detailed NPOESS costs incurred by NOAA, including per-instrument analysis, NOAA recorded additional impairment costs totaling $98.3 million in FY 2012.

NOTE 17. CONSOLIDATED STATEMENTS OF NET COST (NOTE 1)

FY 2012 Consolidating Statement of Net Cost:

	NOAA	USPTO	ESA	NIST	NTIA	Others	Departmental Management	Combining Total	Intra-Departmental Eliminations	Consolidating Total
Theme 1: Economic Growth										
Intragovernmental Gross Costs	$ -	$ 483,396	$ -	$ 125,745	$ 345,827	$ 272,589	$ 79,800	$ 1,307,357	$ (95,034)	$ 1,212,323
Gross Costs With the Public	-	1,837,551	-	972,610	1,674,127	807,458	26,966	5,318,712	-	5,318,712
Total Gross Costs	-	2,320,947	-	1,098,355	2,019,954	1,080,047	106,766	6,626,069	(95,034)	6,531,035
Intragovernmental Earned Revenue	-	(7,823)	-	(118,029)	(26,001)	(18,635)	(71,877)	$ (242,365)	95,034	(147,331)
Earned Revenue From the Public	-	(2,419,259)	-	(51,128)	(11)	(11,217)	(6)	(2,481,621)	-	(2,481,621)
Total Earned Revenue	-	(2,427,082)	-	(169,157)	(26,012)	(29,852)	(71,883)	(2,723,986)	95,034	(2,628,952)
Net Program Costs	**-**	**(106,135)**	**-**	**929,198**	**1,993,942**	**1,050,195**	**34,883**	**3,902,083**	**-**	**3,902,083**
Theme 2: Science and Information										
Intragovernmental Gross Costs	503,442	-	430,834	-	9,267	7,549	79,800	1,030,892	(87,433)	943,459
Gross Costs With the Public	1,971,193	-	1,142,989	-	13,120	58,505	26,966	3,212,773	-	3,212,773
Total Gross Costs	2,474,635	-	1,573,823	-	22,387	66,054	106,766	4,243,665	(87,433)	4,156,232
Intragovernmental Earned Revenue	(121,911)	-	(311,753)	-	(15,641)	(57,841)	(71,877)	(579,023)	87,433	(491,590)
Earned Revenue From the Public	(13,415)	-	(4,863)	-	(215)	(10,480)	(6)	(28,979)	-	(28,979)
Total Earned Revenue	(135,326)	-	(316,616)	-	(15,856)	(68,321)	(71,883)	(608,002)	87,433	(520,569)
Net Program Costs	**2,339,309**	**-**	**1,257,207**	**-**	**6,531**	**(2,267)**	**34,883**	**3,635,663**	**-**	**3,635,663**
Theme 3: Environmental Stewardship										
Intragovernmental Gross Costs	336,681	-	-	-	-	-	79,823	416,504	(89,071)	327,433
Gross Costs With the Public	1,976,631	-	-	-	-	-	26,974	2,003,605	-	2,003,605
Total Gross Costs	2,313,312	-	-	-	-	-	106,797	2,420,109	(89,071)	2,331,038
Intragovernmental Earned Revenue	(106,167)	-	-	-	-	-	(71,898)	(178,065)	89,071	(88,994)
Earned Revenue From the Public	(97,763)	-	-	-	-	-	(6)	(97,769)	-	(97,769)
Total Earned Revenue	(203,930)	-	-	-	-	-	(71,904)	(275,834)	89,071	(186,763)
Net Program Costs	**2,109,382**	**-**	**-**	**-**	**-**	**-**	**34,893**	**2,144,275**	**-**	**2,144,275**
NET COST OF OPERATIONS	**$ 4,448,691**	**$ (106,135)**	**$ 1,257,207**	**$ 929,198**	**$ 2,000,473**	**$ 1,047,928**	**$ 104,659**	**$ 9,682,021**	**$ -**	**$ 9,682,021**

FY 2011 Consolidating Statement of Net Cost:

	NOAA	USPTO	ESA	NIST	NTIA	Others	Departmental Management	Combining Total	Intra-Departmental Eliminations	Consolidating Total
Theme 1: Economic Growth										
Intragovernmental Gross Costs	$ -	$ 456,141	$ -	$ 143,462	$ 312,972	$ 271,871	$ 82,225	$ 1,266,671	$ (101,299)	$ 1,165,372
Gross Costs With the Public	-	1,691,956	-	994,864	713,608	718,578	31,142	4,150,148	-	4,150,148
Total Gross Costs	-	2,148,097	-	1,138,326	1,026,580	990,449	113,367	5,416,819	(101,299)	5,315,520
Intragovernmental Earned Revenue	-	(8,060)	-	(122,955)	(24,757)	(21,177)	(77,851)	(254,800)	101,299	(153,501)
Earned Revenue From the Public	-	(2,228,314)	-	(53,618)	(7)	(14,720)	(3)	(2,296,662)	-	(2,296,662)
Total Earned Revenue	-	(2,236,374)	-	(176,573)	(24,764)	(35,897)	(77,854)	(2,551,462)	101,299	(2,450,163)
Net Program Costs	**-**	**(88,277)**	**-**	**961,753**	**1,001,816**	**954,552**	**35,513**	**2,865,357**	**-**	**2,865,357**
Theme 2: Science and Information										
Intragovernmental Gross Costs	523,874	-	466,185	-	8,067	7,811	82,224	1,088,161	(96,834)	991,327
Gross Costs With the Public	1,876,549	-	1,477,867	-	15,376	44,163	31,142	3,445,097	-	3,445,097
Total Gross Costs	2,400,423	-	1,944,052	-	23,443	51,974	113,366	4,533,258	(96,834)	4,436,424
Intragovernmental Earned Revenue	(121,539)	-	(287,288)	-	(17,480)	(41,846)	(77,851)	(546,004)	96,834	(449,170)
Earned Revenue From the Public	(10,396)	-	(10,855)	-	(137)	(10,501)	(3)	(31,892)	-	(31,892)
Total Earned Revenue	(131,935)	-	(298,143)	-	(17,617)	(52,347)	(77,854)	(577,896)	96,834	(481,062)
Net Program Costs	**2,268,488**	**-**	**1,645,909**	**-**	**5,826**	**(373)**	**35,512**	**3,955,362**	**-**	**3,955,362**
Theme 3: Environmental Stewardship										
Intragovernmental Gross Costs	311,824	-	-	-	-	-	82,249	394,073	(100,998)	293,075
Gross Costs With the Public	2,343,684	-	-	-	-	-	31,151	2,374,835	-	2,374,835
Total Gross Costs	2,655,508	-	-	-	-	-	113,400	2,768,908	(100,998)	2,667,910
Intragovernmental Earned Revenue	(95,827)	-	-	-	-	-	(77,874)	(173,701)	100,998	(72,703)
Earned Revenue From the Public	(182,123)	-	-	-	-	-	(3)	(182,126)	-	(182,126)
Total Earned Revenue	(277,950)	-	-	-	-	-	(77,877)	(355,827)	100,998	(254,829)
Net Program Costs	**2,377,558**	**-**	**-**	**-**	**-**	**-**	**35,523**	**2,413,081**	**-**	**2,413,081**
NET COST OF OPERATIONS	**$ 4,646,046**	**$ (88,277)**	**$ 1,645,909**	**$ 961,753**	**$ 1,007,642**	**$ 954,179**	**$ 106,548**	**$ 9,233,800**	**$ -**	**$ 9,233,800**

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

FY 2012 Statement of Net Cost by Major Program (Combining Basis):

PROGRAM COSTS	NOAA	Census Bureau	NIST	USPTO	Others	Combining Total
Theme 1: Economic Growth						
Measurements and Standards Laboratories						
Gross Costs	$ -	$ -	$ 811,695	$ -	$ -	$ 811,695
Less: Earned Revenue	-	-	(125,094)	-	-	(125,094)
Net Program Costs	**-**	**-**	**686,601**	**-**	**-**	**686,601**
Patents						
Gross Costs	-	-	-	2,079,357	-	2,079,357
Less: Earned Revenue	-	-	-	(2,180,532)	-	(2,180,532)
Net Program Costs	**-**	**-**	**-**	**(101,175)**	**-**	**(101,175)**
Trademarks						
Gross Costs	-	-	-	201,307	-	201,307
Less: Earned Revenue	-	-	-	(246,550)	-	(246,550)
Net Program Costs	**-**	**-**	**-**	**(45,243)**	**-**	**(45,243)**
Other Programs						
Gross Costs	-	-	286,660	40,283	3,206,767	3,533,710
Less: Earned Revenue	-	-	(44,063)	-	(127,747)	(171,810)
Net Program Costs	**-**	**-**	**242,597**	**40,283**	**3,079,020**	**3,361,900**
Net Program Costs for Theme 1	**-**	**-**	**929,198**	**(106,135)**	**3,079,020**	**3,902,083**
Theme 2: Science and Information						
Decennial and Periodic Censuses						
Gross Costs	-	325,354	-	-	-	325,354
Less: Earned Revenue	-	-	-	-	-	-
Net Program Costs	**-**	**325,354**	**-**	**-**	**-**	**325,354**
Weather, Water, and Climate						
Gross Costs	1,186,688	-	-	-	-	1,186,688
Less: Earned Revenue	(67,816)	-	-	-	-	(67,816)
Net Program Costs	**1,118,872**	**-**	**-**	**-**	**-**	**1,118,872**
Other Programs						
Gross Costs	1,287,947	1,134,931	-	-	308,745	2,731,623
Less: Earned Revenue	(67,510)	(311,497)	-	-	(161,179)	(540,186)
Net Program Costs	**1,220,437**	**823,434**	**-**	**-**	**147,566**	**2,191,437**
Net Program Costs for Theme 2	**2,339,309**	**1,148,788**	**-**	**-**	**147,566**	**3,635,663**
Theme 3: Environmental Stewardship						
Sustainable Fisheries						
Gross Costs	1,262,385	-	-	-	-	1,262,385
Less: Earned Revenue	(126,357)	-	-	-	-	(126,357)
Net Program Costs	**1,136,028**	**-**	**-**	**-**	**-**	**1,136,028**
Other Programs						
Gross Costs	1,050,927	-	-	-	106,797	1,157,724
Less: Earned Revenue	(77,573)	-	-	-	(71,904)	(149,477)
Net Program Costs	**973,354**	**-**	**-**	**-**	**34,893**	**1,008,247**
Net Program Costs for Theme 3	**2,109,382**	**-**	**-**	**-**	**34,893**	**2,144,275**
NET COST OF OPERATIONS	**$ 4,448,691**	**$ 1,148,788**	**$ 929,198**	**$ (106,135)**	**$ 3,261,479**	**$ 9,682,021**

FY 2011 Statement of Net Cost by Major Program (Combining Basis):

PROGRAM COSTS	NOAA	Census Bureau	NIST	USPTO	Others	Combining Total
Theme 1: Economic Growth						
Measurements and Standards Laboratories						
Gross Costs	$ -	$ -	$ 845,241	$ -	$ -	$ 845,241
Less: Earned Revenue	-	-	(131,317)	-	-	(131,317)
Net Program Costs	**-**	**-**	**713,924**	**-**	**-**	**713,924**
Patents						
Gross Costs	-	-	-	1,913,354	-	1,913,354
Less: Earned Revenue	-	-	-	(2,005,269)	-	(2,005,269)
Net Program Costs	**-**	**-**	**-**	**(91,915)**	**-**	**(91,915)**
Trademarks						
Gross Costs	-	-	-	191,760	-	191,760
Less: Earned Revenue	-	-	-	(231,105)		(231,105)
Net Program Costs	**-**	**-**	**-**	**(39,345)**	**-**	**(39,345)**
Other Programs						
Gross Costs	-	-	293,085	42,983	2,130,396	2,466,464
Less: Earned Revenue	-	-	(45,256)	-	(138,515)	(183,771)
Net Program Costs	**-**	**-**	**247,829**	**42,983**	**1,991,881**	**2,282,693**
Net Program Costs for Theme 1	**-**	**-**	**961,753**	**(88,277)**	**1,991,881**	**2,865,357**
Theme 2: Science and Information						
Decennial and Periodic Censuses						
Gross Costs	-	656,684	-	-	-	656,684
Less: Earned Revenue	-	-	-	-	-	-
Net Program Costs	**-**	**656,684**	**-**	**-**	**-**	**656,684**
Weather, Water, and Climate						
Gross Costs	1,457,847	-	-	-	-	1,457,847
Less: Earned Revenue	(76,349)	-	-	-	-	(76,349)
Net Program Costs	**1,381,498**	**-**	**-**	**-**	**-**	**1,381,498**
Other Programs						
Gross Costs	942,576	1,177,607	-	-	298,544	2,418,727
Less: Earned Revenue	(55,586)	(292,298)	-	-	(153,663)	(501,547)
Net Program Costs	**886,990**	**885,309**	**-**	**-**	**144,881**	**1,917,180**
Net Program Costs for Theme 2	**2,268,488**	**1,541,993**	**-**	**-**	**144,881**	**3,955,362**
Theme 3: Environmental Stewardship						
Sustainable Fisheries						
Gross Costs	1,410,297	-	-	-	-	1,410,297
Less: Earned Revenue	(87,112)	-	-	-	-	(87,112)
Net Program Costs	**1,323,185**	**-**	**-**	**-**	**-**	**1,323,185**
Other Programs						
Gross Costs	1,245,211	-	-	-	113,400	1,358,611
Less: Earned Revenue	(190,838)	-	-	-	(77,877)	(268,715)
Net Program Costs	**1,054,373**	**-**	**-**	**-**	**35,523**	**1,089,896**
Net Program Costs for Theme 3	**2,377,558**	**-**	**-**	**-**	**35,523**	**2,413,081**
NET COST OF OPERATIONS	**$ 4,646,046**	**$ 1,541,993**	**$ 961,753**	**$ (88,277)**	**$ 2,172,285**	**$ 9,233,800**

NOTE 18. COMBINED STATEMENTS OF BUDGETARY RESOURCES

The *Combined Statement of Budgetary Resources* (SBR) for FY 2012 is presented in a new format required by OMB's Revised Circular No. A-136, *Financial Reporting Requirements*. The FY 2011 SBR presentation has been restated to conform to the FY 2012 SBR presentation.

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

	FY 2012	FY 2011
Budget Authority, Appropriations (SBR)	$ 8,035,812	$ 5,939,022
Negative Appropriations for Temporarily Precluded From Obligation on SBR; $0 on SCNP	4,302	2
Negative Appropriations for Permanent Reductions on SBR; $0 on SCNP as Classified as Rescissions	5,450	1,857,998
Appropriations Transfers In/Out, Net on SBR; $0 on SCNP as Classified as Transfers	(124,628)	(103,046)
Appropriated Receipts for NOAA and DM/G&B on SBR; $0 on SCNP as Classified as Exchange Revenue	(36,678)	(24,624)
Budgetary Financing Sources, Appropriations Received (SCNP)	$ 7,884,258	$ 7,669,352

Total borrowing authority available for NOAA's loan programs amounted to $129.6 million and $144.7 million at September 30, 2012 and 2011, respectively. The Borrowing Authority amounts reported in the SBR Budgetary Resources section represent only borrowing authority realized during the fiscal year being reported. See Note 1M, *Debt to Treasury*, for debt repayment requirements, financing sources for repayments, and other terms of borrowing authority used.

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

Reductions to the Department's budgetary resources under Public Law 112-55 amounted to $23.6 million for FY 2012, while reductions for FY 2011 under Public Laws 112-6 and 112-10 amounted to $1.86 billion. These reductions are included in the SBR Budgetary Resources section. These reductions are also reported on the Rescissions lines of the SCNP.

Legal arrangements affecting the Department's use of Unobligated Balances of Budget Authority and/or Fund Balance with Treasury during FY 2012 and FY 2011 include the following:

- The Department's Deposit Funds, reported in Note 2, *Fund Balance with Treasury*, are not available to finance operating activities. These funds are also included in Note 2 on the line Non-budgetary (breakdown by status).
- The Department's Fund Balance with Treasury as of September 30, 2012 and 2011 includes $790.1 million of USPTO offsetting collections exceeding the current year and prior years' appropriations. USPTO may use these funds only as authorized by the U.S. Congress, and only as made available by the issuance of a Treasury warrant. These funds are included in Note 2 on the lines *General Funds* (breakdown by type), and *Temporarily Precluded From Obligation* (breakdown by status).

- The Omnibus Budget Reconciliation Act of 1990 established surcharges on certain statutory patent fees collected by USPTO. Subsequent legislation extended the surcharges through the end of FY 1998. These surcharges were deposited into the Patent and Trademark Surcharge Fund, a Special Fund Receipt Account at Treasury. USPTO may use monies from this account only as authorized by Congress and made available by the issuance of a Treasury warrant. At September 30, 2012 and 2011, $233.5 million is held in the Patent and Trademark Surcharge Fund. These funds are included in Note 2 on the lines *Patent and Trademark Surcharge Fund* - Special Funds section (breakdown by type), and *Non-budgetary* (breakdown by status).

- The Department's Fund Balance with Treasury as of September 30, 2012 and 2011 includes funds temporarily precluded from obligation for the *Digital Television and Transition Public Safety Fund* of $8.74 billion. These funds are included in Note 2 on the lines *Digital Television and Transition Public Safety Fund* - Special Funds section (breakdown by type), and *Unobligated Balance - Unavailable* (breakdown by status).

- The Department's Fund Balance with Treasury as of September 30, 2012 and 2011 includes $17.8 million of funds temporarily not available for the Coastal Zone Management Fund, which accounts for the Coastal Energy Impact Program direct loans. These funds are included in Note 2 on the lines *Revolving Funds* (breakdown by type), and *Temporarily Precluded From Obligation* (breakdown by status).

- For loan programs prior to the Federal Credit Reform Act of 1990 (pre-FY 1992 loans), most or all liquidating fund unobligated balances in excess of working capital needs are required to be transferred to Treasury as soon as practicable during the following fiscal year.

- For direct loan programs under the Federal Credit Reform Act of 1990 (post-FY 1991 loans) that have outstanding debt to Treasury, regulations require that most unobligated balances be returned to Treasury on September 30, or require that the borrowing authority be cancelled on September 30.

- For loan guarantee programs under the Federal Credit Reform Act of 1990 that have outstanding debt to Treasury, regulations require that unobligated balances in excess of the outstanding guaranteed loans' principal and interest be returned to Treasury on September 30.

There are no material differences between the amounts reported in the FY 2011 and FY 2010 *Combined Statements of Budgetary Resources* and the actual FY 2011 and FY 2010 amounts reported in the FY 2013 and FY 2012 budgets of the U.S. government, respectively. The President's Budget that will report actual amounts for FY 2012 has not yet been published.

Apportionment Categories of Obligations Incurred:

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

	FY 2012		
	Direct	Reimbursable	Total
Category A	$ 2,878,116	$ 2,818,764	$ 5,696,880
Category B	5,397,788	968,668	6,366,456
Exempt from Apportionment	174,761	-	174,761
Total	$ 8,450,665	$ 3,787,432	$ 12,238,097

	FY 2011		
	Direct	Reimbursable	Total
Category A	$ 3,146,550	$ 2,837,935	$ 5,984,485
Category B	5,195,930	965	5,196,895
Exempt from Apportionment	169,083	1,053,370	1,222,453
Total	$ 8,511,563	$ 3,892,270	$ 12,403,833

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

Undelivered Orders:

Undelivered orders were $7.35 billion and $10.44 billion at September 30, 2012 and 2011, respectively.

Digital Television Transition and Public Safety Fund:

The Digital Television Transition and Public Safety Fund (Fund) was created by the Digital Television Transition and Public Safety Act of 2005. This NTIA fund received proceeds from the auction of licenses for recovered analog spectrum from discontinued analog television signals, and provides funding for several programs from these receipts.

The Federal Communications Commission (FCC) completed the auction of licenses for recovered analog spectrum in March 2008. The auction resulted in proceeds of $18.96 billion, which were deposited to the Fund by FCC on June 30, 2008.

As of September 30, 2012, payments for the programs under the Fund may not exceed $2.81 billion. In September 2009, the Fund transferred $7.36 billion to the General Fund of the Treasury. The Department understands that Congress' intent is for the Fund to further transfer funds beyond the needs of its programs to the General Fund of the Treasury. At September 30, 2012, the Fund has a Net Position, Cumulative Results of Operations balance of $8.91 billion.

Below is a brief summary of the two largest active programs under this Fund, and significant financial activity recorded for the FY 2012 and FY 2011 SBR under this Fund for each program:

Public Safety Interoperable Communications (PSIC): This is a grant program to assist public safety agencies in the acquisition of, deployment of, or training for the use of interoperable communications systems that can utilize reallocated public safety spectrum for radio communication. The Fund may make payments not to exceed $998.0 million for this program. The Department has in place a Memorandum of Understanding with the Federal Emergency Management Agency (FEMA), in which FEMA administers the PSIC grant program. NTIA provides FEMA with funds for the grants under the program, and for the charges for FEMA's management and administrative services. NTIA records budgetary obligations with FEMA, while FEMA records the grants activity under the program. Budgetary obligations for FY 2012 and FY 2011 under the PSIC program amounted to $495 thousand and $2.6 million, respectively. Budgetary obligations through September 30, 2010 under the PSIC program amounted to $995.8 million.

National Alert and Tsunami Warning Program: This program is to implement a unified national alert system capable of alerting the public, on a national, regional, or local basis to emergency situations by using a variety of communications technologies. The Fund may make payments not exceeding $151.7 million for this program. The Department shall use $50.0 million of such amounts to implement a tsunami warning and coastal vulnerability program. Budgetary obligations for FY 2012 and FY 2011 amounted to $237 thousand and $47.6 million, respectively.

NOTE 19. CUSTODIAL NONEXCHANGE ACTIVITY

NOAA receives interest, penalties, and fines primarily related to its past due Accounts Receivable, while BIS receives civil monetary penalties from private entities that violate the Export Administration Act. These collections are required to be transferred to Treasury. For FY 2012, the Department had custodial nonexchange revenue of $8.8 million; custodial nonexchange revenue of $490 thousand was payable to Treasury at September 30, 2012. For FY 2011, the Department had custodial nonexchange revenue of $6.7 million; custodial nonexchange revenue of $1.8 million was payable to Treasury at September 30, 2011.

NOTE 20. FIDUCIARY ACTIVITIES

Schedule of Fiduciary Activities for the Year Ended September 30, 2012

	FY 2012		
	Patent Cooperation Treaty	**Madrid Protocol**	**Total**
Fiduciary Net Assets, Beginning Balance	$ 12,864	$ 338	$ 13,202
Contributions	153,716	14,361	168,077
Disbursements to and on Behalf of Beneficiaries	(153,960)	(14,299)	(168,259)
Increase/(Decrease) in Fiduciary Net Assets	(244)	62	(182)
Fiduciary Net Assets, Ending Balance	$ 12,620	$ 400	$ 13,020

Fiduciary Net Assets as of September 30, 2012

	FY 2012		
	Patent Cooperation Treaty	**Madrid Protocol**	**Total**
Fund Balance with Treasury	$ 12,620	$ 400	$ 13,020

Schedule of Fiduciary Activities for the Year Ended September 30, 2011

	FY 2011		
	Patent Cooperation Treaty	**Madrid Protocol**	**Total**
Fiduciary Net Assets, Beginning Balance	$ 9,452	$ 576	$ 10,028
Contributions	131,755	14,551	146,306
Disbursements to and on Behalf of Beneficiaries	(128,343)	(14,789)	(143,132)
Increase/(Decrease) in Fiduciary Net Assets	3,412	(238)	3,174
Fiduciary Net Assets, Ending Balance	$ 12,864	$ 338	$ 13,202

Fiduciary Net Assets as of September 30, 2011

	FY 2011		
	Patent Cooperation Treaty	**Madrid Protocol**	**Total**
Fund Balance with Treasury	$ 12,864	$ 338	$ 13,202

NOTE 21. EARMARKED FUNDS

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

United States Department of Commerce Consolidated Balance Sheet
As of September 30, 2012

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Broadband Technology Opportunities Program - Recovery Act	Damage Assessment and Restoration Revolving Fund	Environmental Improvement and Restoration Fund	NTIS Revolving Fund	Coastal Zone Management Fund	Other Earmarked Funds	Total Earmarked Funds
ASSETS									
Fund Balance with Treasury	$ 1,606,244	$ 8,842,490	$ 1,712,621	$ 229,485	$ 36,197	$ 27,262	$ 250	$ 40,769	$ 12,495,318
Cash	3,330	-	-	-	-	-	-	-	3,330
Accounts Receivable, Net	751	-	-	1,468	-	6,024	-	182	8,425
Direct Loans and Loan Guarantees, Net	-	-	-	-	-	-	5,784	-	5,784
Inventory, Materials, and Supplies, Net	-	-	-	-	-	120	-	-	120
General Property, Plant, and Equipment, Net	236,979	-	-	-	-	1,899	-	-	238,878
Other	13,106	74,523	2,658	1	42	6,701	-	43	97,074
TOTAL ASSETS	**$ 1,860,410**	**$ 8,917,013**	**$ 1,715,279**	**$ 230,954**	**$ 36,239**	**$ 42,006**	**$ 6,034**	**$ 40,994**	**$ 12,848,929**
LIABILITIES									
Accounts Payable	$ 75,186	$ 1,346	$ -	$ 17,278	$ -	$ 11,244	$ -	$ 200	$ 105,254
Debt to Treasury	-	-	-	-	-	-	-	2,538	2,538
Federal Employee Benefits	8,209	-	-	-	-	844	-	-	9,053
Other									
Accrued Payroll and Annual Leave	200,395	10	-	379	-	1,492	-	243	202,519
Accrued Grants	-	7,093	61,449	586	1,172	-	-	864	71,164
Unearned Revenue	830,954	-	-	-	-	8,071	-	-	839,025
Other	18,792	-	1	115	-	236	-	422	19,566
TOTAL LIABILITIES	**$ 1,133,536**	**$ 8,449**	**$ 61,450**	**$ 18,358**	**$ 1,172**	**$ 21,887**	**$ -**	**$ 4,267**	**$ 1,249,119**
NET POSITION									
Unexpended Appropriations	$ -	$ -	$ 1,653,829	$ -	$ -	$ -	$ -	$ 6,312	$ 1,660,141
Cumulative Results of Operations	726,874	8,908,564	-	212,596	35,067	20,119	6,034	30,415	9,939,669
TOTAL NET POSITION	**$ 726,874**	**$ 8,908,564**	**$ 1,653,829**	**$ 212,596**	**$ 35,067**	**$ 20,119**	**$ 6,034**	**$ 36,727**	**$ 11,599,810**
TOTAL LIABILITIES AND NET POSITION	**$ 1,860,410**	**$ 8,917,013**	**$ 1,715,279**	**$ 230,954**	**$ 36,239**	**$ 42,006**	**$ 6,034**	**$ 40,994**	**$ 12,848,929**

United States Department of Commerce Consolidated Balance Sheet
As of September 30, 2011

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Broadband Technology Opportunities Program - Recovery Act	Damage Assessment and Restoration Revolving Fund	Environmental Improvement and Restoration Fund	NTIS Revolving Fund	Coastal Zone Management Fund	Other Earmarked Funds	Total Earmarked Funds
ASSETS									
Fund Balance with Treasury	$ 1,526,349	$ 9,062,212	$ 3,389,425	$ 124,660	$ 36,350	$ 27,231	$ 17,848	$ 43,979	$ 14,228,054
Cash	2,364	-	-	-	-	-	-	-	2,364
Accounts Receivable, Net	433	-	-	164	-	3,180	-	193	3,970
Direct Loans and Loan Guarantees, Net	-	-	-	-	-	-	6,213	-	6,213
Inventory, Materials, and Supplies, Net	-	-	-	-	-	48	-	-	48
General Property, Plant, and Equipment, Net	206,628	-	-	-	-	1,882	-	-	208,510
Other	12,137	175,620	18,767	-	53	6,736	-	56	213,369
TOTAL ASSETS	**$ 1,747,911**	**$ 9,237,832**	**$ 3,408,192**	**$ 124,824**	**$ 36,403**	**$ 39,077**	**$ 24,061**	**$ 44,228**	**$ 14,662,528**
LIABILITIES									
Accounts Payable	$ 85,554	$ 1,557	$ -	$ 693	$ -	$ 10,839	$ -	$ 127	$ 98,770
Federal Employee Benefits	8,406	-	-	-	-	1,176	-	-	9,582
Other									
Accrued Payroll and Annual Leave	188,709	11	-	460	-	1,644	-	198	191,022
Accrued Grants	-	301	24,183	-	1,327	-	-	1,677	27,488
Unearned Revenue	845,782	-	-	-	-	8,277	-	-	854,059
Other	17,200	-	-	149	-	225	-	66	17,640
TOTAL LIABILITIES	**$ 1,145,651**	**$ 1,869**	**$ 24,183**	**$ 1,302**	**$ 1,327**	**$ 22,161**	**$ -**	**$ 2,068**	**$ 1,198,561**
NET POSITION									
Unexpended Appropriations	$ -	$ -	$ 3,384,009	$ -	$ -	$ -	$ -	$ 6,442	$ 3,390,451
Cumulative Results of Operations	602,260	9,235,963	-	123,522	35,076	16,916	24,061	35,718	10,073,516
TOTAL NET POSITION	**$ 602,260**	**$ 9,235,963**	**$ 3,384,009**	**$ 123,522**	**$ 35,076**	**$ 16,916**	**$ 24,061**	**$ 42,160**	**$ 13,463,967**
TOTAL LIABILITIES AND NET POSITION	**$ 1,747,911**	**$ 9,237,832**	**$ 3,408,192**	**$ 124,824**	**$ 36,403**	**$ 39,077**	**$ 24,061**	**$ 44,228**	**$ 14,662,528**

United States Department of Commerce Consolidated Statement of Net Cost
For the Year Ended September 30, 2012

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Broadband Technology Opportunities Program - Recovery Act	Damage Assessment and Restoration Revolving Fund	Environmental Improvement and Restoration Fund	NTIS Revolving Fund	Coastal Zone Management Fund	Other Earmarked Funds	Total Earmarked Funds
Theme 1: Economic Growth									
Gross Costs	$ 2,320,947	$ 327,399	$ 1,638,553	$ -	$ -	$ -	$ -	$ 5,478	$ 4,292,377
Less: Earned Revenue	(2,427,082)	-	-	-	-	-	-	-	(2,427,082)
Net Program Costs	**(106,135)**	**327,399**	**1,638,553**	**-**	**-**	**-**	**-**	**5,478**	**1,865,295**
Theme 2: Science and Information									
Gross Costs	-	-	-	-	-	66,056	-	-	66,056
Less: Earned Revenue	-	-	-	-	-	(68,324)	-	-	(68,324)
Net Program Costs	**-**	**-**	**-**	**-**	**-**	**(2,268)**	**-**	**-**	**(2,268)**
Theme 3: Environmental Stewardship									
Gross Costs	-	-	-	127,756	9,746	-	430	14,698	152,630
Less: Earned Revenue	-	-	-	-	-	-	(251)	-	(251)
Net Program Costs	**-**	**-**	**-**	**127,756**	**9,746**	**-**	**179**	**14,698**	**152,379**
NET COST OF OPERATIONS	**$ (106,135)**	**$ 327,399**	**$ 1,638,553**	**$ 127,756**	**$ 9,746**	**$ (2,268)**	**$ 179**	**$ 20,176**	**$ 2,015,406**

United States Department of Commerce Consolidated Statement of Net Cost
For the Year Ended September 30, 2011

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Broadband Technology Opportunities Program - Recovery Act	Damage Assessment and Restoration Revolving Fund	Environmental Improvement and Restoration Fund	NTIS Revolving Fund	Coastal Zone Management Fund	Other Earmarked Funds	Total Earmarked Funds
Theme 1: Economic Growth									
Gross Costs	$ 2,148,097	$ 297,884	$ 665,937	$ -	$ -	$ -	$ -	$ 5,050	$ 3,116,968
Less: Earned Revenue	(2,236,374)	-	-	-	-	-	-	-	(2,236,374)
Net Program Costs	**(88,277)**	**297,884**	**665,937**	**-**	**-**	**-**	**-**	**5,050**	**880,594**
Theme 2: Science and Information									
Gross Costs	-	-	-	-	-	51,976	-	-	51,976
Less: Earned Revenue	-	-	-	-	-	(52,349)	-	-	(52,349)
Net Program Costs	**-**	**-**	**-**	**-**	**-**	**(373)**	**-**	**-**	**(373)**
Theme 3: Environmental Stewardship									
Gross Costs	-	-	-	16,207	8,823	-	338	21,117	46,485
Less: Earned Revenue	-	-	-	-	-	-	(244)	-	(244)
Net Program Costs	**-**	**-**	**-**	**16,207**	**8,823**	**-**	**94**	**21,117**	**46,241**
NET COST OF OPERATIONS	**$ (88,277)**	**$ 297,884**	**$ 665,937**	**$ 16,207**	**$ 8,823**	**$ (373)**	**$ 94**	**$ 26,167**	**$ 926,462**

United States Department of Commerce Consolidated Statement of Changes in Net Position
For the Year Ended September 30, 2012

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Broadband Technology Opportunities Program - Recovery Act	Damage Assessment and Restoration Revolving Fund	Environmental Improvement and Restoration Fund	NTIS Revolving Fund	Coastal Zone Management Fund	Other Earmarked Funds	Total Earmarked Funds
Cumulative Results of Operations:									
Beginning Balance	$ 602,260	$ 9,235,963	$ -	$ 123,522	$ 35,076	$ 16,916	$ 24,061	$ 35,718	$ 10,073,516
Budgetary Financing Sources:									
Appropriations Used	-	-	1,638,553	-	-	-	-	(95)	1,638,458
Non-exchange Revenue	-	-	-	202,772	9,736	-	-	9,986	222,494
Transfers In/(Out) Without Reimbursement, Net	(1,000)	-	-	14,058	-	-	-	5,332	18,390
Rescissions	-	-	-	-	-	-	(17,848)	(350)	(18,198)
Other Financing Sources (Non-exchange):									
Imputed Financing Sources from Cost Absorbed by Others	19,479	-	-	-	1	935	-	-	20,415
Total Financing Sources	**18,479**	**-**	**1,638,553**	**216,830**	**9,737**	**935**	**(17,848)**	**14,873**	**1,881,559**
Net Cost of Operations	**106,135**	**(327,399)**	**(1,638,553)**	**(127,756)**	**(9,746)**	**2,268**	**(179)**	**(20,176)**	**(2,015,406)**
Net Change	**124,614**	**(327,399)**	**-**	**89,074**	**(9)**	**3,203**	**(18,027)**	**(5,303)**	**(133,847)**
Cumulative Results of Operations - Ending Balance	**726,874**	**8,908,564**	**-**	**212,596**	**35,067**	**20,119**	**6,034**	**30,415**	**9,939,669**
Unexpended Appropriations:									
Beginning Balance	-	-	3,384,009	-	-	-	-	6,442	3,390,451
Budgetary Financing Sources:									
Other Adjustments	-	-	(91,627)	-	-	-	-	(225)	(91,852)
Appropriations Used	-	-	(1,638,553)	-	-	-	-	95	(1,638,458)
Total Budgetary Financing Sources	**-**	**-**	**(1,730,180)**	**-**	**-**	**-**	**-**	**(130)**	**(1,730,310)**
Unexpended Appropriations - Ending Balance	**-**	**-**	**1,653,829**	**-**	**-**	**-**	**-**	**6,312**	**1,660,141**
NET POSITION	**$ 726,874**	**$ 8,908,564**	**$ 1,653,829**	**$ 212,596**	**$ 35,067**	**$ 20,119**	**$ 6,034**	**$ 36,727**	**$ 11,599,810**

United States Department of Commerce Consolidated Statement of Changes in Net Position
For the Year Ended September 30, 2011

	USPTO Earmarked Funds	**NTIA Digital Television Transition and Public Safety Fund**	**Broadband Technology Opportunities Program - Recovery Act**	**Damage Assessment and Restoration Revolving Fund**	**Environmental Improvement and Restoration Fund**	**NTIS Revolving Fund**	**Coastal Zone Management Fund**	**Other Earmarked Funds**	**Total Earmarked Funds**
Cumulative Results of Operations:									
Beginning Balance	$ 492,305	$ 9,533,847	$ 49	$ 41,930	$ 34,004	$ 15,424	$ 27,156	$ 45,101	$ 10,189,816
Budgetary Financing Sources:									
Appropriations Used	-	-	665,888	-	-	-	-	(122)	665,766
Non-exchange Revenue	-	-	-	73,783	9,895	-	-	12,126	95,804
Transfers In/(Out) Without Reimbursement, Net	-	-	-	24,016	-	-	(3,001)	4,780	25,795
Other Financing Sources (Non-exchange):									
Imputed Financing Sources from Cost Absorbed by Others	21,678	-	-	-	-	1,119	-	-	22,797
Total Financing Sources	**21,678**	**-**	**665,888**	**97,799**	**9,895**	**1,119**	**(3,001)**	**16,784**	**810,162**
Net Cost of Operations	**88,277**	**(297,884)**	**(665,937)**	**(16,207)**	**(8,823)**	**373**	**(94)**	**(26,167)**	**(926,462)**
Net Change	**109,955**	**(297,884)**	**(49)**	**81,592**	**1,072**	**1,492**	**(3,095)**	**(9,383)**	**(116,300)**
Cumulative Results of Operations - Ending Balance	**602,260**	**9,235,963**	**-**	**123,522**	**35,076**	**16,916**	**24,061**	**35,718**	**10,073,516**
Unexpended Appropriations:									
Beginning Balance	-	-	4,092,999	-	-	-	-	6,320	4,099,319
Budgetary Financing Sources:									
Appropriations Received	-	-	-	-	-	-	-	-	-
Other Adjustments	-	-	(43,102)	-	-	-	-	-	(43,102)
Appropriations Used	-	-	(665,888)	-	-	-	-	122	(665,766)
Total Budgetary Financing Sources	**-**	**-**	**(708,990)**	**-**	**-**	**-**	**-**	**122**	**(708,868)**
Unexpended Appropriations - Ending Balance	**-**	**-**	**3,384,009**	**-**	**-**	**-**	**-**	**6,442**	**3,390,451**
NET POSITION	**$ 602,260**	**$ 9,235,963**	**$ 3,384,009**	**$ 123,522**	**$ 35,076**	**$ 16,916**	**$ 24,061**	**$ 42,160**	**$ 13,463,967**

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

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

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

The Patent and Trademark Surcharge Fund, a Special Fund Receipt Account at Treasury, is discussed in Note 18, *Combined Statements of Budgetary Resources*. USPTO may use monies from this account only as authorized by Congress and made available by the issuance of a Treasury warrant. As of September 30, 2012 and 2011, $233.5 million is held in this fund.

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

The **Broadband Technology Opportunities Program - Recovery Act** includes funds from the American Recovery and Reinvestment Act of 2009 (Recovery Act) that provides awards to eligible entities to develop and expand broadband services to rural and underserved areas and improve access to broadband by public safety agencies. Specifically, funds are used for innovative programs that encourage sustainable adoption of broadband services, to upgrade technology and capacity at public computing centers, including community colleges and public libraries, and for the development and maintenance of statewide broadband inventory maps.

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

The **Environmental Improvement and Restoration Fund** makes available interest that was earned in the Fund in the previous fiscal year. 80 percent of such amounts shall be made available to be equally divided among the Directors of the National Park Service, the United States Fish and Wildlife Service, the Bureau of Land Management, and the Chief of the Forest Service for high-priority deferred maintenance and repairs and modernization of facilities that directly enhance the experience of visitors, including natural, cultural, recreational, and historic resources protection projects in National Parks, National Wildlife Refuges, and the public lands, and for payment to the State of Louisiana and its lessees for oil and gas drainage in the West Delta field. 20 percent of such amounts shall be made available to the Secretary of Commerce for the purpose of carrying out marine research activities in the North Pacific. The law establishing the Environmental Improvement and Restoration Fund can be found at 43 USC Section 147d.

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

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

NOTE 22. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

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

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

The reconciliations of Net Cost of Operations to Budget for FY 2012 and FY 2011 are as follows:

	FY 2012	FY 2011
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 12,238,097	$ 12,403,833
Less: Spending Authority From Offsetting Collections and Actual Recoveries of Prior-years UnPaid Obligations	(4,607,196)	(4,400,081)
Obligations Net of Offsetting Collections and Actual Recoveries	7,630,901	8,003,752
Less: Distributed Offsetting (Receipts)/Outlays, Net	(62,667)	(33,570)
Net Obligations	7,568,234	7,970,182
Other Resources		
Donations and Forfeitures of Property	579	458
Transfers In/(Out) Without Reimbursement, Net	182,220	(4,062)
Imputed Financing Sources From Cost Absorbed by Others	297,694	347,925
Other Financing Sources/(Uses), Net	(8,483)	(8,246)
Net Other Resources Used to Finance Activities	472,010	336,075
Total Resources Used to Finance Activities	**8,040,244**	**8,306,257**

(continued on next page)

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	FY 2012	FY 2011
Resources Used to Finance Items Not Part of Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	3,088,147	1,920,989
Resources that Fund Expenses Recognized in Prior Periods	(5,718)	(12,253)
Budgetary Obligations for Downward Subsidy Reestimates Payable to Treasury	(6,375)	(8,087)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations:		
Distributed Offsetting (Receipts)/Outlays, Net (excludes Clearing Accounts' Gross Costs)	62,667	33,570
Credit Program Collections which Increase Loan Guarantee Liabilities or Allowance for Subsidy Cost	68,138	40,204
Budgetary Financing Sources/(Uses), Net	137,002	(138,801)
Resources that Finance the Acquisition of Assets	(2,231,293)	(1,743,564)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations:		
Change in Unfilled Customer Orders	(15,472)	82,970
Donations and Forfeitures of Property	(579)	(458)
Transfers In/(Out) Without Reimbursement, Net	(182,220)	4,062
Other Financing Sources/(Uses), Net	8,483	8,246
Other	(3,409)	(4,643)
Total Resources Used to Finance Items Not Part of Net Cost of Operations	**919,371**	**182,235**
Total Resources Used to Finance Net Cost of Operations	**8,959,615**	**8,488,492**
Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods		
Increase in Accrued Annual Leave Liability	394	5,841
Increase in Federal Employee Benefits	42,729	39,447
Increase (Decrease) in Contingent Liabilities	(2,900)	(8,753)
Reestimates of Credit Subsidy Expense	3,440	(4,921)
Other	5,545	7,391
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	49,208	39,005
Components Not Requiring or Generating Resources		
Depreciation and Amortization	551,210	687,009
NOAA Impairment of Construction-in-progress (Note 16)	98,260	-
NOAA Issuances of Materials and Supplies	21,581	30,247
Revaluation of Assets or Liabilities	20,728	(101)
Other	(18,581)	(10,852)
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	673,198	706,303
Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period	**722,406**	**745,308**
NET COST OF OPERATIONS	**$ 9,682,021**	**$ 9,233,800**

NOTE 23. STEWARDSHIP PROPERTY, PLANT, AND EQUIPMENT

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

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

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

National Marine Sanctuaries: In 1972, Congress passed the Marine Protection, Research, and Sanctuaries Act (Act) in response to a growing awareness of the intrinsic environmental and cultural value of coastal waters. The Act authorized the Secretary of Commerce to designate special nationally-significant areas of the marine environment as national marine sanctuaries. These protected waters provide a secure habitat for species close to extinction, and also protect historically significant shipwrecks and prehistoric artifacts. National marine sanctuaries are also used for recreation (e.g, boating, diving, and sport fishing), and support valuable commercial industries such as fishing and kelp harvesting. As of September 30, 2012, 13 National Marine Sanctuaries, which include both coastal and offshore areas, have been designated, covering a total area of nearly 19,000 square miles. Each individual sanctuary site (Monterey Bay, the Florida Keys, the Olympic Coast, and Channel Island are the largest four) conducts research and monitoring activities to characterize existing resources and document changes.

Papahãnaumokuãkea Marine National Monument: The majority of all coral reef habitats located in U.S. waters surround the Northwestern Hawaiian Islands (NWHI). Papahãnaumokuãkea Marine National Monument was designated by Presidential Proclamation in 2006 and overlays several previously designated protected areas and forges a co-management regime for the entire area. The overlayed protected areas comprising the monument are the NWHI Coral Reef Ecosystem Reserve (from 3 to 50 miles in federal waters from the corridor of islands of the NWHI); the National Wildlife Refuges (the islands, atolls and some federal waters; and the State of Hawaii Refuge and lands and waters. The Monument is co-managed by the Department of Commerce-NOAA with the Department of the Interior, and the state of Hawaii.

Rose Atoll Marine National Monument: On January 6, 2009, President Bush designated the Rose Atoll Marine National Monument in American Samoa. The monument includes the Rose Atoll National Wildlife Refuge. It also includes about 20 acres of land and 1,600 acres of lagoon and is one of the most pristine atolls in the world. The areas around the atoll support a dynamic reef ecosystem that is home to many land and marine species, many of which are threatened or endangered. The Department of the Interior has primary management responsibility of the atoll while NOAA has primary management responsibility for the marine areas of the monument seaward of mean low water, with respect to fishery-related activities regulated pursuant to the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1801 et seq.) and any other applicable authorities. An inter-governmental committee comprised of NOAA, Department of the Interior, and the American Samoa Government has been established to develop and coordinate management strategies. NOAA is progressing with fisheries management strategies, and has begun the process to consider incorporation of the area into the Fagatele Bay National Marine Sanctuary.

Marianas Trench Marine National Monument: On January 6, 2009, President Bush designated the Marianas Trench Marine National Monument. The Monument consists of approximately 96,000 square miles of submerged lands and waters of the Mariana Archipelago. It includes three units: the Islands Unit, the waters and submerged lands of the three northernmost Mariana Islands; the Volcanic Unit, the submerged lands within 1 nautical mile of 21 designated volcanic sites; and the Trench Unit, the submerged lands extending from the northern limit of the Exclusive Economic Zone of the United States in the Commonwealth of the Northern Mariana Islands (CNMI) to the southern limit of the Exclusive Economic Zone of the United States in the Territory of Guam. No waters are included in the Volcanic and Trench Units, and CNMI maintains all authority for managing the three islands within the Islands Unit (Farallon de Pajaros or Uracas, Maug, and Asuncion) above the mean low water line. The Department of the Interior, in consultation with NOAA, has management responsibility for the monument. With respect to fishery-regulated activities regulated pursuant to the Magnuson-Stevens Fishery Conservation and Management Act and any other applicable authorities, however, NOAA has primary management responsibility, and, when necessary, consults with the Department of the Interior. The inaugural Marianas Trench Monument Advisory Council (MTMAC) meeting took place on June 5 and 6, 2012, in Garapan, Saipan. NOAA is progressing with fisheries management strategies, and is scoping for management plan development, in cooperation with the Department of the Interior.

Pacific Remote Islands Marine National Monument: On January 6, 2009, President Bush designated the Pacific Remote Islands Marine National Monument. The Pacific Remote Islands area consists of Wake, Baker, Howland, and Jarvis Islands, Johnston Atoll, Kingman Reef, and Palmyra Atoll, which lie to the south and west of Hawaii. With the exception of Wake Island, these islands are administered as National Wildlife Refuges by the Department of the Interior. They sustain many endemic species, including corals, fish, shellfish, marine mammals, seabirds, water birds, land birds, insects, and vegetation not found elsewhere.

The Department of the Interior has responsibility for management of the Monument in consultation with NOAA, including out to 12 nautical miles from the mean low water lines of Wake, Baker, Howland, and Jarvis Islands, Johnston Atoll, Kingman Reef and Palmyra Atoll, pursuant to applicable legal authorities. NOAA is progressing with fisheries management strategies, and is scoping to develop a Monument Management Plan in cooperation with the Department of the Interior.

Aleutian Islands Habitat Conservation Area: On July 28, 2006, NOAA formally established the Aleutian Islands Habitat Conservation Area in Alaska, which covers nearly 370,000 square miles and may harbor among the highest diversity of deep-water corals in the world. The conservation area established a network of fishing closures in the Aleutian Islands and Gulf of Alaska, and protects habitat for deep water corals and other sensitive features that are slow to recover once disturbed by fishing gear or other activities. Six small areas that include fragile coral gardens discovered by NOAA Fisheries Service scientists are closed to all bottom-contact fishing gear. This effort is part of a network of new marine protected areas in Alaskan waters designed to protect essential fish habitat and prevent any further damage of the area.

Written policy statements or permit guidelines for the National Marine Sanctuaries and Monuments have been developed for the areas of acoustic impacts, artificial reefs, climate change, invasive species, and marine debris. Submarine cable policy was finalized in 2011. NOAA's Office of Marine National Sanctuaries may be updating artificial reefs policy to reflect recent information about the effects of artificial reefs on natural habitats. The Office of Marine National Sanctuaries answers the most frequently asked questions related to alternative energy and oil and gas policy decisions for national marine sanctuaries.

Heritage Assets:

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

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

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

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

NOAA maintains the following Heritage Assets:

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

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

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

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

NMFS St. Paul Old Clinic/Hospital: On St. Paul Island, in the Pribilof Islands group, Alaska, fewer historic structures remain than on St. George Island. In 1986, the clinic/hospital was listed on the National Register of Historic Places within the Seal Islands National Historic Landmark. The old clinic/hospital is the combination of three historic buildings (physician's house, 1929; dispensary, 1929; and hospital, 1934) connected in 1974 with an addition. The building was used as a clinic/hospital through 2006 under a Memorandum of Agreement between NMFS and the Department of Health, Education and Welfare, and later, the Indian Health Service/Bureau of Indian Affairs. Since August 2007, NMFS has maintained the facility. The facility is vacant and in significant need for repair before it can be utilized. During the winter of 2010, there was a freeze resulting in broken plumbing pipes and substantial flooding and icing throughout the building. All surface finishes on walls and most floors and most wall insulation have been removed. The electrical, heating, plumbing supply, waste drain, and fire sprinkling systems are non-functional. An engineering assessment has been completed which indicates that the north and south sections of the structure (built in 1929 and 1934) are in poor condition. The assessment recommended demolition vice repair of these sections due to the extensive amount of work required to bring these oldest portions of the structure to meet modern code compliance. The report recommended temporary shoring of the north and south sections to reduce the possibility of collapse until a decision is made with respect to the future renovation of the facility. NMFS will evaluate the cost-benefit of renovation of the facility to accommodate future needs on St. Paul Island.

NMFS Aquarium: In Woods Hole, Massachusetts, this aquarium was established in 1875 by Spencer Baird, the originator of NMFS. In addition to being part of the first laboratory of today's NMFS, this aquarium is the oldest marine research display aquarium in the world. It is used to educate the public, raise public awareness of NMFS activities, and accommodate in-house research for the Northeast Fisheries Science Center. The aquarium houses 16 permanent exhibition tanks and approximately 12 freestanding aquaria and touch tanks holding more than 140 species of fish and invertebrates and, on occasion, sea turtles. The facility also has an exterior seal habitat that currently exhibits non-releasable harbor seals obtained through the NOAA marine mammal stranding network. The tanks range in size from 75 to 2,800 gallons. NMFS Aquarium is considered a multi-use heritage asset because it is also used for NOAA's scientific research, which is part of its mission.

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

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

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

NOAA's collection-type heritage assets also include items in the National Climatic Data Center Library. Heritage assets include a) books, manuals, and slides; b) thermometers, gauges, and radiosondes; and c) laboratory equipment.

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

The NOAA Logistics Office continually conducts inventories of its collection-type heritage assets. Many items that were once classified as an individual collection are now included in existing collections. Other items are now deemed as not meeting the heritage asset criteria.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Census Bureau has developed a Project Charter for heritage assets which has developed policies and procedures for the acquisition and removal of Census Bureau heritage assets. If a Census Bureau employee receives a gift from a foreign government's statistical agency or any other agency while on official government travel, the Census Bureau employee will deliver the item to a member of Census Bureau's Heritage Assets Committee for review upon his or her return to Census Bureau, if the item is valued at more than $25 dollars. The Committee will decide if the item meets the criteria for a heritage asset based on the uniqueness, historical age, and/or if the item helps to illustrate Census Bureau's historic contributions to the nation's growth. If the item is deemed a heritage asset, the applicable property management office will ensure the heritage asset is catalogued and stored in a safe, secure environment, allowing for appropriate preservation and conservation. All necessary actions will be taken to reduce deterioration of heritage assets due to environmental conditions, and to limit damage, loss, and misuse of heritage assets. The Committee meets on a regular basis to determine if any heritage assets should be removed from the approved list, or if a newly arrived item should be classified as a heritage asset. Once a determination has been made to no longer classify an item as a heritage asset, Census Bureau will follow any applicable established policies and procedures for surplus property.

(In Actual Quantities)

Collection-type Heritage Assets					
Category	**Description of Assets**	**Quantity of Items Held September 30, 2011**	**FY 2012 Additions**	**FY 2012 Withdrawals**	**Quantity of Items Held September 30, 2012**
NOAA Central Library:					
Circulating Collection	Books, journals, and other publications	1	N/A	N/A	1
Rare Book Room Collection	Books and publications	1	N/A	N/A	1
Collection of Photographs and Motion Pictures	Photographs and motion pictures	1	N/A	N/A	1
Other	Artifacts, documents, and other items	56	-	-	56
National Ocean Service–Thunder Bay Sanctuary Research Collection	Data cards, photograph negatives, document copies, photographs, books, and other items	106,254	-	-	106,254
National Climatic Data Center Library	Artifacts, books, documents, and other items	325	-	-	325
NOAA Others	Artifacts, artwork, books, films, instruments, maps, and records	3,422	11	2	3,431
NIST Artifacts and Scientific Measures	National Bureau of Standards (NBS)/NIST scientific instruments, equipment, and objects	990	25	-	1,015
NIST Historical Books and Manuscripts	Books of historical scientific interest, books by prominent contemporary scientists, and books by NBS/NIST authors and manuscripts of NBS/NIST staff, facilities, and artifacts	61	-	-	61
Census Bureau Artwork and Gifts	Artifacts, artwork, books, films, instruments, and records	132	-	-	132
Census Bureau Collectable Assets	Publications, books, manuscripts, photographs, and maps	30	-	-	30
Total		**111,273**	**36**	**2**	**111,307**
N/A - Not applicable; this category is reported as one collection.					

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

Consolidating Balance Sheet

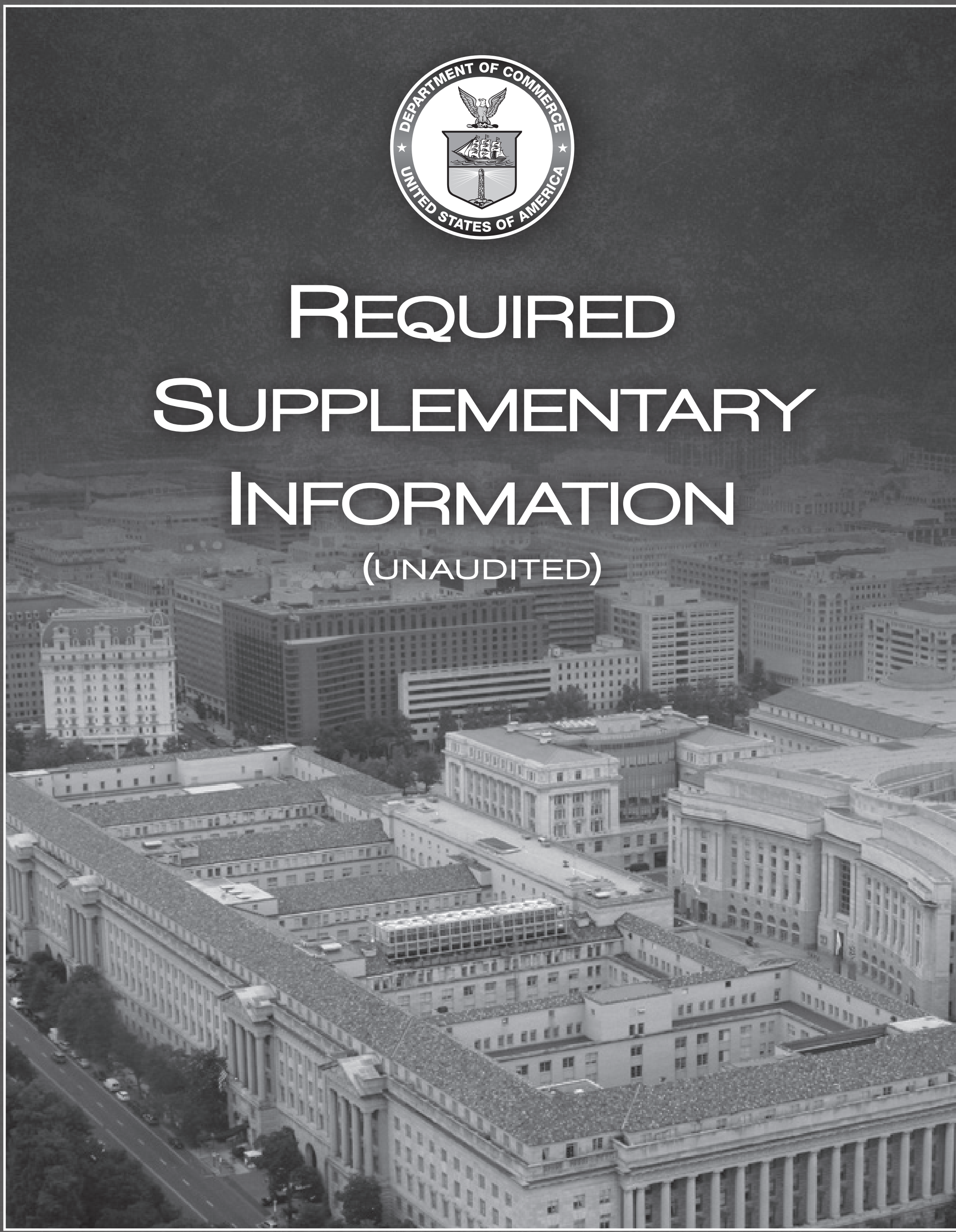
United States Department of Commerce Consolidating Balance Sheet
As of September 30, 2012 *(In Thousands)*

	Consolidating Total	Intra-Departmental Eliminations	BIS	Census Bureau	DM/G&B	DM/S&E	DM/WCF	EDA	ELGP	ESA/BEA	Franchise Fund	HCHB	ITA	MBDA	NIST	NOAA	NTIA	NTIS	OIG	USPTO
ASSETS																				
Intragovernmental:																				
Fund Balance with Treasury	$ 19,261,281	$ -	$ 34,717	$ 797,111	$ 2,587	$ 19,009	$ 61,003	$1,310,264	$ 291	$ 20,302	$ 2,909	$30,191	$123,301	$ 15,372	$ 841,418	$ 3,600,209	$10,630,668	$ 27,935	$ 17,038	$ 1,726,956
Accounts Receivable	116,009	(20,212)	679	11,877	-	13,955	242	135	-	-	-	-	3,293	-	5,378	93,304	1,072	5,748	502	36
Advances and Prepayments	208,368	(81,987)	2,503	30,680	-	6,815	642	1,796	-	713	164	-	10,592	893	7,886	135,276	88,398	332	1,215	2,450
Total Intragovernmental	19,585,658	(102,199)	37,899	839,668	2,587	39,779	61,887	1,312,195	291	21,015	3,073	30,191	137,186	16,265	854,682	3,828,789	10,720,138	34,015	18,755	1,729,442
Cash	4,834	-	-	-	-	-	-	-	-	-	-	-	-	-	-	370	-	133	-	4,331
Accounts Receivable, Net	104,941	-	3,896	2,630	-	2	18	6	-	3	-	-	202	121	5,694	91,377	1	276	-	715
Direct Loans and Loan Guarantees, Net	570,348	-	-	-	-	-	-	11,278	-	-	-	-	-	-	-	559,070	-	-	-	-
Inventory, Materials, and Supplies, Net	104,978	-	-	113	-	-	3	464	-	-	-	-	-	-	26,395	77,883	-	120	-	-
General Property, Plant, and Equipment, Net	10,000,512	-	14	146,380	7,335	1,959	379	697	-	549	-	16,701	3,553	-	943,399	8,623,801	16,867	1,899	-	236,979
Other	48,276	-	1,186	83	3	-	-	-	-	-	-	-	957	-	584	28,437	1	6,369	-	10,656
TOTAL ASSETS	**$ 30,419,547**	**$ (102,199)**	**$ 42,995**	**$ 988,874**	**$ 9,925**	**$ 41,740**	**$ 62,287**	**$1,324,640**	**$ 291**	**$ 21,567**	**$ 3,073**	**$46,892**	**$141,898**	**$ 16,386**	**$ 1,830,754**	**$13,209,727**	**$10,737,007**	**$ 42,812**	**$ 18,755**	**$ 1,982,123**
LIABILITIES																				
Intragovernmental:																				
Accounts Payable	$ 156,032	$ (19,914)	$ 1,210	$ 21,757	$ -	$ 5,058	$ 1,504	$ 340	$ -	$ 4,804	$ -	$ 1	$ 2,123	$ 332	$ 2,096	$ 120,360	$ 1,840	$ 8,575	$ 80	$ 5,866
Debt to Treasury	554,281	-	-	-	-	-	-	-	-	-	-	-	-	-	-	551,743	2,538	-	-	-
Other																				
Resources Payable to Treasury	12,862	-	-	-	-	-	-	11,292	-	-	-	-	-	-	-	1,570	-	-	-	-
Unearned Revenue	332,923	(81,987)	173	176,154	-	4,020	43,076	47,834	-	-	164	-	842	34	66,120	28,038	35,399	4,292	2,787	5,977
Other	102,412	(298)	1,630	24,750	-	2,661	1,636	741	-	832	-	6	3,942	556	5,302	40,554	816	236	256	18,792
Total Intragovernmental	1,158,510	(102,199)	3,013	222,661	-	11,739	46,216	60,207	-	5,636	164	7	6,907	922	73,518	742,265	40,593	13,103	3,123	30,635
Accounts Payable	296,869	-	1,787	46,723	3	1,215	4,746	324	-	2,136	-	48	4,331	129	15,616	140,553	4,599	2,669	2,670	69,320
Loan Guarantee Liabilities	518	-	-	-	-	-	-	-	-	-	-	-	-	-	-	518	-	-	-	-
Federal Employee Benefits	851,211	-	2,926	130,887	-	1,904	4,536	1,193	-	430	-	38	7,524	2,165	9,104	679,612	1,768	844	71	8,209
Environmental and Disposal Liabilities	59,945	-	-	-	-	-	-	-	-	-	-	-	-	-	55,036	4,909	-	-	-	-
Other																				
Accrued Payroll and Annual Leave	580,715	-	6,454	78,863	159	4,597	9,477	3,053	-	7,523	-	77	28,355	941	47,872	183,688	4,802	1,492	2,967	200,395
Accrued Grants	635,856	-	-	-	-	-	-	420,910	-	-	-	-	1,909	1,484	80,396	59,664	71,493	-	-	-
Capital Lease Liabilities	8,377	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,377	-	-	-	-
Unearned Revenue	1,053,580	-	4,747	2,487	-	-	-	471	-	-	-	-	14,149	-	49,747	30,409	295	4,585	-	946,690
Other	57,732	-	94	2,032	-	-	-	-	-	-	-	-	11,745	-	33	43,828	-	-	-	-
TOTAL LIABILITIES	**$ 4,703,313**	**$ (102,199)**	**$ 19,021**	**$ 483,653**	**$ 162**	**$ 19,455**	**$ 64,975**	**$ 486,158**	**$ -**	**$ 15,725**	**$ 164**	**$ 170**	**$ 74,920**	**$ 5,641**	**$ 331,322**	**$ 1,893,823**	**$ 123,550**	**$ 22,693**	**$ 8,831**	**$ 1,255,249**
NET POSITION																				
Unexpended Appropriations																				
Unexpended Appropriations - Earmarked Funds	$ 1,660,141	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,660,141	$ -	$ -	$ -
Unexpended Appropriations - All Other Funds	5,056,293	-	30,544	295,203	-	23,760	-	842,226	291	9,909	-	30,106	94,222	13,981	539,823	3,134,777	33,019	-	8,432	-
Cumulative Results of Operations																				
Cumulative Results of Operations - Earmarked Funds	9,939,669	-	-	-	-	-	-	-	-	-	-	-	4,468	-	-	280,034	8,908,174	20,119	-	726,874
Cumulative Results of Operations - All Other Funds	9,060,131	-	(6,570)	210,018	9,763	(1,475)	(2,688)	(3,744)	-	(4,067)	2,909	16,616	(31,712)	(3,236)	959,609	7,901,093	12,123	-	1,492	-
TOTAL NET POSITION	**$ 25,716,234**	**$ -**	**$ 23,974**	**$ 505,221**	**$ 9,763**	**$ 22,285**	**$ (2,688)**	**$ 838,482**	**$ 291**	**$ 5,842**	**$ 2,909**	**$46,722**	**$ 66,978**	**$ 10,745**	**$ 1,499,432**	**$11,315,904**	**$10,613,457**	**$ 20,119**	**$ 9,924**	**$ 726,874**
TOTAL LIABILITIES AND NET POSITION	**$ 30,419,547**	**$ (102,199)**	**$ 42,995**	**$ 988,874**	**$ 9,925**	**$ 41,740**	**$ 62,287**	**$1,324,640**	**$ 291**	**$ 21,567**	**$ 3,073**	**$46,892**	**$141,898**	**$ 16,386**	**$ 1,830,754**	**$13,209,727**	**$10,737,007**	**$ 42,812**	**$ 18,755**	**$ 1,982,123**

See accompanying independent auditors' report.

Required Supplementary Information

(UNAUDITED)



Required Supplementary Information (unaudited)

A Deferred Maintenance and Repairs

Deferred maintenance and repairs are maintenance and repairs that were not performed when they should have been, that were scheduled and not performed, or that were delayed for a future period. Maintenance and repairs are activities directed towards keeping Property, Plant, and Equipment (PP&E) in acceptable operating condition. These activities include preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it can deliver acceptable performance and achieve its expected life. Maintenance and repairs exclude activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from or significantly greater than those originally intended. Critical maintenance is defined as those projects where the required maintenance and repairs will have a critical impact on the public access, functionality and mission support, health and safety, and life cycle cost of a facility if the maintenance or repairs is not performed. The significant portions of Departmental deferred maintenance and repairs relate to PP&E of both NOAA and NIST (see below for abbreviations). These two entities represent 96 percent of the Department's General PP&E, Net balance as of September 30, 2012.

National Oceanic and Atmospheric Administration (NOAA):

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

The following shows NOAA's deferred maintenance and repairs for projects with estimated costs greater than $50 thousand (Buildings and Structures; Heritage Assets) and $25 thousand (Ships; Other), as of September 30, 2012:

(In Thousands)

PP&E Category	Asset Condition	Estimated Cost to Return to Acceptable Condition		
Buildings and Structures	3	$ 62,960	to	$ 76,951
Heritage Assets	4, 3	11,756	to	14,369
Ships	2	31,191	to	38,122
Other	3	153	to	187
Total		**$ 106,060**	**to**	**$ 129,629**

The CAS method for all PP&E categories is based on a five-point scale, with 1 representing excellent condition; 2 – good condition; 3 – fair condition; 4 – poor condition; and 5 – very poor condition. NOAA has established a "facility condition code" to classify the conditions of Buildings and Structures. Each building or structure is assessed an individual "facility condition code." The average of the individual "facility condition codes" determines the CAS Asset Condition. The deferred maintenance and repairs amounts reported represent non-critical maintenance and repairs to bring the Buildings and Structures to good condition. Buildings and Structures deferred maintenance and repairs are comprised of projects submitted to the Capital Improvements Program. There is an annual call each year to the NOAA elements requesting their submission of new projects and updates to existing unfunded projects to reflect changes in requirements or costs. During FY 2012, NOAA implemented a new automated desktop survey to identify, quantify, and prioritize real property maintenance and repair projects. Buildings and Structures estimated cost increased as a result of the survey implementation. For Heritage Assets, the deferred maintenance and repairs amounts reported represent non-critical maintenance to bring each class of Heritage Assets to an acceptable condition through cleaning, restoration, and preservation. NOAA has established a "range of current asset condition code" to classify the conditions of Ships. The average of the individual "range of current asset condition codes" determines the CAS Asset Condition.

National Institute of Standards and Technology (NIST):

NIST also uses the CAS method to estimate deferred maintenance and repairs. NIST values the condition of assets using a five-point scale, with 1 representing excellent condition; 2 – good condition; 3 – acceptable condition; 4 – poor condition; and 5 – very poor condition. Assets that are assessed at 4 or 5 require repairs and maintenance to increase their value to 3, or acceptable condition. The following shows NIST's deferred maintenance and repairs as of September 30, 2012:

(In Thousands)

PP&E Category	Asset Condition	Estimated Cost to Return to Acceptable Condition
Mechanical and Electrical Devices	5	$ 330,269 to $ 445,766
Buildings (Internal Structures)	4	22,093 to 29,888
Buildings (External Structures)	4	36,258 to 47,829
Total		**$ 388,620 to $ 523,483**

Ⓑ Stewardship Marine Sanctuaries, Marine National Monuments, and Conservation Area

NOAA maintains the following sanctuaries, marine national monuments, and conservation area, which are similar in nature to stewardship land and which are more fully described in Note 23, *Stewardship Property, Plant, and Equipment*, of the Notes to the Financial Statements.

National Marine Sanctuaries: Marine sanctuaries provide protection for nationally significant natural areas, including species close to extinction, and protect historically significant shipwrecks and prehistoric artifacts. Each of the 13 sanctuaries, which may include habitats as diverse as near-shore coral reefs and open ocean, conducts research and monitoring activities to characterize existing resources and document changes. Resource status in the marine sanctuaries varies from good to poor, depending on resource type. Where conditions are compromised, they appear to reflect historical levels of use and development, and in some cases recent disturbances (e.g. diseases that have caused mass mortality of critically important species). The effects of recent disturbance may have been exacerbated by impaired environmental conditions in some areas. Human activities related to each of these threats are the focus of current management efforts, and favorable trends in resource quality appear to be the result of active management.

Papahãnaumokuãkea Marine National Monument: The majority of all coral reef habitats located in U.S. waters surround the Northwestern Hawaiian Islands (NWHI). The Papahānaumokuākea Marine National Monument, located off the coast of the NWHI, encompasses nearly 140,000 square miles of U.S. waters, including approximately 5,200 square miles of relatively undisturbed coral reef habitat that is home to more than 7,000 species. The condition of the Papahānaumokuākea Marine

National Monument is good, but resources in the Monument are affected by an abundance of marine debris, and face emerging threats related to climate change (e.g. increasing temperature, acidification, and sea level).

Rose Atoll Marine National Monument: The atoll includes the Rose Atoll National Wildlife Refuge. It also includes about 20 acres of land and 1,600 acres of lagoon and is one of the most pristine atolls in the world. The areas around the atoll support a dynamic reef ecosystem that is home to many land and marine species, many of which are threatened or endangered. The condition of the Rose Atoll Marine National Monument is good, though it has apparently not recovered completely from the effects of a 1993 shipwreck and spill that altered community structure on a large portion of the reef.

Marianas Trench Marine National Monument: The Marianas Trench Marine National Monument consists of approximately 96,000 square miles of submerged lands and waters of the Mariana Archipelago. It includes three units: the Islands Unit, the waters and submerged lands of the three northernmost Mariana Islands; the Volcanic Unit, the submerged lands within 1 nautical mile of 21 designated volcanic sites; and the Trench Unit, the submerged lands extending from the northern limit of the Exclusive Economic Zone of the United States in the Commonwealth of the Northern Mariana Islands (CNMI) to the southern limit of the Exclusive Economic Zone of the United States in the Territory of Guam. The condition of the Marianas Trench Marine National Monument is good.

Pacific Remote Islands Marine National Monument: The Pacific Remote Islands area consists of Wake, Baker, Howland, and Jarvis Islands, Johnston Atoll, Kingman Reef, and Palmyra Atoll, which lie to the south and west of Hawaii. With the exception of Wake Island, these islands are administered as National Wildlife Refuges by the U.S. Fish and Wildlife Service of the Department of the Interior. They sustain many endemic species including corals, fish, shellfish, marine mammals, seabirds, water birds, land birds, insects, and vegetation not found elsewhere. The condition of the Pacific Remote Islands Marine National Monument is good.

Aleutian Islands Habitat Conservation Area: This conservation area in Alaska, which covers nearly 370,000 square miles, may harbor among the highest diversity of deep-water corals in the world, and protects habitat for deep water corals and other sensitive features that are slow to recover once disturbed by fishing gear or other activities. The condition of the Aleutian Islands Habitat Conservation Area is generally good, although some specific resources are threatened. For example, the conservation area contains six small areas of fragile coral gardens.

C Collection-type Heritage Assets

NOAA's collection-type heritage assets are comprised primarily of books, journals, publications, photographs and motion pictures, manuscripts, records, nautical chart plates, and artifacts. Many of these heritage assets are maintained by the NOAA Central Library (Library). As evidenced by a search of international catalogs, 35 to 50 percent of the Library's collection is unique. Historically, 40 percent of the items catalogued are not found anywhere else. The Library has an extensive collection of historical Coast and Geodetic Survey materials (from 1807) and Weather Bureau materials (from the 1830s), including foreign and historical meteorological data, information on instruments, and metadata.

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

NOAA's collection-type heritage assets also include items in the National Climatic Data Center Library. Heritage assets include a) books, manuals, and slides; b) thermometers, gauges, and radiosondes; and c) laboratory equipment.

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

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

NIST Information Services Office (ISO) maintains the historical archives, a historical book collection, and oversees the oral history program. The book collection contains titles that are of historical scientific interest, rare titles, and books by NIST authors or about NIST work. Materials are not specifically purchased for the collection nor are funds specifically allocated for the collection. Conditions of the books are generally fair. The archives maintain photos of NIST staff, facilities, and artifacts that demonstrate NIST accomplishments. These images are in good condition.

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

D Schedule of Budgetary Resources by Major Budget Account

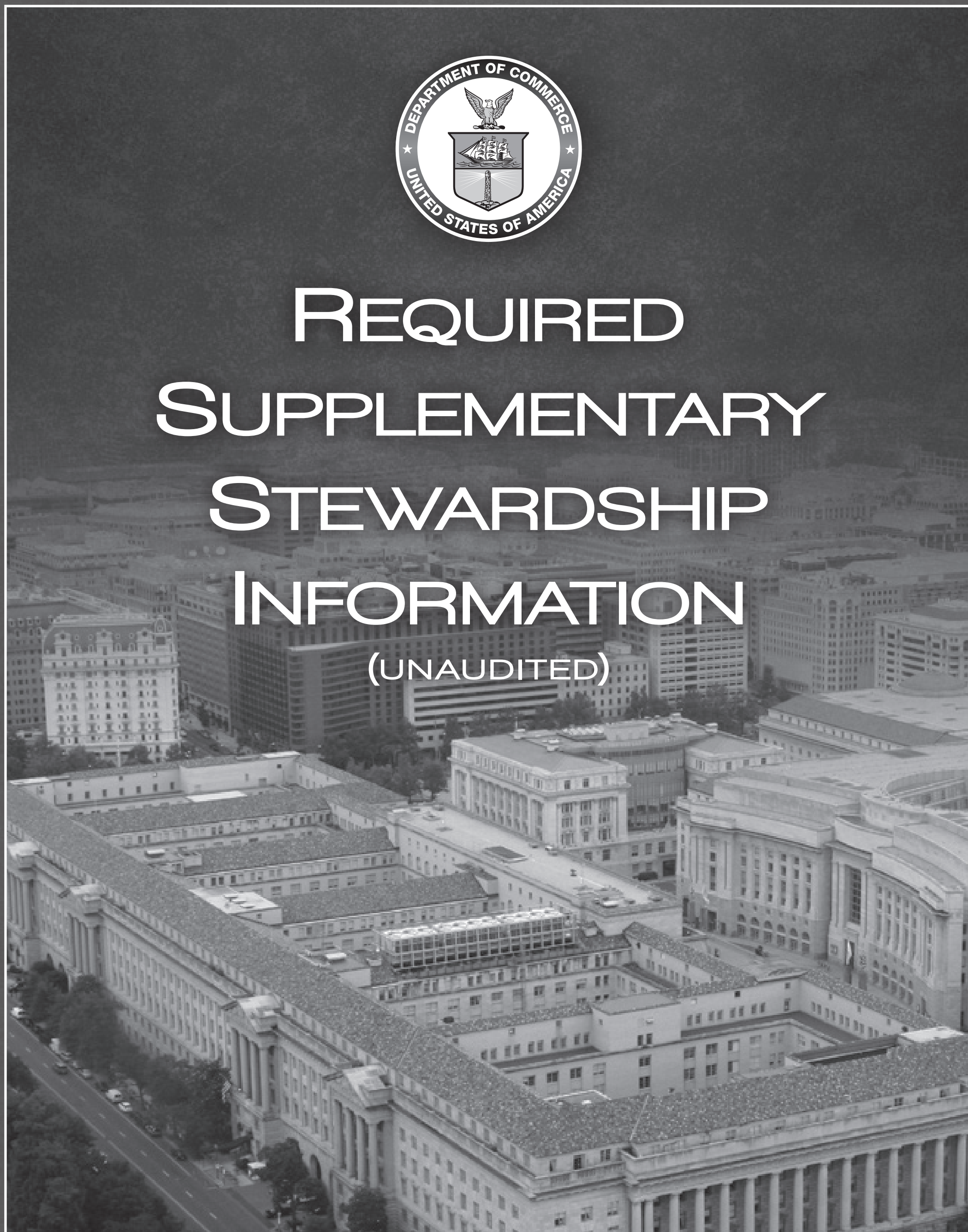
The following table illustrates the Department's FY 2012 budgetary resources by major budget account. The "Other Programs" column refers to the Department's reporting entities and their budget accounts that are not listed.

United States Department of Commerce Schedule of Budgetary Resources by Major Budget Account
For the Year Ended September 30, 2012 *(In Thousands)*

	Combining Total	NOAA Operations, Research, and Facilities	USPTO Salaries and Expenses	NOAA Procurement, Acquisition, and Construction	NTIA Digital Television Transition and Public Safety Fund	ITA Operations and Administration	Census Bureau Periodic Censuses and Programs	EDA Grant Fund	NTIA Broadband Technology Opportunities Program - Recovery Act	Other Programs
BUDGETARY RESOURCES:										
Unobligated Balance, Brought Forward, October 1	$ 9,995,201	$ 188,297	$ 177,705	$ 24,357	$ 8,786,581	$ 21,831	$ 100,735	$ 30,602	$ 3,507	$ 661,586
Adjustments to Unobligated Balance, Brought Forward	2	-	-	-	(1)	-	(1)	2	-	2
Unobligated Balance Brought Forward, October 1, as Adjusted	9,995,203	188,297	177,705	24,357	8,786,580	21,831	100,734	30,604	3,507	661,588
Actual Recoveries of Prior-years Unpaid Obligations	302,627	30,506	23,027	9,756	368	13,559	37,831	33,659	87,520	66,401
Actual Nonexpenditure Transfers of Unobligated Balance, Net	17,329	(4,154)	-	-	-	10,528	-	-	-	10,955
Borrowing Authority Withdrawn	(4,561)	-	-	-	-	-	-	-	-	(4,561)
Other Changes in Unobligated Balance, Net	(134,689)	(23,046)	-	(4,325)	-	(5,961)	(946)	-	(91,628)	(8,783)
Unobligated Balance From Prior-years Budget Authority, Net	**10,175,909**	**191,603**	**200,732**	**29,788**	**8,786,948**	**39,957**	**137,619**	**64,263**	**(601)**	**725,600**
Appropriations	8,035,812	3,177,533		1,798,225	(4,300)	455,561	689,000	416,710	-	1,503,083
Borrowing Authority	74,206	-	-	-	-	-	-	-	-	74,206
Spending Authority From Offsetting Collections	4,304,569	270,452	2,411,896	2,272	47	21,110	4,028	372	3,577	1,590,815
TOTAL BUDGETARY RESOURCES	**$ 22,590,496**	**$ 3,639,588**	**$ 2,612,628**	**$ 1,830,285**	**$ 8,782,695**	**$ 516,628**	**$ 830,647**	**$ 481,345**	**$ 2,976**	**$ 3,893,704**
STATUS OF BUDGETARY RESOURCES:										
Obligations Incurred	$ 12,238,097	$ 3,396,441	$ 2,374,755	$ 1,788,053	$ 18,461	$ 486,996	$ 698,623	$ 297,033	$ -	$ 3,177,735
Unobligated Balance, End of Year										
Apportioned	1,157,028	176,593	237,873	23,226	19,038	19,888	13,456	178,237	-	488,717
Exempt From Apportionment	136,995	-	-	-	-	-	-	-	-	136,995
Unapportioned	9,058,376	66,554	-	19,006	8,745,196	9,744	118,568	6,075	2,976	90,257
Total Unobligated Balance, End of Year	**10,352,399**	**243,147**	**237,873**	**42,232**	**8,764,234**	**29,632**	**132,024**	**184,312**	**2,976**	**715,969**
TOTAL STATUS OF BUDGETARY RESOURCES	**$ 22,590,496**	**$ 3,639,588**	**$ 2,612,628**	**$ 1,830,285**	**$ 8,782,695**	**$ 516,628**	**$ 830,647**	**$ 481,345**	**$ 2,976**	**$ 3,893,704**
CHANGE IN UNPAID OBLIGATED BALANCE, NET:										
Unpaid Obligations:										
Unpaid Obligations, Brought Forward, October 1	$ 11,297,687	$ 2,224,426	$ 325,325	$ 1,171,443	$ 275,632	$ 86,651	$ 323,283	$ 1,206,871	$ 3,385,918	$ 2,298,138
Adjustments to Unpaid Obligations, Brought Forward	157	1	1	3	-	1	2	(1)	-	150
Obligations Incurred	12,238,097	3,396,441	2,374,755	1,788,053	18,461	486,996	698,623	297,033	-	3,177,735
Outlays, Gross	(14,754,794)	(3,642,457)	(2,332,262)	(1,740,833)	(219,769)	(468,737)	(768,683)	(370,247)	(1,588,754)	(3,623,052)
Actual Recoveries of Prior-years Unpaid Obligations	(302,627)	(30,506)	(23,027)	(9,756)	(368)	(13,559)	(37,831)	(33,659)	(87,520)	(66,401)
UNPAID OBLIGATIONS, END OF YEAR	**$ 8,478,520**	**$ 1,947,905**	**$ 344,792**	**$ 1,208,910**	**$ 73,956**	**$ 91,352**	**$ 215,394**	**$ 1,099,997**	**$ 1,709,644**	**$ 1,786,570**
Uncollected Customer Payments:										
Uncollected Customer Payments, Brought Forward, October 1	$ (646,638)	$ (504,020)	$ (298)	$ -	$ -	$ (16,431)	$ -	$ -	$ -	$ (125,889)
Adjustments to Uncollected Customer Payments, Brought Forward	(159)	(1)	2	-	-	(1)	-	-	-	(159)
Change in Uncollected Customer Payments	37,973	50,177	261	-	-	(693)	-	-	-	(11,772)
UNCOLLECTED CUSTOMER PAYMENTS, END OF YEAR	**$ (608,824)**	**$ (453,844)**	**$ (35)**	**$ -**	**$ -**	**$ (17,125)**	**$ -**	**$ -**	**$ -**	**$ (137,820)**
Unpaid Obligated Balance, Net, Brought Forward, October 1	**$ 10,651,049**	**$ 1,720,406**	**$ 325,027**	**$ 1,171,443**	**$ 275,632**	**$ 70,220**	**$ 323,283**	**$ 1,206,871**	**$ 3,385,918**	**$ 2,172,249**
Unpaid Obligated Balance, Net, End of Year	**$ 7,869,696**	**$ 1,494,061**	**$ 344,757**	**$ 1,208,910**	**$ 73,956**	**$ 74,227**	**$ 215,394**	**$ 1,099,997**	**$ 1,709,644**	**$ 1,648,750**
BUDGET AUTHORITY, NET:										
Budget Authority, Gross	$ 12,414,587	$ 3,447,985	$ 2,411,896	$ 1,800,497	$ (4,253)	$ 476,671	$ 693,028	$ 417,082	$ 3,577	$ 3,168,104
Actual Offsetting Collections	(4,408,882)	(320,630)	(2,413,157)	(2,272)	(47)	(20,417)	(4,028)	(372)	(3,577)	(1,644,382)
Change in Uncollected Customer Payments	37,973	50,177	261	-	-	(693)	-	-	-	(11,772)
BUDGET AUTHORITY, NET	**$ 8,043,678**	**$ 3,177,532**	**$ (1,000)**	**$ 1,798,225**	**$ (4,300)**	**$ 455,561**	**$ 689,000**	**$ 416,710**	**$ -**	**$ 1,511,950**
OUTLAYS, NET:										
Outlays, Gross	$ 14,754,794	$ 3,642,457	$ 2,332,262	$ 1,740,833	$ 219,769	$ 468,737	$ 768,683	$ 370,247	$ 1,588,754	$ 3,623,052
Actual Offsetting Collections	(4,408,882)	(320,630)	(2,413,157)	(2,272)	(47)	(20,417)	(4,028)	(372)	(3,577)	(1,644,382)
Outlays, Net	10,345,912	3,321,827	(80,895)	1,738,561	219,722	448,320	764,655	369,875	1,585,177	1,978,670
Distributed Offsetting (Receipts)/Outlays, Net	(62,667)	-	-	-	-	-	-	-	-	(62,667)
AGENCY OUTLAYS, NET	**$ 10,283,245**	**$ 3,321,827**	**$ (80,895)**	**$ 1,738,561**	**$ 219,722**	**$ 448,320**	**$ 764,655**	**$ 369,875**	**$ 1,585,177**	**$ 1,916,003**

Required Supplementary Stewardship Information

(unaudited)



Required Supplementary Stewardship Information (unaudited)

Stewardship Investments

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

Investments in Non-federal Physical Property:

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

NOAA:

National Estuarine Research Reserves (NERR): The NERR system consists of 28 estuarine reserves protected by federal, state, and local partnerships that work to preserve and protect the nation's estuaries. The NERR system helps to fulfill NOAA's stewardship mission to sustain healthy coasts by improving the nation's understanding and stewardship of estuaries. Estuarine reserves are the areas where freshwater from rivers meet the ocean. These areas are known as bays, swamps, sloughs, and sounds. These important coastal habitats are used as spawning grounds and nurseries for the nation's commercial fish and shellfish. Estuaries filter much of the polluted runoff from rivers and streams that would otherwise contaminate oceans. The reserves were created with the passage of the Coastal Zone Management Act of 1972, and, as of September 30, 2012, encompassed approximately 1.4 million acres of estuarine waters, wetlands, and uplands. The most recent reserve, Lake Superior, WI, was designated on October 26, 2010. NERRs are state-operated and managed in cooperation with NOAA. NOAA's investments in non-federal physical property are for the acquisition of lands and development or construction of facilities, auxiliary structures, and public access routes for any NERR site.

Coastal and Estuarine Land Conservation Program: This program was established under the Commerce, Justice, and State Appropriations Act of 2002, "for the purpose of protecting important coastal and estuarine areas that have significant conservation, recreation, ecological, historical, or aesthetic values, or that are threatened by conversion from their natural or recreational state to other uses." The investments in non-federal physical property include matching grants awarded to state and local governments for land acquisition in coastal and estuarine areas. Since FY 2002, matching grants have been directed to 210 such projects.

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

NOAA's investments in non-federal physical property for FY 2008 through FY 2012 were as follows:

(In Millions)

Program	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	Total
National Estuarine Research Reserves	$ 11.8	$ 11.7	$ 14.7	$ 5.5	$ 3.9	$ 47.6
Coastal and Estuarine Land Conservation Program	28.1	21.6	32.4	6.9	8.8	97.8
Total	**$ 39.9**	**$ 33.3**	**$ 47.1**	**$ 12.4**	**$ 12.7**	**$ 145.4**

EDA:

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

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

Global Climate Change Mitigation Incentive Fund (GCCMIF): The GCCMIF program was established to strengthen the linkage between economic development and environmental quality. The purpose and mission of the GCCMIF program is to finance projects that foster economic development by advancing the green economy in distressed communities. The GCCMIF program is the development and use of products and services that contribute to economic growth and alleviate economic distress by respecting and revitalizing the environment. The GCCMIF program supports projects that create jobs through, and increase private capital investment in, efforts to limit the nation's dependence on fossil fuels, enhance energy efficiency, curb greenhouse gas emissions, and protect natural systems.

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

EDA's investments in non-federal physical property for FY 2008 through FY 2012 were as follows:

(In Millions)

Program	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	Total
Public Works	$ 133.5	$ 139.9	$ 175.8	$ 224.4	$ 160.7	$ 834.3
Economic and Defense Adjustments	60.0	68.6	61.4	47.6	49.5	287.1
Global Climate Change Mitigation Incentive Fund	-	0.2	5.5	6.8	12.8	25.3
Disaster Recovery	1.8	6.3	32.4	85.1	111.0	236.6
Total	**$ 195.3**	**$ 215.0**	**$ 275.1**	**$ 363.9**	**$ 334.0**	**$ 1,383.3**

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

Investments in Human Capital:

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

NOAA:

National Sea Grant College Program: Sea Grant is a nationwide network, administered through NOAA, of 32 university-based programs that work with coastal communities. With the adoption in 1966 of the National Sea Grant College Act, Congress established an academic/industry/government partnership that would enhance the nation's education, economy, and environment into the 21st century. The program supports activities designed to increase public awareness of coastal, ocean, and Great Lakes issues, to provide information to improve management decisions in coastal, ocean, and Great Lakes policy, and to train graduate students in marine and Great Lakes science. The Knauss Fellowship Program offers qualified masters and doctoral students the opportunity to spend a year working on marine and Great Lakes policy issues with the Executive and Legislative branches of the federal government. The program currently has 43 fellowships awarded: 12 fellowships funded by the National Sea Grant College Program, and 31 fellowships funded by other NOAA offices and other federal agencies. There is also a Graduate Fellowship Program for Ph.D. candidates in the specialized areas of population dynamics and marine resource economics. The Graduate Fellowship Program currently has 17 fellowships awarded. Participants in this program can receive up to three years of funding.

National Estuarine Research Reserve Program: This program supports activities designed to increase public awareness of estuary issues, provide information to improve management decisions in estuarine areas, and train graduate students in estuarine science. The National Estuarine Research Reserve System's Graduate Research Fellowship (GRF) Program offers qualified masters and doctoral students the opportunity to address scientific questions of local, regional, and national significance. The result is high-quality research focused on improving coastal management issues. All GRF projects must be conducted in a National Estuarine Research Reserve and enhance the scientific understanding of the reserve's ecosystem. In FY 2012, 32 fellowships were awarded.

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

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

- Train and graduate students, particularly from underrepresented communities, in NOAA mission sciences;
- Develop expertise in a NOAA scientific area;
    - Strengthen and build capacity in a NOAA scientific and management area
    - Build research experience in a NOAA scientific and management area
- Increase graduation rates of students from underrepresented communities in NOAA mission sciences;
- Impact NOAA workforce statistics by increasing representation from underrepresented communities in NOAA mission sciences; and
- Leverage NOAA funds to build the education and research capacity at MSIs.

In FY 2012, the Cooperative Science Centers awarded 66 degrees to students, and continued to support 265 students in post-secondary NOAA mission-relevant science, technology, resource management, and policy degree programs.

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

The Graduate Sciences Program (GSP) is aimed primarily at increasing opportunities for students in NOAA mission fields to pursue research and educational training in atmospheric, environmental, remote sensing, and oceanic sciences at MSIs when possible. GSP offers between two years (master's candidates) to four years (doctoral students) of NOAA-related research and training opportunities. GSP provides college graduates entry-level employment and hands-on research and work experience at NOAA. In FY 2012, 2 awards were made.

The Undergraduate Scholarship Program is designed to increase the number of students who undertake course work and graduate with degrees in the targeted areas integral to NOAA's mission. Appointments are for two years, and are made to students who have recently declared or are about to declare a major in atmospheric, oceanic, or environmental science. The students participate in research, training, and development activities at NOAA offices and facilities during two summer internships. In FY 2012, 11 students were selected for the program.

Ernest F. Hollings Undergraduate Scholarship Program: This program was established in 2005 to (1) increase undergraduate training in oceanic and atmospheric science, research, technology, and education, and foster multidisciplinary training opportunities; (2) increase public understanding and support for stewardship of the ocean and atmosphere and improve environmental literacy; (3) recruit and prepare students for public service careers with NOAA and other agencies at the federal, state, and local levels of government; and (4) recruit and prepare students for careers as teachers and educators in oceanic and atmospheric science and to improve scientific and environmental education in the U.S. In FY 2012, the program added 115 students.

Students live and attend universities across the U.S. They are majoring in the following science, technology, engineering, and mathematics fields: Mathematics; Meteorology; Engineering; Biology; Chemistry; Climatology; Computer Science; Earth Sciences; Economics; Science Teachers; Physical Sciences; and Science Policy.

Southeast Fisheries Science Center's Recruiting Training Research Program: This is a joint program between NMFS and the University of Florida. The program had resided at Virginia Tech before moving to the University of Florida in December 2011. The objectives of the program are the following: (1) to recruit top undergraduate and graduate students into the field of fisheries population dynamics and careers with NMFS; (2) to train graduate students; and (3) to conduct population dynamics and stock assessment research in support of the NMFS mission. The program also offers graduate courses and workshops in computer programming, simulation modeling, and fish population dynamics. In FY 2012, 15 outstanding undergraduate students from across the country participated in a week-long undergraduate workshop and the program supported three M.S. students. In the spring of 2012, two new graduate students (one M.S. and one Ph.D.) were recruited to begin their workshop in July 2012. In September 2012, an open house took place in Miami to enable the University of Florida community to meet the faculty, staff, students, and collaborators to visit the facility and learn about the work that the center does. Plans are moving forward for another undergraduate workshop in March 2013, and a newly designed summer program for Masters-level students from around the country is scheduled to take place in June 2013.

Northeast Fisheries Science Center (NEFSC) Partnership Education Program (PEP): The NEFSC of NOAA's National Marine Fisheries Service leads a consortium of six science institutions in Woods Hole, MA., offering a ten-week summer program that combines undergraduate course work with research in marine and environmental science. Launched in 2009, PEP is an ongoing diversity program designed to recruit talent from minority groups that are under-represented in marine and environmental sciences. PEP recruitment targets college students with priority given to entering juniors and seniors majoring in the natural sciences who have had some course work in marine and/or environmental science. The program includes a credit course taught in Woods Hole by research scientists from Woods Hole science institutions, student research projects, and presentation of research results in a one-day seminar. Participants receive financial support for tuition, travel, and room and board, as well as a stipend. In FY 2012, 16 students participated in the ten-week summer program.

Northeast Fisheries Science Center Bradford E. Brown Student Internship Program: The NEFSC has named its student intern program after Dr. Bradford Brown, a retired NOAA Fisheries Service scientist who was a leader in recruiting young people into fishery science. The program is open to active undergraduate and graduate students. Research topics include population biology and dynamics, resource assessment and environmental surveys, taxonomy, physical and biological oceanography, social sciences, data management, larval fish/plankton ecology, large marine ecosystems, aquaculture, biotechnology, remote sensing, protected species, and apex predators. Summer positions are offered throughout NEFSC laboratories, which are located in Woods Hole, MA; Narragansett, RI; Milford, CT; Highlands, NJ; Washington, DC; and Orono, ME. In FY 2012, 16 students participated in the student intern program.

Woods Hole Science Aquarium (WHSA) High School Intern Program: WHSA offers three summer programs for students who have completed grades 10, 11, or 12. The programs are run by WHSA staff, and are projects of the NEFSC of NOAA's National Marine Fisheries Service and the Marine Biological Laboratory. Interns selected for the five-week program work in the aquarium, help lead public collecting walks, and participate in the Careers in Marine Science seminars. The one and two-week Careers in Marine Science seminars consist of short presentations by marine scientists, activities, and field trips that introduce students to marine-related careers. All students learn basic animal husbandry and aquarist skills, visit the local Woods Hole research institutions, meet with working scientists in a variety of fields, and visit area aquariums, zoos, and waterfronts. In FY 2012, 16 students will participate in one of the three summer programs.

Pacific Islands Fisheries Science Center (PIFSC) Student Intern Program (PSIP): PSIP offers qualified college students professional work experience and formal training opportunities tailored to meet their educational and professional goals and interests. PSIP is a paid, summer-long (8-12 weeks) program that combines on-the-job training, formal training, one-to-one mentoring, and developmental assignments at PIFSC. Internship opportunities are established in specific PIFSC projects. Program components include:

- Performance Plans to establish goals and timelines for the intern's work assignments (established in meetings between intern and mentor)
- Periodic meetings between intern and mentor to check on progress (includes a mid-point review and final review)
- Inclusion of intern in PIFSC staff activities (division meetings, all-hands meetings, training, and other activities)
- Program wrap up: Interns and mentors hold a final meeting to review final products and discuss the internship experience
- Evaluations: Interns and mentors complete a program evaluation to provide feedback that will help PIFSC improve the structure of the internship program

In addition to the individual and group mentoring by PIFSC staff, PSIP interns are encouraged to synergize with each other and with other undergraduate and graduate interns at PIFSC. In FY 2012, PIFSC scientists hosted 3 undergraduate summer interns: 2 in PIFSC's Protected Species Division, and 1 in the Fisheries Research and Monitoring Division.

The following table summarizes NOAA's investments in human capital for FY 2008 through FY 2012:

(In Millions)

Program	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	Total
National Sea Grant College Program	$ 0.5	$ 0.7	$ 0.9	$ 0.8	$ 0.7	$ 3.6
National Estuarine Research Reserve Program	0.8	1.0	1.3	1.5	1.5	6.1
Educational Partnership Program	12.8	15.0	14.3	14.3	12.5	68.9
Ernest F. Hollings Undergraduate Scholarship Program	3.6	3.6	4.6	4.5	4.9	21.2
Southeast Fisheries Science Center's Recruiting Training Research Program	N/A	0.4	0.5	0.5	0.5	1.9
Northeast Fisheries Science Center Partnership Education Program	N/A	-	-	0.2	0.2	0.4
Northeast Fisheries Science Center Bradford E. Brown Student Internship Program	N/A	N/A	N/A	0.2	0.2	0.4
Total	**$ 17.7**	**$ 20.7**	**$ 21.6**	**$ 22.0**	**$ 20.5**	**$ 102.5**
N/A = Not Applicable						

The following table further summarizes NOAA's human capital investments for FY 2008 to FY 2012 by performance outcome:

(In Millions)

Performance Outcome	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Protect, Restore, and Manage the Use of Coastal and Ocean Resources	$ 17.7	$ 20.7	$ 21.6	N/A	N/A
Increase Scientific Knowledge and Provide Information to Stakeholders to Support Economic Growth and to Improve Innovation, Technology, and Public Safety	N/A	N/A	N/A	$ 22.0	$ 20.5
N/A = Not Applicable					

Investments in Research and Development (R&D):

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

NIST:

NIST Laboratories Program:

The NIST Laboratories work at the frontiers of measurement science to ensure that the U.S. system of measurements is firmly grounded on sound scientific and technical principles. Today, the NIST Laboratories address increasingly complex measurement challenges, ranging from the very small (e.g., nanoscale devices) to the very large (e.g., vehicles and buildings), and from the physical (e.g., renewable energy sources) to the virtual (e.g., cybersecurity and cloud computing). As new technologies develop and evolve, NIST's measurement research and services remain central to innovation, productivity, trade, and public safety.

The NIST Laboratories provide industry, academia, and other federal agencies with:

- Scientific underpinnings for basic and derived measurement units in the international standards community, measurement and calibration services, and certified reference materials;
- Impartial expertise and leadership in basic and applied research to enable development of test methods and verified data to support the efficient commercialization and exchange of goods and services in industry and commerce;
- Support for the development of open, consensus-based standards and specifications that define technical and performance requirements for goods and services, with associated measurements and test methods for conformity; and

- Unique cutting-edge user facilities that support innovation in materials science, nanotechnology discovery and fabrication, and other emerging technology areas through the NIST Center for Neutron Research, which provides world class neutron measurement capabilities to the U.S. research community, and through the NIST Center for Nanoscale Science and Technology, which supports nanotechnology development from discovery to production.

Technology Innovation Program (TIP):

NIST's FY 2012 appropriations did not provide funding for TIP and the program is currently implementing a closeout, expected to be completed by the end of FY 2014. Prior to its closeout, TIP awarded 38 projects advancing research in the areas of civil infrastructure (17 projects) and advanced manufacturing (21 projects). These awards leverage $136 million in TIP funding with an additional $144 million in industry cost-share. Two projects have successfully completed research and development (R&D) and the remaining projects will continue research using previously obligated funds. NIST technical experts will continue to monitor the technical progress and ensure the fidelity of the research during this time.

The following table summarizes NIST's R&D investments for FY 2008 through FY 2012 by R&D Category:

(In Millions)

	NIST Laboratories					Technology Innovation Program					Total				
R&D Category	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**
Basic Research	$ 132.8	$ 144.9	$ 162.0	$ 185.3	$ 198.9	$ -	$ -	$ -	$ -	$ -	$ 132.8	$ 144.9	$ 162.0	$ 185.3	$ 198.9
Applied Research	381.0	378.5	395.9	377.8	379.1	23.2	25.0	26.2	22.1	19.7	404.2	403.5	422.1	399.9	398.8
Development	14.4	15.4	15.3	19.4	12.7	23.2	25.1	26.2	22.1	19.7	37.6	40.5	41.5	41.5	32.4
Total	**$ 528.2**	**$ 538.8**	**$ 573.2**	**$ 582.5**	**$ 590.7**	**$ 46.4**	**$ 50.1**	**$ 52.4**	**$ 44.2**	**$ 39.4**	**$ 574.6**	**$ 588.9**	**$ 625.6**	**$ 626.7**	**$ 630.1**

The following tables further summarize NIST's R&D investments for FY 2008 through FY 2012 by performance outcome.

(In Millions)

FY 2012				
Performance Outcome	**Basic Research**	**Applied Research**	**Development**	**Total**
NIST Laboratories: Provide Measurement Tools and Standards to Strengthen Manufacturing, Enable Innovation, and Increase Efficiency	$ 198.9	$ 379.1	$ 12.7	$ 590.7
Technology Innovation Program: Stimulate High-growth Business Formation and Entrepreneurship through Investing in High-risk, High-reward Technologies and by Removing Impediments to Accelerate Technology Commercialization	-	19.7	19.7	39.4
Total	**$ 198.9**	**$ 398.8**	**$ 32.4**	**$ 630.1**

In Millions)

FY 2011				
Performance Outcome	**Basic Research**	**Applied Research**	**Development**	**Total**
NIST Laboratories: Provide Measurement Tools and Standards to Strengthen Manufacturing, Enable Innovation, and Increase Efficiency	$ 185.3	$ 377.8	$ 19.4	$ 582.5
Technology Innovation Program: Stimulate High-growth Business Formation and Entrepreneurship through Investing in High-risk, High-reward Technologies and by Removing Impediments to Accelerate Technology Commercialization	-	22.1	22.1	44.2
Total	**$ 185.3**	**$ 399.9**	**$ 41.5**	**$ 626.7**

(In Millions)

FY 2010				
Performance Outcome	**Basic Research**	**Applied Research**	**Development**	**Total**
NIST Laboratories: Promote Innovation, Facilitate Trade, and Ensure Public Safety and Security by Strengthening the Nation's Measurements and Standards Infrastructure	$ 162.0	$ 395.9	$ 15.3	$ 573.2
Technology Innovation Program: Promote U.S. Competitiveness by Directing Federal Investment and R&D into Areas of Critical National Need that Support, Promote and Accelerate High-risk, High-reward Research in the United States	-	26.2	26.2	52.4
Total	**$ 162.0**	**$ 422.1**	**$ 41.5**	**$ 625.6**

(In Millions)

FY 2009				
Performance Outcome	**Basic Research**	**Applied Research**	**Development**	**Total**
NIST Laboratories: Promote Innovation, Facilitate Trade, and Ensure Public Safety and Security by Strengthening the Nation's Measurements and Standards Infrastructure	$ 144.9	$ 378.5	$ 15.4	$ 538.8
Technology Innovation Program: Promote U.S. Competitiveness by Directing Federal Investment and R&D into Areas of Critical National Need that Support, Promote, and Accelerate High-risk, High-reward Research in the United States	-	25.0	25.1	50.1
Total	**$ 144.9**	**$ 403.5**	**$ 40.5**	**$ 588.9**

(In Millions)

FY 2008				
Performance Outcome	**Basic Research**	**Applied Research**	**Development**	**Total**
NIST Laboratories: Promote Innovation, Facilitate Trade, and Ensure Public Safety and Security by Strengthening the Nation's Measurements and Standards Infrastructure	$ 132.8	$ 381.0	$ 14.4	$ 528.2
Advanced Technology Program: Accelerate Private Investment in and Development of High-risk, Broad-impact Technologies	-	23.2	23.2	46.4
Total	**$ 132.8**	**$ 404.2**	**$ 37.6**	**$ 574.6**

NOAA:

NOAA conducts a substantial program of environmental R&D in support of its mission, much of which is performed to improve the United States' understanding of and ability to predict environmental phenomena. The scope of research includes:

- Improving predictions and warnings associated with the weather, on timescales ranging from minutes to weeks;
- Improving predictions of climate, on timescales ranging from months to centuries; and
- Improving understanding of natural relationships to better predict and manage renewable marine resources and coastal and ocean ecosystems.

NOAA also conducts research that is intended to provide a solid scientific basis for environmental policy-making in government. Examples of this research include determining the stratospheric ozone-depleting potential of proposed substitutes for chlorofluorocarbons (CFCs), and identifying the causes of the episodic high rural ozone levels that significantly damage crops and forests.

NOAA conducts most R&D in-house; however, contractors to NOAA undertake most systems R&D. External R&D work supported by NOAA includes that undertaken through federal-academic partnerships such as the National Sea Grant College Program, the Cooperative Institutes of the Environmental Research Laboratories, the Climate and Global Change Program, and the Coastal Ocean Program.

Here is a brief description of the major R&D programs of NOAA:

Environmental and Climate: The Office of Oceanic and Atmospheric Research is NOAA's primary research and development office. This office conducts research in three major areas: climate research; weather and air quality research; and ocean, coastal, and Great Lakes research. NOAA's research laboratories, Climate Program Office, and research partners conduct a wide range of research into complex climate systems, including the exploration and investigation of ocean habitats and resources. NOAA's research organizations conduct applied research on the upper and lower atmosphere as well as the space environment.

Fisheries: NOAA's National Marine Fisheries Service (NMFS) is responsible for the conservation and management of living marine resources and their habitat within the Nation's Exclusive Economic Zone. NMFS manages these resources through science-based conservation and management to ensure their continuation as functioning components of productive ecosystems, while also affording economic opportunities and enhancing the quality of life for the American public. Fishery stocks and protected species are surveyed; catch, bycatch, incidental take, economic and social data are collected, and research is conducted to better understand the variables affecting the abundance and variety of marine fishes and protected species, their habitat, and the benefits they provide to society. Protection of endangered species, restoration of coastal and estuarine fishery habitats, and enforcement of fishery regulations are primary NOAA activities. The research and management of living marine resources is conducted in partnership with states, tribes, universities, other countries, international organizations, and a broad range of stakeholders who benefit from the use and existence of living marine resources and their habitat.

Marine Operations and Maintenance and Aircraft Services: These efforts support NOAA's programs requiring operating days and flight hours to collect data at sea and in the air. NOAA's Marine and Aviation Operations manage a wide variety of specialized aircraft and ships to complete NOAA's environmental and scientific missions. The aircraft collect the environmental and geographic data essential to NOAA hurricane and other weather and atmospheric research, conduct aerial surveys for hydrologic research to help predict flooding potential from snowmelt, and provide support to NOAA's fishery research and marine mammal assessment programs. NOAA's ship fleet provides oceanographic and atmospheric research and fisheries research vessels to support NOAA's strategic plan elements and mission.

Weather Service: The National Weather Service conducts applied research and development, building upon research conducted by NOAA laboratories and the academic community. Applied meteorological and hydrological research is integral to providing more timely and accurate weather, water, and climate services to the public.

Other Programs: As a national lead for coastal stewardship, National Ocean Service promotes a wide range of research activities to create the strong science foundation required to advance the sustainable use of precious coastal systems. Understanding of the coastal environment is enhanced through coastal ocean activities that support science and resource management programs. The National Environmental Satellite Data and Information Service, through its Office of Research and Applications, conducts atmospheric, climatological, and oceanic research into the use of satellite data for monitoring environmental characteristics and their changes. It also provides guidance for the development and evolution of spacecraft and sensors to meet future needs.

NOAA's R&D investments by program for FY 2008 through FY 2012 were as follows:

(In Millions)

Program	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	Total
Environmental and Climate	$ 331.2	$ 337.0	$ 344.1	$ 395.3	$ 392.8	$ 1,800.4
Fisheries	53.6	55.7	59.9	65.7	64.9	299.8
Marine Operations and Maintenance and Aircraft Services	51.5	38.4	34.3	34.3	33.3	191.8
Weather Service	56.7	58.4	53.9	54.7	36.4	260.1
Others	111.1	103.8	102.0	98.0	90.6	505.5
Total	**$ 604.1**	**$ 593.3**	**$ 594.2**	**$ 648.0**	**$ 618.0**	**$ 3,057.6**

The following table summarizes NOAA's R&D investments for FY 2008 through FY 2012 by R&D category:

(In Millions)

R&D Category	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	Total
Applied Research	$ 517.6	$ 491.3	$ 452.4	$ 439.6	$ 426.5	$ 2,327.4
Development	86.5	102.0	141.8	208.4	191.5	730.2
Total	**$ 604.1**	**$ 593.3**	**$ 594.2**	**$ 648.0**	**$ 618.0**	**$ 3,057.6**

The following tables further summarize NOAA's R&D investments from FY 2012 back to FY 2008 by performance outcome:

(In Millions)

FY 2012			
Performance Outcome	Applied Research	Development	Total
Increase Scientific Knowledge and Provide Information to Stakeholders to Support Economic Growth and to Improve Innovation, Technology, and Public Safety	$ 148.1	$ 9.9	$ 158.0
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	45.2	12.6	57.8
Improve Weather, Water, and Climate Reporting and Forecasting	8.9	27.5	36.4
Support Climate Adaptation and Mitigation	104.4	127.5	231.9
Develop Sustainable and Resilient Fisheries, Habitats, and Species	56.1	8.8	64.9
Support Coastal Communities that are Environmentally and Economically Sustainable	63.8	5.2	69.0
Total	**$ 426.5**	**$ 191.5**	**$ 618.0**

(In Millions)

FY 2011			
Performance Outcome	Applied Research	Development	Total
Increase Scientific Knowledge and Provide Information to Stakeholders to Support Economic Growth and to Improve Innovation, Technology, and Public Safety	$ 149.5	$ 9.3	$ 158.8
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	48.0	12.6	60.6
Improve Weather, Water, and Climate Reporting and Forecasting	17.8	36.9	54.7
Support Climate Adaptation and Mitigation	101.2	141.4	242.6
Develop Sustainable and Resilient Fisheries, Habitats, and Species	59.1	6.7	65.8
Support Coastal Communities that are Environmentally and Economically Sustainable	64.0	1.5	65.5
Total	**$ 439.6**	**$ 208.4**	**$ 648.0**

(In Millions)

FY 2010			
Performance Outcome	**Applied Research**	**Development**	**Total**
Protect, Restore, and Manage the Use of Coastal and Ocean Resources	$ 218.4	$ 6.8	$ 225.2
Advance Understanding of Climate Variability and Change	125.1	84.0	209.1
Provide Accurate and Timely Weather and Water Information	108.0	48.4	156.4
Support Safe, Efficient, and Environmentally Sound Commercial Navigation	0.9	2.6	3.5
Total	**$ 452.4**	**$ 141.8**	**$ 594.2**

(In Millions)

FY 2009			
Performance Outcome	**Applied Research**	**Development**	**Total**
Protect, Restore, and Manage the Use of Coastal and Ocean Resources	$ 211.5	$ 8.1	$ 219.6
Advance Understanding of Climate Variability and Change	140.4	60.5	200.9
Provide Accurate and Timely Weather and Water Information	138.9	32.7	171.6
Support Safe, Efficient, and Environmentally Sound Commercial Navigation	0.5	0.7	1.2
Total	**$ 491.3**	**$ 102.0**	**$ 593.3**

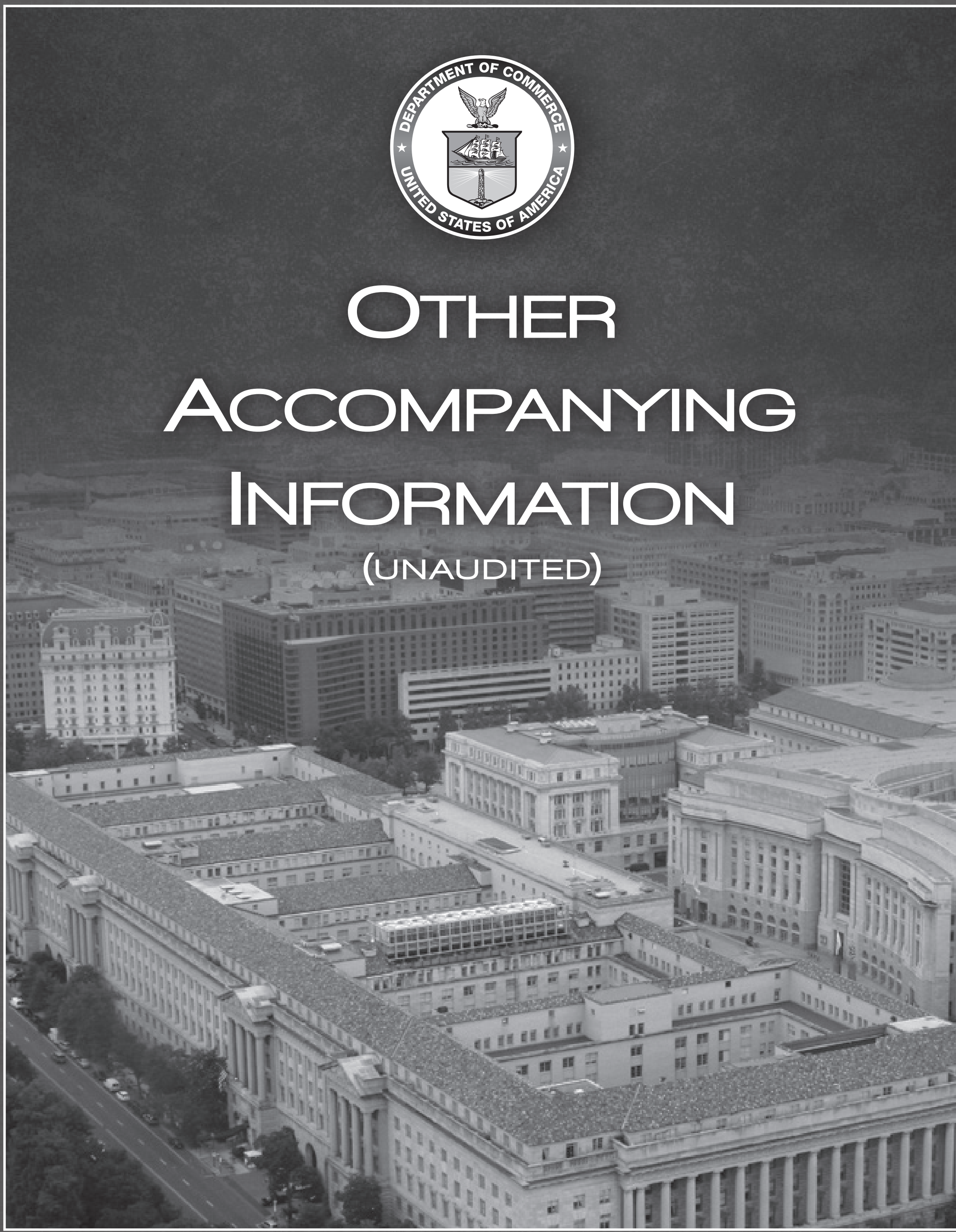
(In Millions)

FY 2008			
Performance Outcome	**Applied Research**	**Development**	**Total**
Protect, Restore, and Manage the Use of Coastal and Ocean Resources	$ 229.8	$ 11.4	$ 241.2
Advance Understanding of Climate Variability and Change	145.9	35.7	181.6
Provide Accurate and Timely Weather and Water Information	140.3	39.2	179.5
Support Safe, Efficient, and Environmentally Sound Commercial Navigation	1.6	0.2	1.8
Total	**$ 517.6**	**$ 86.5**	**$ 604.1**

FINANCIAL SECTION

Other Accompanying Information

(UNAUDITED)



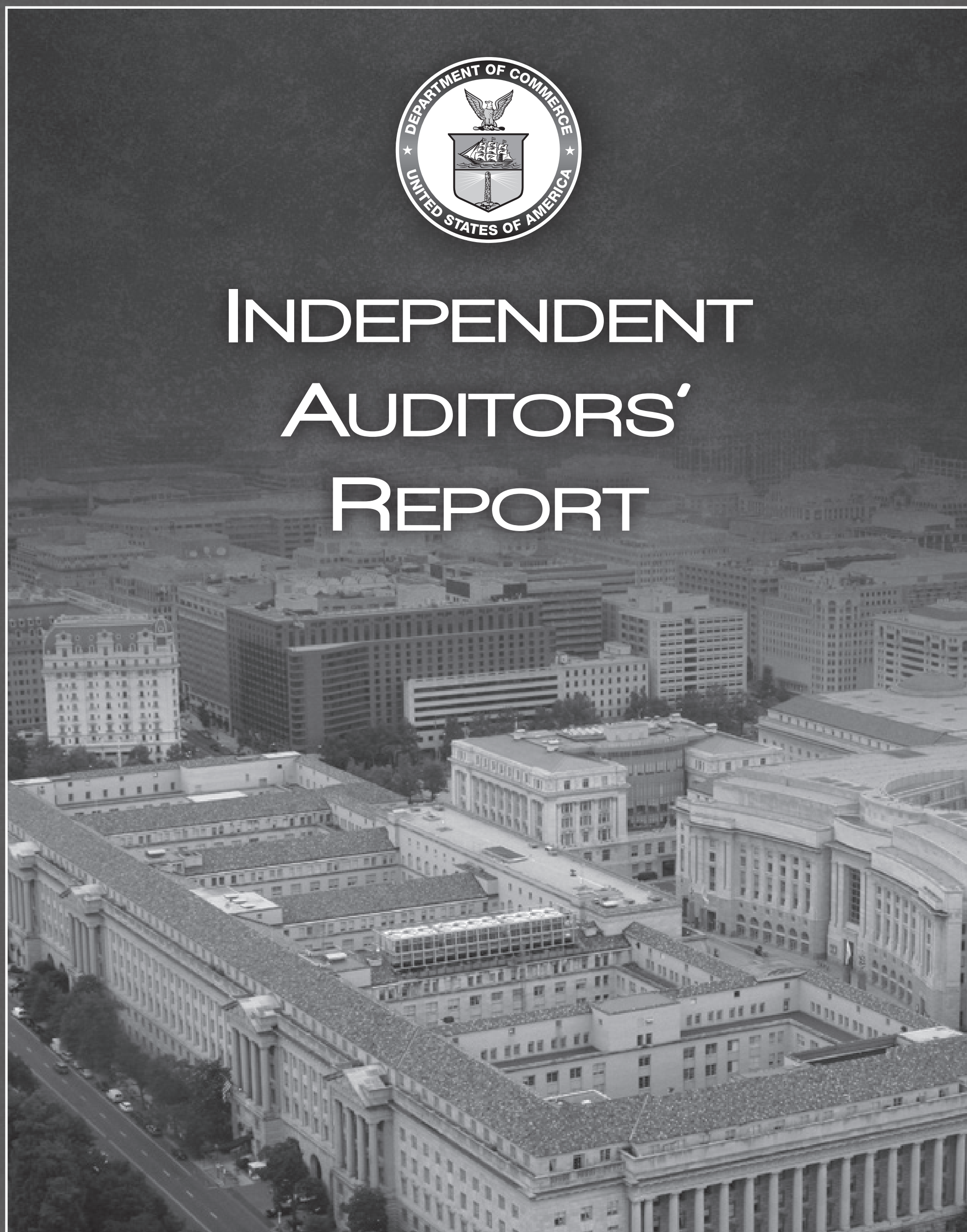
The Schedule of Spending by Major Budget Account presents amounts agreed to be spent for the current year, how the money was spent, and who received the money. The *Total Amounts Agreed to be Spent* line represents obligations incurred during the current year.

United States Department of Commerce Schedule of Spending by Major Budget Account
For the Year Ended September 30, 2012 *(In Thousands)*

	Combining Total	NOAA Operations, Research, and Facilities	USPTO Salaries and Expenses	NOAA Procurement, Acquisition, and Construction	NTIA Digital Television Transition and Public Safety Fund	ITA Operations and Administration	Census Bureau Periodic Censuses and Programs	EDA Grant Fund	NTIA Broadband Technology Opportunities Program - Recovery Act	Other Programs
WHAT MONEY IS AVAILABLE TO SPEND?										
Total Resources	$ 22,590,496	$ 3,639,588	$ 2,612,628	$ 1,830,285	$ 8,782,695	$ 516,628	$ 830,647	$ 481,345	$ 2,976	$ 3,893,704
Less: Amounts Available but Not Agreed to be Spent	(1,294,023)	(176,593)	(237,873)	(23,226)	(19,038)	(19,888)	(13,456)	(178,237)	-	(625,712)
Less: Amounts Not Available to be Spent	(9,058,376)	(66,554)	-	(19,006)	(8,745,196)	(9,744)	(118,568)	(6,075)	(2,976)	(90,257)
TOTAL AMOUNTS AGREED TO BE SPENT	**$ 12,238,097**	**$ 3,396,441**	**$ 2,374,755**	**$ 1,788,053**	**$ 18,461**	**$ 486,996**	**$ 698,623**	**$ 297,033**	**$ -**	**$ 3,177,735**
HOW WAS THE MONEY SPENT?										
Payroll	$ 4,735,747	$ 1,556,546	$ 1,598,013	$ 50,122	$ 322	$ 264,441	$ 227,698	$ -	$ -	$ 1,038,605
Rent, Communications, and Utilities	548,590	212,849	119,925	9,240	41	19,763	19,337	-	-	167,435
Travel	138,287	51,217	3,209	2,266	15	18,152	17,436	-	-	45,992
Supplies	217,413	117,599	38,406	11,646	-	2,456	1,361	-	-	45,945
Equipment	474,568	38,041	105,069	252,151	-	6,050	9,681	-	-	63,576
Land, Buildings, and Structures	31,059	4,419	2,038	681	-	-	-	-	-	23,921
Contracts	4,674,706	909,632	362,229	1,358,562	200,826	78,625	143,857	-	(44)	1,621,019
Grants	3,033,356	731,628	-	54,314	17,355	1,662	-	370,247	1,588,798	269,352
Loans	103,273	-	-	-	-	-	-	-	-	103,273
Other	797,795	20,526	103,373	1,851	1,210	77,588	349,313	-	-	243,934
Total Spending	**14,754,794**	**3,642,457**	**2,332,262**	**1,740,833**	**219,769**	**468,737**	**768,683**	**370,247**	**1,588,754**	**3,623,052**
Amounts Remaining to be Spent/(Amounts Spent Related to Prior Years' Resources), Net	(2,516,697)	(246,016)	42,493	47,220	(201,308)	18,259	(70,060)	(73,214)	(1,588,754)	(445,317)
TOTAL AMOUNTS AGREED TO BE SPENT	**$ 12,238,097**	**$ 3,396,441**	**$ 2,374,755**	**$ 1,788,053**	**$ 18,461**	**$ 486,996**	**$ 698,623**	**$ 297,033**	**$ -**	**$ 3,177,735**
WHO DID THE MONEY GO TO?										
Federal Government	$ 3,791,625	$ 613,745	$ 198,850	$ 1,260,248	$ 728	$ 79,377	$ 360,304	$ -	$ -	$ 1,278,373
Non-federal	8,446,472	2,782,696	2,175,905	527,805	17,733	407,619	338,319	297,033	-	1,899,362
TOTAL AMOUNTS AGREED TO BE SPENT	**$ 12,238,097**	**$ 3,396,441**	**$ 2,374,755**	**$ 1,788,053**	**$ 18,461**	**$ 486,996**	**$ 698,623**	**$ 297,033**	**$ -**	**$ 3,177,735**
HOW WAS THE MONEY ISSUED?										
Contracts	$ 5,458,134	$ 1,203,642	$ 760,431	$ 1,693,842	$ 570	$ 116,795	$ 131,250	$ -	$ -	$ 1,551,604
Grants	1,187,218	591,328	-	42,075	16,346	2,556	-	297,033	-	237,880
Loans and Guarantees	65,497	-	-	-	-	-	-	-	-	65,497
Non-financial Assistance Direct Payments	4,919,799	1,603,805	1,613,088	52,021	337	287,263	241,915	-	-	1,121,370
Other	607,449	(2,334)	1,236	115	1,208	80,382	325,458	-	-	201,384
TOTAL AMOUNTS AGREED TO BE SPENT	**$ 12,238,097**	**$ 3,396,441**	**$ 2,374,755**	**$ 1,788,053**	**$ 18,461**	**$ 486,996**	**$ 698,623**	**$ 297,033**	**$ -**	**$ 3,177,735**

FINANCIAL SECTION

Independent Auditors' Report



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

November 15, 2012

MEMORANDUM FOR: The Honorable Dr. Rebecca Blank
Acting Secretary of Commerce

FROM: Todd J. Zinser

SUBJECT: FY 2012 Consolidated Financial Statements
Final Report No. OIG-13-006-A

I am pleased to provide you with the attached audit report, which presents an unqualified opinion on the Department's fiscal year 2012 consolidated financial statements. KPMG LLP, an independent public accounting firm, performed the audit in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget Bulletin 07-04, *Audit Requirements for Federal Financial Statements,* as amended.

In its audit of the Department, KPMG found:

- the financial statements were fairly presented in all material respects and in conformity with U.S. generally accepted accounting principles;
- one material weakness in internal control over financial reporting related to NOAA's financial management oversight of budgetary controls and accounting for general property and satellites;
- one significant deficiency related to controls over general information technology, which was not considered to be a material weakness;
- a reportable noncompliance with the Antideficiency Act; and
- no instances in which the Department's financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996.

My office oversaw the audit performance. We reviewed KPMG's report and related documentation and made inquiries of its representatives. Our review disclosed no instances where KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards. However, our review cannot be construed as an audit in accordance with these standards; it was not intended to enable us to express—nor do we express—any opinion on the Department's consolidated financial statements, conclusions about the effectiveness of internal controls, or conclusions on compliance with laws, regulations, contracts, and grant agreements. KPMG is solely responsible for the attached audit report, dated November 13, 2012, and the conclusions expressed in it.

In accordance with Department Administrative Order 213-5, please provide an action plan within 60 calendar days of the date of this memorandum addressing the material weakness in NOAA's financial management oversight. The plan should outline the actions that NOAA plans to take to address each recommendation.

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

We appreciate the cooperation and courtesies the Department extended to both KPMG and my staff during the audit.

Attachment

cc: Scott B. Quehl, Chief Financial Officer and Assistant Secretary for Administration

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Inspector General, U.S. Department of Commerce and
Secretary, U.S. Department of Commerce:

We have audited the accompanying consolidated balance sheets of the U.S. Department of Commerce (Department) as of September 30, 2012 and 2011, and the related consolidated statements of net cost and changes in net position, and combined statements of budgetary resources (hereinafter referred to as consolidated financial statements) for the years then ended. The objective of our audits was to express an opinion on the fair presentation of these consolidated financial statements. In connection with our fiscal year 2012 audit, we also considered the Department's internal control over financial reporting and tested the Department's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on these consolidated financial statements.

Summary

As stated in our opinion on the consolidated financial statements, we concluded that the Department's consolidated financial statements as of and for the years ended September 30, 2012 and 2011, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 18 to the consolidated financial statements, the Department changed its presentation for reporting the combined statement of budgetary resources in fiscal year 2012, in compliance with Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*.

Our consideration of internal control over financial reporting resulted in identifying one deficiency, related to weaknesses in financial management oversight at the National Oceanic and Atmospheric Administration (NOAA) that we consider to be a material weakness, and one deficiency, relating to the Department's information technology security, access and configuration management controls, that we consider to be a significant deficiency, as defined in the Internal Control Over Financial Reporting section of this report.

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

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of the U.S. Department of Commerce as of September 30, 2012 and 2011, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources for the years then ended.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of Commerce as of September 30, 2012 and 2011, and its net costs, changes in net position, and budgetary resources for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 18 to the consolidated financial statements, the Department changed its presentation for reporting the combined statement of budgetary resources in fiscal year 2012, based on new reporting requirements under OMB Circular No. A-136. As a result, the Department's combined statement of budgetary resources for fiscal year 2011 has been adjusted to conform to the current year presentation.

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis (including the Financial Management Analysis on pages 157 - 172), Required Supplementary Information, and Required Supplementary Stewardship Information sections be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The September 30, 2012 consolidating balance sheet on page 243 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The September 30, 2012 consolidating balance sheet on page 243 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the September 30, 2012 consolidating balance sheet on page 243 is fairly stated in all material respects in relation to the basic financial statements as a whole. The information in the FY 2012 Performance Section, Appendices, and the information on pages VI through XII are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Internal Control Over Financial Reporting

Our consideration of internal control over financial reporting was for the limited purpose described in the Responsibilities section of this report and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, in our fiscal year 2012 audit, we identified one deficiency, that we consider to be a material weakness and one other deficiency that we consider to be a significant deficiency.

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

- **NOAA's financial management oversight needs improvement**. During fiscal year 2012, we noted several control weaknesses at NOAA, in the areas of budgetary controls, accounting for general property, and accounting for satellites. The budgetary control issues relate to moving expenses between accounts to prevent exceeding budget authority, and using appropriations for program activities that may not meet the intended purpose. The property issues, including satellites, relate to proper and timely accounting for acquisitions, transfers, construction work-in-process, asset retirements, and impairment assessments. As a result of these matters, NOAA needs to make significant improvements in its financial management oversight of its budget execution processes, as well as the effective accounting for its property, including satellites.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency, described in more detail in Exhibit II, to be a significant deficiency:

- **Information technology security, access, and configuration management controls need improvement**. We identified new deficiencies in fiscal year 2012 relating to control weaknesses in IT security, access, and configuration management that require management's attention. Despite the positive efforts made by the Department, the Department needs to make continued improvements in its IT controls to fully ensure that financial data processed on the Department's systems has integrity, is securely maintained, and is available only to authorized users.

Exhibit III presents the status of the prior year significant deficiency.

We noted certain additional matters that we have reported to management of the Department in a separate letter dated November 13, 2012.

Compliance and Other Matters

The results of our tests of compliance described in the Responsibilities section of this report, exclusive of those referred to in the *Federal Financial Management Improvement Act of 1996* (FFMIA), disclosed the following matter of noncompliance that is required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

- ***Antideficiency Act*** – During fiscal year 2012, the Department determined that the National Weather Service, a component of NOAA, circumvented budgetary controls by moving expenses between accounts to prevent exceeding budget authority. Accordingly, the Department is in the process of reporting this violation of the *Antideficiency Act*, as required by Sections 1351 and 1517(b) of Title 31, of the United States Code. This matter relates to the discussion in Exhibit I, which includes our related recommendations.

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

The results of our tests of FFMIA disclosed no instances where the Department's financial management systems did not substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

Other Matters: In fiscal year 2012, the Department informed us of potential *Antideficiency Act* compliance matters that are currently being reviewed for the following: NOAA - relating to adjusting expenses for reprogramming purposes without providing advanced notice to Congress, and the potential incorrect use of budgetary funding sources to support its programs (see related discussion in Exhibit I); U.S. Census Bureau - relating to the timing of potential obligations for an interagency agreement in advance of receiving appropriations; and the Department level – relating to accepting terms of agreement on purchases made through the internet. Because these reviews are not complete, the ultimate outcome of these matters is not presently known.

* * * * * * *

Responsibilities

Management's Responsibilities. Management is responsible for the consolidated financial statements; establishing and maintaining effective internal control over financial reporting; and complying with laws, regulations, contracts, and grant agreements applicable to the Department.

Auditors' Responsibilities. Our responsibility is to express an opinion on the fiscal year 2012 and 2011 consolidated financial statements of the Department based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 07-04. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall consolidated financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In planning and performing our fiscal year 2012 audit, we considered the Department's internal control over financial reporting by obtaining an understanding of the Department's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting. We did not test all controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

As part of obtaining reasonable assurance about whether the Department's fiscal year 2012 consolidated financial statements are free of material misstatement, we performed tests of the Department's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, including the provisions referred to in Section 803(a) of FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the Department. However, providing an opinion on compliance with laws, regulations, contracts, and grant agreements was not an objective of our audit and, accordingly, we do not express such an opinion.

The Department's written responses to the findings identified in our audit and presented in Exhibits I and II were not subjected to the auditing procedures applied in the audit of the Department's consolidated financial statements and, accordingly, we express no opinion on those responses.

This report is intended solely for the information and use of the Department's management, the Department's Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 13, 2012

U.S. Department of Commerce
Independent Auditors' Report
Exhibit I – Material Weakness

The National Oceanic and Atmospheric Administration (NOAA)'s Financial Management Oversight Needs Improvement

NOAA is the Department's largest bureau, comprising 43 percent of the Department's total assets, and 46 percent of the Department's total net cost of operations. During fiscal year 2012, we noted several matters that highlighted the need for improved financial management oversight at NOAA, in the areas of budgetary controls, accounting for general property, and accounting for satellites, discussed below. Collectively, these matters are considered to be a material weakness in internal control.

Budgetary Controls. During fiscal year 2012, the Department conducted an internal inquiry into allegations that the National Weather Service (NWS), a component of NOAA, circumvented budgetary controls by moving expenses between accounts to prevent exceeding budget authority. As a result of the internal review, the Under Secretary of NOAA issued a Decision Memorandum dated May 24, 2012, to act on the NOAA-specific recommendations resulting from the internal review. The Deputy Secretary of Commerce also issued a Decision Memorandum on May 24, 2012, that expanded on the planned corrective actions at NOAA, to review budget formulation and execution processes throughout the Department to ensure transparency and accountability. The Department determined that the circumvention of budgetary controls resulted in an *Antideficiency Act* violation (see Compliance Section of our Independent Auditors' Report).

The internal review identified that the NWS was misusing Summary Level Transfers (SLTs), a type of journal entry that makes it difficult to detect the movement of funds between accounts and prevented the transactions from being flagged during program reviews and audits. We selected a sample of SLTs for audit test work at NOAA, and found that many of these journal entries lacked adequate supporting documentation to describe the purpose of the entries, and lacked evidence of adequate supervisory review. Our findings are consistent with the Department's Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Controls*, Appendix A, *Internal Control Over Financial Reporting* testing results relating to SLTs and other adjusting entries, that also indicated that there was a lack of Budget Analysts' knowledge with respect to appropriation laws. We also found one SLT dated June 14, 2012 (subsequent to the Decision Memorandums noted above), which was described as moving expenses between accounts to ensure that budget levels were not exceeded. Furthermore, we identified three transactions in which we questioned whether the appropriation used was proper. As a result of our audit, these additional matters are being reviewed by NOAA to determine if they violated the *Antideficiency Act*.

These findings indicate inadequate supervision of financial staff within the NWS, as well as a lack of oversight from the NOAA financial management personnel. We also note that as of September 30, 2012, the following important positions were vacant: NOAA Chief Financial Officer (CFO), and the NWS CFO. Although personnel have been assigned in "acting" positions for the NOAA CFO and NWS CFO for most of fiscal year 2012, a permanent appointment for the NWS CFO position has not been made and the NOAA CFO position was not filled until November 2012, which could hinder the ability to provide the necessary financial management oversight and implement corrective actions. Permanent positions should be filled by persons who meet the qualifications for agency CFOs as described in the *Chief Financial Officers' Act of 1990*, specifically, "(3) be appointed or designated, as applicable, from among individuals who possess demonstrated ability in general management of, and knowledge of and extensive practical experience in financial management practices in large governmental or business entities."

Accounting for Property Other Than Satellites. The Department has a substantial investment in general property, plant, and equipment (PP&E). NOAA accounts for 86 percent of the Department's net property PP&E of $10 billion. During our fiscal year 2012 audit, we identified issues relating to (1) untimely recording of capital assets, which were procured as far back as fiscal year 2010, (2) untimely transfers of completed projects from construction work-in-progress (CWIP) to completed personal property, for projects ready for their intended use as far back as fiscal year 2009, (3) property that was removed from service, but not properly adjusted in the accounting records, (4) failure to complete personal property inventories at certain locations, (5) property remaining in the Unreconciled Property Report for over a year that should have been capitalized, (6) a CWIP project with a negative account balance (indicating that the capitalization amount was incorrect), and (7) policies relating to CWIP that need clarification regarding whether certain costs should be capitalized.

Many of the accounting activities for real and personal property are decentralized at the line office level, and NOAA's Finance Office is reliant on those line offices to provide it with information regarding property acquisitions and disposals. NOAA has recognized the difficulties in accounting for its property and has implemented certain corrective actions in prior years. However, more improvements and additional oversight and training are needed to strengthen controls over the Department's significant property investment.

Accounting for Satellites. At September 30, 2012, NOAA has CWIP related to satellites of $6.1 billion and completed satellites and ground systems with a net book value of $0.6 billion. Accounting for satellites is highly complex; each satellite series/program is accounted for separately; and the construction spans many years, and involves significant contracts and arrangements with contractors and other Government agencies. We noted that proposed accounting for satellite transactions originate within NOAA's National Environmental Satellite, Data, and Information Service (NESDIS). Although NESDIS has a CFO and Deputy CFO, their office is not staffed with personnel that have significant financial accounting training and experience, and NOAA's Finance Office does not have sufficient oversight of the accounting for satellites. As a result, accounting issues related to satellites continue to surface. During our fiscal year 2012 audit, we identified the following issues relating to the accounting for satellites:

U.S. Department of Commerce
Independent Auditors' Report
Exhibit I – Material Weakness, Continued

- **Incorrect Classification of a Satellite Ground System**. The National Polar-orbiting Operational Environmental Satellite System (NPOESS) Preparatory Project (NPP) serves as a bridge between NOAA's current polar-orbiting operational environmental system of satellites and the planned Joint Polar Satellite System (JPSS). Although the underlying NPP satellite is owned by the National Aeronautics and Space Administration (NASA), NOAA owns certain sensors/instruments, and is also responsible for the ground system that will be used by both agencies for communications with the satellite, that was launched on October 28, 2011. The NPP satellite and NOAA's sensors/instruments are currently undergoing testing, and have not yet been declared fully "operational". However, NOAA classified the ground system as completed PP&E and began recording depreciation as of the launch date, rather than waiting until the satellite is declared operational. NOAA's NPP sensors/instruments remain in CWIP, and are not expected to be declared operational until fiscal year 2013. As a result, this $616 million ground system should also remain in CWIP as of September 30, 2012. We recommended, and NOAA posted, an audit adjustment to correct the $616 million property classification, and to reverse $115 million in depreciation expense that had been recorded in fiscal year 2012.

  Although NOAA ultimately reversed the proposed ground system transfer to completed PP&E, we noted that the $616 million amount did not agree to the CWIP records. Further, NOAA has not assessed the amount of costs incurred for this ground system that may no longer have future value, given the restructure of the JPSS program, nor the amount of costs incurred that may benefit the ground system that will ultimately be used with future JPSS satellites. These assessments, and a closer supervisory review of supporting documentation, must be made in order to determine the appropriate amount to transfer to completed PP&E, once the NPP satellite and NOAA's sensors/instruments are declared operational.

- **Unrecorded Transfer-In of Satellite**. In September 2011, NOAA received a transfer of the Deep Space Climate Observatory (DSCOVR) satellite from NASA, with an estimated original cost of $183 million. NOAA is in the process of refurbishing the DSCOVR satellite to provide solar wind data continuity for geomagnetic storm forecasting, and expects to complete the satellite in fiscal year 2014. However, NOAA did not recognize that this transfer should be recorded in the Department's financial statements or disclosed in the financial statement footnotes, until prompted to do so, as a result of our audit. Further, this transaction should have been recorded in September 2011, but NOAA's Finance Office did not recognize that this transaction had taken place, until late in fiscal year 2012. An audit adjustment for $183 million was recorded at September 30, 2012, to record this satellite and the related transfer-in.

- **Corrections to the JPSS Impairment Analysis.** The transition of the NPOESS program, which had been a joint effort primarily between NOAA and the U.S. Air Force, to the JPSS program, without US Air Force participation, necessitated significant changes in the scope and design of this satellite program, and resulted in the need to expense (or impair) certain NPOESS satellite components that would not be part of the ultimate JPSS design.

NOAA initially recorded impairment charges related to these components in fiscal year 2010. However, due to the complexity of the procurement arrangement between NOAA and U.S. Air Force, and as recommended in our prior year audit, a more detailed analysis of costs incurred for the satellite components was necessary to ensure that an accurate impairment charge was recorded, particularly focused on determining accurate component costs and ensuring that a proportional share of overhead/program costs incurred were allocated to all components. NOAA undertook this analysis in fiscal year 2012, engaging several contractors. Because this effort was started late in the year, a thorough supervisory review was not performed. Further, in reviewing the analysis in process, we noted additional program costs that should have been allocated to the satellite components, certain costs that were considered overhead costs that should have been assigned to specific components, and certain spreadsheet adjustments that were needed.

NOAA updated its analysis for some of our observations, and recorded $99 million in impairment costs in fiscal year 2012, related to the satellite components that were discontinued. We estimate that additional refinements to the calculation, that may be subsequently completed, will not result in a material change to the impairment amount.

- **Review and Approval of Intra-governmental Payments.** NOAA works with other Government agencies, primarily NASA, in procurements related to its satellites. During our internal control testing, NOAA could not provide us with sufficient documentation to evidence NOAA's Line Office's review and approval of 17 out of the 61 Intra-governmental Payment and Collection (IPAC) payments to other federal agencies. We identified this control issue in the prior year, and NOAA developed a formal procedure for documenting the review and approval of IPAC payments for one of its line office that was implemented in fiscal year 2012. However, 10 of the 17 IPAC payments we identified without sufficient documentation occurred after the implementation of the corrective actions. For example, we found that the IPAC documentation did not identify details of the nature of the charges or the period of performance. Inaccurate IPAC payments to NASA could result in misstatements to NOAA's satellite CWIP balances.

- **Uncapitalizable Costs in CWIP**. We noted that after NOAA's two most recently launched satellites (GOES-15 and NOAA-19) were declared operational, NOAA capitalized an additional $73 million of costs related to those satellites, in prior years. We understand that additional costs are often identified long after a satellite is launched, due to delays in billings by NASA and other contractors. In the prior year, NOAA developed an accrual at year-end to record expected additional costs incurred for completed satellites, based on the remaining amount of undelivered orders, to account for the time delay in receiving final billings. However, in early October 2012, as a part of working with NASA to try to understand the details behind the IPAC payments (see prior bullet), NOAA was informed that some of the IPAC billings from NASA were for non-capitalizable costs.

Because of the lack of necessary supporting documentation for many IPAC billings, as described above, NOAA is unable to determine whether certain costs (including accruals) recorded as additions to its satellites should have been capitalized or expensed. NOAA indicated that it would begin working with NASA to determine the details needed to resolve the accounting for the IPACS, but that this could not be completed before issuance of the September 30, 2012 financial statements.

While the ultimate effect of this matter is not yet known, we do not believe that there is a significant misstatement of the net book value of satellites at September 30, 2012, as a result of this matter, because depreciation expense would have offset the majority of any overstatement.

Recommendations

We recommend that NOAA:

Relating to Budgetary Controls:

- Implement the recommendations arising from the *Internal Inquiry into Alleged Mismanagement of Funds within the National Weather Service*, dated May 11, 2012.
- Implement the actions described in the Deputy Secretarial Decision Memorandum, dated May 24, 2012.
- Implement the recommendations resulting from the Department's OMB Circular A-123 review of SLTs and Other Adjusting Entries, described in a management report dated August 28, 2012.
- Complete the review of other transactions, such as those where expenses were moved between accounts, or where appropriations may not have been used for intended purposes, identified at the National Weather Services, to determine if additional *Antideficiency Act* violations have occurred, and make appropriate reports, if necessary.
- Fill the vacant NWS CFO position with personnel candidate experienced in both federal accounting and budgeting.

Relating to Accounting for Property Other Than Satellites:

- Complete a comprehensive review of all property accounting policies, to ensure clarity of procedures and compliance with generally accepted accounting principles.

U.S. Department of Commerce
Independent Auditors' Report
Exhibit I – Material Weakness, Continued

- Develop training on property policies and procedures for NOAA's Finance Office, as well as line office personnel.
- Evaluate staffing at line offices to ensure that personnel with appropriate accounting experience are responsible for property accounting.
- Implement greater Finance Office oversight for property accounting transactions.

Relating to Accounting for Satellites:

- Evaluate staffing at NESDIS to ensure that personnel with appropriate financial accounting training and experience are responsible for satellite accounting.
- Establish stronger CFO oversight of accounting for satellites and related areas.
- Ensure that the classification between CWIP and completed PP&E for satellites and satellites ground systems is based on generally accepted accounting principles.
- Analyze the components of the ground system costs, to segregate costs that are applicable to the future JPSS satellite ground system, and determine if any impairment exists with remaining ground system costs that may not benefit the NPP program.
- Improve the process to identify and determine the financial statement impact of significant events or transactions, particularly those related to satellite programs, and ensure that accounting positions are based on standards.
- Continue to review the JPSS component cost analysis, and the overall JPSS program, to ensure that the impairment analysis is accurate, and reviewed annually until the program's completion.
- Establish and implement stronger NOAA-wide policies and procedures for review and approval of IPAC payments, and work with NASA to ensure that sufficient documentation is received for all charges, to enable a determination of the nature of the charge and the period of performance.
- Work with NASA to analyze costs incurred subsequent to recent satellite additions, to determine if such costs should have been capitalized, rather than expensed.

Management's Response

The Department concurs. We will develop corrective action plans and ensure timely implementation to address KPMG's recommendations.

U.S. Department of Commerce
Independent Auditors' Report
Exhibit II – Significant Deficiency

Information Technology Security, Access, and Configuration Management Controls Need Improvement

Information security is recognized as a top management challenge for the U.S. Department of Commerce. For several years, the Department's Office of Inspector General (OIG), and departmental self-assessments have identified weaknesses in the Department's information technology (IT) and financial systems controls. We noted that over the past two years, the bureaus and the Department took steps to implement management, operational, and technical controls to help establish sound information security practices and address known weaknesses.

While we saw significant improvements in IT controls the prior year, new deficiencies were identified during fiscal year 2012 that require management's attention.

Our fiscal year 2012 IT assessment was focused on the IT general controls over the Department's major financial management systems and supporting network infrastructure, using the Government Accountability Office's (GAO's) *Federal Information System Controls Audit Manual* (FISCAM). The IT general controls that we consider to be, collectively, a significant deficiency under standards issued by the American Institute of Certified Public Accountants and *Government Auditing Standards*, and our related findings, are as follows:

- **Security management controls.** An information security management program is the foundation of a security control structure and a reflection of senior management's commitment to addressing security risks. The security management program should establish a framework and continuous cycle of activity for assessing risk, developing and implementing effective security policies and procedures, establishing and monitoring security controls over activities performed by external third parties, remediating security weaknesses, and monitoring the effectiveness of the overall security management program.

  A cyber security incident affecting one bureau's systems was identified in December 2011 and confirmed in January 2012. The security incident, while ultimately determined to be isolated to that one bureau, nonetheless posed a security risk to the Department as a whole. Further, the deficiency caused all of the affected bureau's systems to be disconnected from the Department's network and required various accounting and mission activities to be performed manually for several months. We determined that the impact to financial systems was not substantial, because the affected bureau uses other Commerce bureaus to process the majority of its accounting transactions. Nevertheless, this matter was an interruption of service that will requires assessment to ensure that this matter is resolved and that similar issues do not occur at other Commerce bureaus.

  Additionally, during fiscal year 2012, we noted areas where security management controls should be improved at one of the bureaus tested, primarily in the areas of: (1) improving

U.S. Department of Commerce
Independent Auditors' Report
Exhibit II – Significant Deficiency, Continued

certification and accreditation as well as security plan documentation, and (2) ensuring compliance with annual role-based training.

- **Access controls.** In close concert with an organization's security management, access controls for general support systems and applications should provide reasonable assurance that computer resources such as data files, application programs, and computer-related facilities and equipment are protected against unauthorized modification, disclosure, loss, or impairment. Access controls are facilitated by an organization's entity-wide security program. Such controls include physical controls and logical controls, such as keeping computers in locked rooms to limit physical access, and logical controls, such as security software programs designed to prevent or detect unauthorized access to sensitive files. Inadequate access controls diminish the reliability of computerized data and increase the risk of destruction or inappropriate disclosure of information.

  The objectives of limiting access are to ensure that users have only the access needed to perform their duties; that access to very sensitive resources, such as security software programs, is limited to few individuals; and that employees are restricted from performing incompatible functions or functions beyond their responsibility. This is reiterated by Federal guidelines. For example, OMB Circular A-130 and supporting the National Institute of Standards and Technology (NIST) Special Publications provide guidance related to the maintenance of technical access controls. In addition, the *Department of Commerce IT Security Program Policy* contains many requirements for operating Department IT devices in a secure manner.

  During fiscal year 2012, we noted that access controls should be improved at all of the bureaus tested, primarily in the areas of: (1) managing user accounts to appropriately disable and recertify network, financial system, database and operating system accounts, (2) improving logical controls over financial application, database, and operating system access, (3) strengthening password controls, (4) improving data center recertification procedures, (5) ensuring compliance with audit log review requirements, (6) enforcing multi-factor authentication, and (7) preventing the use of shared database and operating system accounts and passwords. We recognize that the Department and its bureaus have certain compensating controls in place to help reduce the risk of the identified weaknesses, and we considered those compensating controls as part of our overall consolidated financial statement audit.

- **Configuration management.** Configuration management involves the identification and management of security features for all hardware, software, and firmware components of an information system at a given point and systematically controls configuration changes throughout the system's life cycle. Establishing controls over modifications to information system components and related documentation helps to ensure that only authorized systems and related program modifications are implemented. This is accomplished by instituting policies, procedures, and techniques to help ensure that hardware, software and firmware

U.S. Department of Commerce
Independent Auditors' Report
Exhibit II – Significant Deficiency, Continued

programs and program modifications are properly authorized, tested, and approved, and that access to and distribution of programs is carefully controlled. Without proper controls, there is a risk that security features could be inadvertently or deliberately omitted or turned off, or that processing irregularities or malicious code could be introduced into the IT environment.

During fiscal year 2012, we noted that configuration management controls should be improved at all of the bureaus tested, primarily in the areas of: (1) addressing patch and configuration management vulnerabilities, (2) use of a non-vendor supported system, (3) improving configuration and change management procedures and approval documentation, (4) ensuring vulnerability scans are performed in accordance with Department policy, and (5) system baseline configurations are documented. We recognize that the Department and its bureaus have certain compensating controls in place to help reduce the risk of the identified weaknesses, and we considered those compensating controls as part of our overall consolidated financial statement audit.

Recommendations

Specific recommendations are included in a separate limited distribution IT general controls report, issued as part of the fiscal year 2012 consolidated financial statement audit. The Department should monitor bureau actions to ensure effective implementation of our recommendations and to ensure continued compliance with the *Federal Financial Management Improvement Act of 1996*.

Management's Response

The Department concurs. We will develop corrective action plans and ensure timely implementation of the recommendations presented in the separate limited distribution IT general controls report.

U.S. Department of Commerce
Independent Auditors' Report
Exhibit III – Status of Prior Year Significant Deficiency

Reported Issue	Prior Year Recommendation	Fiscal Year 2012 Status
Accounting for NOAA Satellites Construction Costs Needs Improvement		
Internal control deficiencies over the accounting for NOAA satellites construction costs.	• Clarify the CWIP guidance and procedures regarding the accrual of estimated costs for satellites declared operational, and ensure that completed CWIP projects are transferred into PP&E timely. • Ensure that CWIP activity managers receive appropriate training regarding NOAA's CWIP capitalization policies, to ensure that non-capitalizable costs, such as concept studies, designs, and other pre-acquisition costs, are not included in CWIP. • Ensure that a thorough review of CWIP reconciliations is performed. • Implement the planned procedures to ensure that the manager's review and approval of IPAC payments to NASA are documented properly. • Improve procedures for conducting a detailed review of recorded satellite CWIP balances, including analysis of components/costs, to determine if any costs incurred should be written off as impairment charges when components are not used in the final satellite configuration. • Improve the process to identify and determine the financial statement impact of significant events or transactions related to the satellite program.	Open – see Material Weakness in Exhibit I.

APPENDICES

PERFORMANCE AND RESOURCE TABLES

To make the report more useful, this FY 2012 Performance and Accountability Report (PAR) reports on targets and measures from the FY 2012 Annual Performance Plan (APP)—exhibit 3A of each bureau's budget. Measures have been modified to incorporate any changes made to the FY 2012 budget that appear in the FY 2013 budget. Individual bureau-specific APPs can be found on the Department Web site at *http://www.osec.doc.gov/bmi/budget/budgetsub_perf_strategicplans.htm*. The resource tables with the performance tables are also combined to make the information easier to follow.

The following tables provide an array of financial and FTE information from FY 2007 to FY 2012, covering a period of five fiscal years where the information is available. It also covers performance information as far back as FY 2000 where the information is available. The information should help the reader clearly understand the resources expended for each Theme, Strategic Goal, and Performance Objective.

The system of reporting does not currently allow the Department to report on resources at the performance measure level but it is the Department's hope to develop this capability in the future. For a given year, it is important to note that if a performance measure has been exceeded (more than 125 percent of target), the status box for that year will be shaded blue. If a performance measure has been met (100 to 125 percent of target), the box is shaded green. The status box for a measure that was slightly below target (95 to 99 percent of the target) is shaded yellow, while the box for a measure that was definitely not met is shaded red. In addition, for FY 2008 OMB introduced a new category, "Improved but not met." In those cases, the box is shaded orange. No targets that were in the form of text (e.g., a series of milestones met) would ever be considered exceeded since they can't be quantified.

The information in the tables will follow the following format:

- Strategic Theme and Resources
- Strategic Goal and Resources
- Objective and Resources
- Performance Measure

Note: Unless otherwise indicated, measures that do not have FY 2012 targets are not included in any count in this document. FY 2012 resources for each performance objective may be estimates and may be updated in the budget for FY 2014. FY 2011 resources may have been updated since the FY 2011 PAR.

Target and performance data are tracked back to FY 2000 where available. If a measure was developed after FY 2003, actual performance data is shown back to the year that the measure first appeared. In FY 2012, there are a few rare cases where measures are new for FY 2012 (i.e., this is the first time they appear in the PAR), and thus targets for only FY 2012 data; however, the bureau may have actual data for prior years. In these cases, the status for these measures for the prior years is listed as "N/A"—Not applicable.

Below the table of data for each measure is a note concerning the historical trend for that measure from when it first appeared to FY 2012. Historical trends are noted only for those measures which have at least three years of actual data. Trends are given scores on a scale of +2 (positive) to -2 (negative). A score of zero reflects a stable trend and is often an indicator of a standard/maintenance measure, i.e., a measure that has an annual target/standard that the bureau seeks to achieve each year that doesn't change. Since a zero usually reflects a maintain standards measure, a zero score for a trend should be considered a good score, i.e., the dividing line between good and bad in determining trends is between zero and -1.

These trends come with some caveats:

First, for the EDA measures, Jobs created/retained, and Investment leveraged, the targets are dependent on the financing for that particular year which can vary widely. If the funding went down from one year to the next, the target went down to reflect the decrease in funding. While results or targets may appear to reflect trends (either positive or negative), because they are dependent on the funding of a given year, any perceived trends are not reliable and not an indicator or either increased or decreased performance. Furthermore, because investments are provided to different projects, the results of these investments may vary considerably from year to year. Therefore, these measures are designated as those that have no trend due to volatility of funding.

Second, while an actual may exceed a target for a given year, that improvement might not be reflected in the following year's target. Through the course of the budget process, once a bureau knows the result of a given year, the next fiscal year has already started with (hopefully), the enacted amount for that year already established. Since the Department has a policy not to allow bureaus to change targets once a given year has started (unless the enacted level is significantly different from the President's budget level), the target for the subsequent year (e.g., 2010 – 2011) might not reflect any improvement in the prior year. Any changes in targets resulting from improved performance would be reflected in the subsequent year (i.e., actual = 2010, change in target reflected in 2012). The Department implemented this so as to prevent a bureau from changing any targets during the current year if it discovered during the year it wasn't going to meet a given target.

FTE = Full-time equivalent employment. All dollar amounts shown are in millions, unless otherwise indicated.

THEME 1: ECONOMIC GROWTH

ECONOMIC GROWTH TOTAL RESOURCES *(Dollars in Millions)*						
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual
Funding	$4,581.5	$4,607.2	$4,973.0	$8,295.6	$4,159.0	$4,271.5
FTE	14,002	14,390	15,044	14,959	15,700	16,010

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*

INNOVATION AND ENTREPRENEURSHIP TOTAL RESOURCES *(Dollars in Millions)*						
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual
Funding	$3,766.3	$3,799.7	$4,055.3	$7,388.1	$3,249.8	**$3,283.8**
FTE	11,398	11,925	12,610	12,517	13,180	**13,531**

OBJECTIVE 1: Improve intellectual property protection by reducing patent pendency, maintaining trademark pendency, and increasing the quality of issued patents and trademarks (USPTO)

OBJECTIVE 1 TOTAL RESOURCES *(Dollars in Millions)*						
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual
Funding	$1,698.0	$1,806.8	$1,813.2	$1,890.3	$2,111.7	**$2,329.6**
FTE	7,970	8,821	9,455	9,286	9,869	**10,342**

USPTO PERFORMANCE MEASURE			
MEASURE: Patent quality composite rate			
Year	Status	Actual	Target
FY 2012	Exceeded	72.4	48-56
Trend: This is a new measure and there is not enough data to establish a trend.			

USPTO PERFORMANCE MEASURE			
MEASURE: Patent first action pendency (months)			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	21.9	22.6
FY 2011	Slightly Below	28.0	26.3
FY 2010	Slightly Below	25.7	25.4
FY 2009	Met	25.8	27.5
FY 2008	Met	25.6	26.9
FY 2007	Not Met	25.3	23.7
FY 2006	Slightly Below	22.6	22.0
FY 2005	Met	21.1	21.3
FY 2004	Met	20.2	20.2
FY 2003	Met	18.3	18.4
FY 2002	Not Met	16.7	14.7
FY 2001	Not Met	14.4	13.9
FY 2002	Met	13.6	14.2

Trend: -2. Trends for targets and actuals are negative from FY 2000 to FY 2012. Patent pendency has increased over time in large part because of the increasing complexity and volume of patent applications that required more time to review. Note that in a most recent five-year analysis, the pendency trend line is becoming significantly more shallow.

USPTO PERFORMANCE MEASURE			
MEASURE: Patent total pendency (months)			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	32.4	34.7
FY 2011	Met	33.7	34.8
FY 2010	Slightly Below	35.3	34.8
FY 2009	Met	34.6	37.9
FY 2008	Met	32.2	34.7
FY 2007	Met	31.9	33.0
FY 2006	Met	31.1	31.3
FY 2005	Met	29.1	31.0
FY 2004	Met	27.6	29.8
FY 2003	Met	26.7	27.7
FY 2002	Met	24.0	26.5
FY 2001	Met	24.7	26.2
FY 2000	Met	25.0	26.2

Trend: -2. Trends for targets and actuals are negative from FY 2000 to FY 2012. Patent pendency has increased over time in large part because of the increasing complexity and volume of patent applications that required more time to review. Note that in a most recent five-year analysis, the pendency trend line is becoming significantly more shallow.

USPTO PERFORMANCE MEASURE			
MEASURE: Patent applications filed electronically			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	97.1%	96.0%
FY 2011	Met	93.1%	92.0%
FY 2010	Slightly Below	89.5%	90.0%
FY 2009	Met	82.4%	80.0%
FY 2008	Met	71.7%	69.0%
FY 2007	Met	49.3%	40.0%
FY 2006	Exceeded	14.2%	10.0%
FY 2005	Improved but Not Met	2.2%	4.0%
FY 2004	Improved but Not Met	1.5%	2.0%
FY 2003	Not Met	1.3%	2.0%

Trend: +2. Target and actual trends are significantly positive from FY 2003 to FY 2012.

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark first action compliance rate			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	96.2%	95.5%
FY 2011	Met	96.5%	95.5%
FY 2010	Met	96.6%	95.5%
FY 2009	Met	96.4%	95.5%
FY 2008	Met	95.8%	95.5%
FY 2007	Met	95.9%	95.5%
FY 2006	Met	95.7%	93.5%
FY 2005	Met	95.3%	92.5%
FY 2004	Met	92.1%	91.7%

Trend: +2. Target and actual trends are positive from FY 2004 to FY 2012.

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark final compliance rate			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	97.1%	97.0%
FY 2011	Met	97.0%	97.0%
FY 2010	Slightly Below	96.8%	97.0%
FY 2009	Met	97.6%	97.0%

Trend: 0. The target trend has remained stable. The actual trend has a slight variance. Limited amount of data.

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark first action pendency (months)			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	3.2	2.5-3.5
FY 2011	Met	3.1	2.5-3.5
FY 2010	Met	3.0	2.5-3.5
FY 2009	Met	2.7	2.5-3.5
FY 2008	Met	3.0	2.5-3.5
FY 2007	Met	2.9	3.7
FY 2006	Met	4.8	5.3
FY 2005	Met	6.3	6.4
FY 2004	Not Met	6.6	5.4
FY 2003	Not Met	5.4	3.0
FY 2002	Not Met	4.3	3.0
FY 2001	Exceeded	2.7	6.6
FY 2000	Not Met	5.7	4.5
Trend: +2. Target and actual trends are positive from FY 2000 to FY 2012.			

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark average total pendency (months), excluding suspended and inter partes proceedings			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	10.2	12.0
FY 2011	Met	10.5	12.5
FY 2010	Met	10.5	13.0
FY 2009	Met	11.2	13.0
Trend: +1. Target and actual trends are slightly positive. Limited amount of data.			

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark applications processed electronically			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	77.0%	74.0%
FY 2011	Met	73.0%	68.0%
FY 2010	Met	68.1%	65.0%
FY 2009	Met	62.0%	62.0%
Trend: +2. Target and actual trends are positive from FY 2009 to FY 2012.			

OBJECTIVE 2: Expand international markets for U.S. firms and inventors by improving the protection and enforcement if intellectual property rights (USPTO)

OBJECTIVE 2 TOTAL RESOURCES *(Dollars in Millions)*						
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual
Funding	$68.4	$45.7	$43.2	$48.7	$49.2	**$45.1**
FTE	321	141	138	145	122	**127**

USPTO PERFORMANCE MEASURE

MEASURE: Percentage of prioritized countries that have implemented at least 75% of action steps in the country-specific action plans toward progress along following dimensions:

1. **Institutional improvements of IP office administration for advancing IPR**
2. **Institutional improvements of IP enforcement entities**
3. **Improvements in IP laws and regulations**
4. **Establishment of government-to-government cooperative mechanisms**

Year	Status	Actual	Target
FY 2012	Met	75%	75%
FY 2011	Exceeded	100%	75%
FY 2010	Exceeded	75%	50%

Trend: Not enough data to establish a trend.

OBJECTIVES 3, 6, and 7

The following 10 measures associated with EDA overlap among the following three different objectives. A crosswalk of these measures appears after this list followed by the histories of each. While Objective 6 has no other measures other than the ones noted in this list, Objective 7 has separate measures that don't overlap with the other objectives.

- OBJECTIVE 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)
- OBJECTIVE 6: Promote the advancement of sustainable technologies, industries, and infrastructure (EDA)
- OBJECTIVE 7: Promote the vitality and competitiveness of our communities and businesses, particularly those that are disadvantaged or in distressed areas (EDA, MBDA)

EDA PERFORMANCE MEASURE			
Performance Measure	**Objective 3**	**Objective 6**	**Objective 7**
Private investment leveraged – 9 year totals (in millions)	✓	✓	✓
Private investment leveraged – 6 year totals (in millions)	✓	✓	✓
Private investment leveraged – 3 year totals (in millions)	✓	✓	✓
Jobs created/retained – 9 year totals	✓	✓	✓
Jobs created/retained – 6 year totals	✓	✓	✓
Jobs created/retained – 3 year totals	✓	✓	✓
Percentage of Economic Development Districts (EDD) and Indian tribes implementing projects from the Comprehensive Economic Development Strategy (CEDS) that lead to private investment and jobs	✓		✓
Percentage of sub-state jurisdiction members actively participating in the Economic Development District program	✓		✓
Percentage of University Center clients taking action as a result of University Center assistance	✓		✓
Percentage of those actions taken by University Center clients that achieve the expected results	✓		✓

OBJECTIVE 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)

OBJECTIVE 3 TOTAL RESOURCES *(Dollars in Millions)*						
	FY 2007 Actual[1]	**FY 2008 Actual**	**FY 2009 Actual**	**FY 2010 Actual**	**FY 2011 Actual**	**FY 2012 Actual**
Funding	$215.5	$198.2	$248.6	$202.5	$198.6	**$57.1**
FTE	404	151	152	173	171	**53**

[1] For FY 2007, NIST data is associated with the NIST Advanced Technology Program (ATP) which was discontinued in FY 2007. However, since the funding amounts factor into the total for this objective, strategic goal, and theme, this PAR shows these amounts for informational purposes. FY 2008 – FY 2012 reflects amounts for the NIST Technology Innovation Program (TIP). The final FY 2012 enacted appropriations did not provide funding for TIP and the program is currently implementing a closeout using TIP carryover balances, a transfer of $600 thousand from NIST's Scientific and Technical Research and Services account approved by Congress, and deobligations. A complete closeout of the program using these funds is expected by the end of FY 2014. TIP's measures have been discontinued; however, the measures and targets for previous years appear in the FY 2011 PAR.

For the following six measures, nine year totals reflect the results of FY 2003 investments, six year totals equal results of FY 2006 investments, and three year totals equal results of FY 2009 investments.

EDA PERFORMANCE MEASURE			
MEASURE: Private investment leveraged – 9 year totals (in millions)			
Year	**Status**	**Actual**	**Target**
FY 2012	Not Met	$1,620[1]	$1,810
FY 2011	Exceeded	$3,960	$1,940
FY 2010	Met	$2,758	$2,410
FY 2009	Met	$2,210	$2,040
FY 2008	Exceeded	$4,173	$2,080
FY 2007	Exceeded	$1,937	$1,350
FY 2006	Exceeded	$2,331	$1,162

Trend: Annual targets are funding based which varies from year to year. Trends cannot be established based on data.

[1] Estimates as of November 15, 2012. EDA expects to meet or be slightly below the targets with the release of final performance data.

EDA PERFORMANCE MEASURE			
MEASURE: Private investment leveraged – 6 year totals (in millions)			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	$662[1]	$662
FY 2011	Exceeded	$1,617	$674
FY 2010	Exceeded	$2,281	$824
FY 2009	Met	$855	$810
FY 2008	Exceeded	$1,393	$970
FY 2007	Exceeded	$2,118	$1,200
FY 2006	Met	$1,059	$1,020
FY 2005	Exceeded	$1,781	$1,040
FY 2004	Exceeded	$1,740	$650
FY 2003	Exceeded	$2,475	$581

Trend: Annual targets are funding based which varies from year to year. Trends cannot be established based on data.

[1] Estimates as of November 15, 2012. EDA expects to meet the target with the release of final performance data.

EDA PERFORMANCE MEASURE			
MEASURE: Private investment leveraged – 3 year totals (in millions)			
Year	**Status**	**Actual**	**Target**
FY 2012	Not Met	$437[1]	$490
FY 2011	Exceeded	$1,475	$245
FY 2010	Exceeded	$1,544	$259
FY 2009	Exceeded	$484	$265
FY 2008	Exceeded	$1,013	$270
FY 2007	Exceeded	$810	$330
FY 2006	Exceeded	$1,669	$320
FY 2005	Exceeded	$1,791	$390
FY 2004	Exceeded	$947	$480
FY 2003	Exceeded	$1,251	$400
FY 2002	Exceeded	$640	$420
FY 2001	Exceeded	$971	$130
FY 2000	Exceeded	$199	$116

Trend: Annual targets are funding based which varies from year to year. Trends cannot be established based on data.

[1] Estimates as of November 15, 2012. EDA expects to meet the target with the release of final performance data.

EDA PERFORMANCE MEASURE			
MEASURE: Jobs created/retained – 9 year totals			
Year	**Status**	**Actual**	**Target**
FY 2012	Not Met	45,800[1]	52,700
FY 2011	Slightly Below	56,058	57,800
FY 2010	Not Met	66,527	72,000
FY 2009	Not Met	45,866	56,500
FY 2008	Met	57,701	56,900
FY 2007	Exceeded	73,559	54,000
FY 2006	Met	50,546	50,400

Trend: Annual targets are funding based which varies from year to year. Trends cannot be established based on data.

[1] Estimates as of November 15, 2012. EDA expects to meet the target with the release of final performance data.

EDA PERFORMANCE MEASURE			
MEASURE: Jobs created/retained – 6 year totals			
Year	**Status**	**Actual**	**Target**
FY 2012	Slightly Below	17,458[1]	17,548
FY 2011	Exceeded	26,416	18,193
FY 2010	Met	26,695	22,497
FY 2009	Met	24,533	22,900
FY 2008	Met	30,719	28,900
FY 2007	Exceeded	49,806	36,000
FY 2006	Exceeded	42,958	28,200
FY 2005	Exceeded	47,374	28,400
FY 2004	Exceeded	68,109	27,000
FY 2003	Exceeded	47,607	25,200

Trend: Annual targets are funding based which varies from year to year. Trends cannot be established based on data.

[1] Estimates as of November 15, 2012. EDA expects to meet the target with the release of final performance data.

EDA PERFORMANCE MEASURE			
MEASURE: Jobs created/retained – 3 year totals			
Year	**Status**	**Actual**	**Target**
FY 2012	Slightly Below	11,183[1]	11,269
FY 2011	Exceeded	14,842	6,256
FY 2010	Exceeded	9,159	6,628
FY 2009	Exceeded	9,137	7,019
FY 2008	Exceeded	14,819	7,227
FY 2007	Exceeded	16,274	8,999
FY 2006	Exceeded	11,833	9,170
FY 2005	Exceeded	19,672	11,500
FY 2004	Exceeded	21,901	14,400
FY 2003	Exceeded	39,841	11,300
FY 2002	Exceeded	29,912	11,300
FY 2001	Exceeded	12,898	5,400
FY 2000	Exceeded	12,056	5,040
Trend: Annual targets are funding based which varies from year to year. Trends cannot be established based on data.			
[1] Estimates as of November 15, 2012. EDA expects to meet the target with the release of final performance data.			

The following four measures apply to Objectives 3 and 7, but not Objective 6.

EDA PERFORMANCE MEASURE			
MEASURE: Percentage of Economic Development Districts (EDD) and Indian tribes implementing projects from the Comprehensive Economic Development Strategy (CEDS) that lead to private investment and jobs			
Year	**Status**	**Actual**	**Target**
FY 2012	Not Met	90%	95%
FY 2011	Not Met	86%	95%
FY 2010	Not Met	89%	95%
FY 2009	Slightly Below	93%	95%
FY 2008	Slightly Below	92%	95%
FY 2007	Met	95%	95%
FY 2006	Met	96%	95%
FY 2005	Met	97%	95%
FY 2004	Met	97%	95%
FY 2003	Met	99%	95%
Trend: -1. The actual trend varies slightly while the target trend is stable.			

EDA PERFORMANCE MEASURE			
MEASURE: Percentage of sub-state jurisdiction members actively participating in the Economic Development District program			
Year	**Status**	**Actual**	**Target**
FY 2012	Slightly Below	87%	89%
FY 2011	Slightly Below	85%	89%
FY 2010	Slightly Below	87%	89-93%
FY 2009	Met	92%	89-93%
FY 2008	Met	90%	89-93%
FY 2007	Met	92%	89-93%
FY 2006	Met	90%	89-93%
FY 2005	Met	91%	89-93%
FY 2004	Met	90%	89-93%
FY 2003	Met	97%	89-93%
FY 2002	Met	95%	93%
FY 2001	Met	92%	85%
FY 2000	Met	91%	75%

Trend: 0. The actual and target trends are stable, with a slight dip in actuals from 2010-2012.

EDA PERFORMANCE MEASURE			
MEASURE: Percentage of University Center clients taking action as a result of University Center assistance			
Year	**Status**	**Actual**	**Target**
FY 2012	Not Met	70%	75%
FY 2011	Not Met	68%	75%
FY 2010	Met	76%	75%
FY 2009	Not Met	70%	75%
FY 2008	Met	80%	75%
FY 2007	Met	84%	75%
FY 2006	Met	76%	75%
FY 2005	Met	79%	75%
FY 2004	Met	78%	75%
FY 2003	Met	78%	75%

Trend: -1. The target trend is stable. The actual trend was stable from 2003 to 2008 and negative from 2008 to 2012.

EDA PERFORMANCE MEASURE			
MEASURE: Percentage of those actions taken by University Center clients that achieve the expected results			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	82%	80%
FY 2011	Met	83%	80%
FY 2010	Met	90%	80%
FY 2009	Met	92%	80%
FY 2008	Met	84%	80%
FY 2007	Met	89%	80%
FY 2006	Met	82%	80%
FY 2005	Met	87%	80%
FY 2004	Met	88%	80%
FY 2003	Met	86%	80%
Trend: 0. Actual and target trends are stable.			

OBJECTIVE 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)

OBJECTIVE 4 TOTAL RESOURCES *(Dollars in Millions)*						
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual
Funding FTE	$1,122.0 137	$989.7 141	$1,137.9 144	$4,396.3 179	$118.7 168	**$77.3** **160**

All of the measures for this objective had only two years of data, so no trends could be detected.

NTIA PERFORMANCE MEASURE			
MEASURE: Update the spectrum inventory first established in FY 2010			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	Completed	Spectrum inventory update
FY 2011	Met	Completed	Spectrum inventory update

NTIA PERFORMANCE MEASURE			
MEASURE: Identify up to 500 MHz of spectrum to support commercial broadband services or products			
Year	**Status**	**Actual**	**Target**
FY 2012	Exceeded	85%	Meet 66% of milestones regarding the identification of 500 MHz for wireless broadband
FY 2011	Met	Completed	Complete identification

NTIA PERFORMANCE MEASURE			
MEASURE: Miles of broadband networks deployed (infrastructure projects)			
Year	**Status**	**Actual**	**Target**
FY 2012	Exceeded	72,152[1]	50,000
FY 2011	Exceeded	29,191	10,000

[1] As of June 30, 2012. NTIA anticipates exceeding the targets with fourth quarter data.

NTIA PERFORMANCE MEASURE			
MEASURE: Community anchor institutions connected (infrastructure projects)			
Year	**Status**	**Actual**	**Target**
FY 2012	Exceeded	10,045[1]	10,000
FY 2011	Exceeded	4,163	3,000

[1] As of June 30, 2012. NTIA anticipates exceeding the targets with fourth quarter data.

NTIA PERFORMANCE MEASURE			
MEASURE: New and upgraded computer workstations (public computer centers projects)			
Year	**Status**	**Actual**	**Target**
FY 2012	Exceeded	36,347[1]	35,000
FY 2011	Exceeded	24,512	10,000

[1] As of June 30, 2012. NTIA anticipates exceeding the targets with fourth quarter data.

NTIA PERFORMANCE MEASURE			
MEASURE: New household and business subscribers to broadband (sustainable broadband adoption projects)			
Year	**Status**	**Actual**	**Target**
FY 2012	Exceeded	388,679[1]	350,000
FY 2011	Exceeded	230,755	25,000

[1] As of June 30, 2012. NTIA anticipates exceeding the targets with fourth quarter data.

OBJECTIVE 5: Provide measurement tools and standards to strengthen manufacturing, enable innovation, and increase efficiency (NIST)

OBJECTIVE 5 TOTAL RESOURCES *(Dollars in Millions)*						
	FY 2007 Actual	**FY 2008 Actual**	**FY 2009 Actual**	**FY 2010 Actual**	**FY 2011 Actual[1]**	**FY 2012 Actual[1]**
Funding FTE	$662.4 2,566	$759.3 2,671	$812.4 2,721	$850.3 2,734	$771.6 2,850	**$774.7** **2,849**

[1] Funding and FTE exclude no-year Health and Human Services (HHS) transfer for Health IT under the American Recovery and Reinvestment Act for FY 2011 and FY 2012.

NIST PERFORMANCE MEASURE			
MEASURE: Qualitative assessment and review of technical quality and merit using peer review			
Year	**Status**	**Actual**	**Target**
FY 2012	**Met**	Completed	Complete annual peer review
FY 2011	**Met**	Completed	Complete annual peer review
FY 2010	**Met**	Completed	Complete annual peer review
FY 2009	**Met**	Completed	Complete annual peer review
FY 2008	**Met**	Completed	Complete annual peer review
FY 2007	**Met**	Completed	Complete annual peer review
FY 2006	**Met**	Completed	Complete annual peer review
FY 2005	**Met**	Completed	Complete annual peer review
FY 2004	**Met**	Completed	Complete annual peer review
FY 2003	**Met**	Completed	Complete annual peer review
FY 2002	**Met**	Completed	Complete annual peer review
FY 2001	**Met**	Completed	Complete annual peer review
FY 2000	**Met**	Completed	Complete annual peer review
Trend: 0. This is a maintain standards measure. Actual and target trends are stable.			

NIST PERFORMANCE MEASURE			
MEASURE: Citation impact of NIST-authored publications			
Year	**Status**	**Actual**	**Target**
FY 2012	**Met**	> 1.1[1]	> 1.1
FY 2011	**Met**	> 1.1	> 1.1
FY 2010	**Met**	> 1.1	> 1.1
FY 2009	**Met**	> 1.1	> 1.1
FY 2008	**Met**	> 1.1	> 1.1
FY 2007	**Met**	> 1.1	> 1.1
Trend: 0. This is a maintain standards measure. Actual and target trends are stable.			
[1] Actual for this measure lags nine months. The actual shown here is based on FY 2011 data.			

NIST PERFORMANCE MEASURE			
MEASURE: Peer-reviewed technical publications produced			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	1,335	1,210
FY 2011	Not Met	1,210	1,350
FY 2010	Slightly Below	1,243	1,300
FY 2009	Met	1,463	1,275
FY 2008	Met	1,271	1,100
FY 2007	Met	1,272	1,100
FY 2006	Met	1,163	1,100
FY 2005	Met	1,148	1,100
FY 2004	Not Met	1,070	1,300
Trend: +1. The actual trend is slightly positive since 2004, while the target trend has remained somewhat stable.			

NIST PERFORMANCE MEASURE			
MEASURE: Standard Reference Materials (SRM) sold			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	33,441	31,000
FY 2011	Met	32,864	31,000
FY 2010	Met	31,667	31,000
FY 2009	Slightly Below	29,769	31,000
FY 2008	Met	33,373	31,000
FY 2007	Met	32,614	30,000
FY 2006	Met	31,195	30,000
FY 2005	Met	32,163	29,500
FY 2004	Met	30,490	29,500
Trend: +2. Both the target and actual trends are positive from FY 2004 to FY 2011.			

NIST PERFORMANCE MEASURE			
MEASURE: NIST-maintained datasets downloaded			
Year	**Status**	**Actual**	**Target**
FY 2012	Exceeded	22,567,416	18,000,000[1]
FY 2011	Not Met	19,100,000	24,500,000
FY 2010	Met	24,956,000[1]	24,500,000[1]
FY 2009	Met	226,000,000	200,000,000
FY 2008	Exceeded	195,500,000	130,000,000
FY 2007	Exceeded	130,000,000	80,000,000
FY 2006	Met	94,371,001	80,000,000
FY 2005	Met	93,305,136	80,000,000
FY 2004	Exceeded	73,601,352	56,000,000

Trend: +2. From FY 2004 to FY 2009 there was clear positive trends for both actuals and targets. While the target declined from FY 2011 to FY 2012, the aforementioned explanation states why. There is no reason not to expect a positive trend.

[1] Beginning in FY 2010, NIST has revised the methodology for this measure by excluding the hundreds of millions of annual downloads associated with Web-based, time-related services which dominated the total number of downloads in previous years. This adjusted measure will more clearly demonstrate the use of NIST's other online datasets covering scientific and technical databases throughout the NIST laboratories. The lower FY 2012 target reflected that beginning in FY 2011, NIST filtered out Web robot index searches from the count to more accurately reflect customer interest.

NIST PERFORMANCE MEASURE			
MEASURE: Number of calibration tests performed			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	17,206	14,000
FY 2011	Exceeded	18,195	9,700
FY 2010	Met	17,697	15,000
FY 2009	Met	18,609	15,000
FY 2008	Exceeded	25,944	12,000
FY 2007	Exceeded	27,489	12,000

Trend: -1. While actuals declined from FY 2007 to FY 2011, the target trend remained relatively stable.

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*

MARKET DEVELOPMENT AND COMMERCIALIZATION TOTAL RESOURCES *(Dollars in Millions)*						
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual
Funding	$356.9	$334.1	$424.0	$382.5	$370.7	**$446.4**
FTE	486	457	449	502	483	**526**

OBJECTIVE 6: Promote the advancement of sustainable technologies, industries, and infrastructure (EDA)

OBJECTIVE 6 TOTAL RESOURCES *(Dollars in Millions)*						
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual
Funding	N/A	$10.4	$16.0	$28.9	$19.0	**$26.7**
FTE	N/A	6	6	15	14	**12**

The measures associated with this objective also apply to Objectives 3 and 7. The histories of these measures appear under Objective 3.

OBJECTIVE 7: Promote the vitality and competitiveness of our communities and businesses, particularly those that are disadvantaged or in distressed areas (EDA, MBDA)

OBJECTIVE 7 TOTAL RESOURCES *(Dollars in Millions)*						
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual
Funding	$189.9	$186.5	$242.4	$172.3	$170.8	**$234.4**
FTE	176	154	160	181	195	**229**

Several of the EDA measures associated with this objective also apply to Objectives 3 and 6. The histories of these measures appear under Objective 3. The following measures are unique to Objective 7 and are associated with EDA and MBDA.

EDA PERFORMANCE MEASURE			
MEASURE: Percentage of Trade Adjustment Assistance Center (TAAC) clients taking action as a result of the assistance facilitated by the TAACs			
Year	**Status**	**Actual**	**Target**
FY 2012	Not Met	85%	90%
FY 2011	Not Met	73%	90%
FY 2010	Not Met	82%	90%
FY 2009	Slightly Below	88%	90%
FY 2008	Met	92%	90%
FY 2007	Met	99%	90%
FY 2006	Met	90%	90%
FY 2005	Met	99%	90%
FY 2004	Met	90%	90%
FY 2003	Met	92%	90%

Trend: -1. This is a maintain standards measure. The target trend has been stable. However, the recent actual trend has been negative leading to a -1 rating.

EDA PERFORMANCE MEASURE			
MEASURE: Percentage of those actions taken by Trade Adjustment Assistance Center clients that achieved the expected results			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	100%	95%
FY 2011	Met	100%	95%
FY 2010	Met	100%	95%
FY 2009	Slightly Below	93%	95%
FY 2008	Met	95%	95%
FY 2007	Met	99%	95%
FY 2006	Met	96%	95%
FY 2005	Met	97%	95%
FY 2004	Met	98%	95%
FY 2003	Met	98%	95%

Trend: 0. This is a maintain standards measure. The target trend has remained stable while the actual trend has been slightly positive.

MBDA PERFORMANCE MEASURE			
MEASURE: Dollar value of contract awards obtained (billions)			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	$1.16	$1.10
FY 2011	Exceeded	$2.14	$1.10
FY 2010	Exceeded	$1.69	$1.00
FY 2009	Exceeded	$2.12	$0.90
FY 2008	Met	$0.91	$0.90
FY 2007	Exceeded	$1.20	$0.85
FY 2006	Exceeded	$1.17	$0.85
FY 2005	Exceeded	$1.10	$0.80
FY 2004	Met	$0.95	$0.80
FY 2003	Not Met	$0.70	$1.00
FY 2002	Exceeded	$1.30	$1.00
FY 2001	Exceeded	$1.60	$0.70
FY 2000	Exceeded	$1.20	$0.60
Trend: +2. Both the target and actual trends have increased.			

MBDA PERFORMANCE MEASURE			
MEASURE: Dollar value of financial awards obtained (billions)			
Year	**Status**	**Actual**	**Target**
FY 2012	Exceeded	$1.56	$0.90
FY 2011	Exceeded	$1.82	$0.90
FY 2010	Exceeded	$2.26	$0.60
FY 2009	Exceeded	$0.91	$0.50
FY 2008	Exceeded	$1.09	$0.50
FY 2007	Met	$0.55	$0.45
FY 2006	Not Met	$0.41	$0.45
FY 2005	Met	$0.50	$0.45
FY 2004	Exceeded	$0.60	$0.40
FY 2003	Met	$0.40	$0.40
FY 2002	Met	$0.40	$0.40
FY 2001	Not Met	$0.60	$1.00
FY 2000	Not Met	$0.20	$0.90
Trend: +2. Target trend has remained relatively stable, while the actual trend has increased.			

MBDA PERFORMANCE MEASURE			
MEASURE: Number of new job opportunities created			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	5,331	5,000
FY 2011	Exceeded	5,787	4,300
FY 2010	Exceeded	6,397	4,000
FY 2009	Exceeded	4,134	3,000
FY 2008	Exceeded	4,603	3,000
FY 2007	Exceeded	3,506	2,050
FY 2006	Exceeded	4,254	1,800
FY 2005	Exceeded	2,270	1,800
Trend: +2. Both the target and actual trends are positive.			

OBJECTIVE 8: Improve the competitiveness of small and medium-sized firms in manufacturing and service industries (ITA, NIST)

OBJECTIVE 8 TOTAL RESOURCES[1] *(Dollars in Millions)*						
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual
Funding FTE	$167.0 310	$137.2 297	$165.6 283	$181.3 306	$180.9 274	**$185.3** **285**

[1] NIST's performance actuals for the following three measures lag at least six months: Increased Sales, Capital Investment, and Cost Savings. Therefore, beginning with the FY 2005 PAR, NIST shifted to a format in which NIST reports actuals for these measures one year later. This date lag, coupled with the time line for producing the PAR, precludes the reporting of actual FY 2012 data for these three measures. With the exception of the number of clients, the NIST data reported in the current year PAR are an estimate based on three-quarters of actual client reported impacts and one-quarter estimated client impacts.

ITA PERFORMANCE MEASURE			
MEASURE: Exports generated annually from public/private partnerships			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	$1.7B[1]	$1.9B
FY 2011	Exceeded	$2.4B	$86M
FY 2010	N/A	$86M	N/A
FY 2009	N/A	$74M	N/A
FY 2008	N/A	$132M	N/A
FY 2007	N/A	$208M	N/A
Trend: 0. This is a relatively new measure, however actuals are available to FY 2007. Actuals tended to decline in the first four years then rose substantially in the last two years.			

[1] Results as of June 30, 2012. Once final numbers are in, ITA expects to meet or exceed the target.

ITA PERFORMANCE MEASURE			
MEASURE: Annual cost savings resulting from the adoption of MAS recommendations contained in MAS studies and analysis			
Year	**Status**	**Actual**	**Target**
FY 2012	Not Met	$0M	$250M
FY 2011	Exceeded	$1.8B	$350M
FY 2010	Exceeded	$647M	$350M
FY 2009	Exceeded	$552M	$350M
FY 2008	Exceeded	$455M	$350M
FY 2007	Exceeded	$413M	$168M
FY 2006	Not Met	$287M	$350M

Trend: +2. The target trend has been stable while the actual trend is positive. FY 2012 is an anomaly with an explanation provided in the performance section.

NIST PERFORMANCE MEASURE			
MEASURE: Number of clients served by Hollings MEP centers receiving federal funding			
Year	**Status**	**Actual**	**Target**
FY 2012	Slightly Below	32,123	32,500
FY 2011	Met	33,838	30,000
FY 2010	Met	34,299	29,000
FY 2009	Exceeded	32,926	25,500
FY 2008	Exceeded	31,961	14,500
FY 2007	Exceeded	28,004	21,237
FY 2006	Exceeded	24,722	16,440
FY 2005	Slightly Below	16,448	16,640
FY 2004	Exceeded	16,090	6,517
FY 2003	Met	18,422	16,684

Trend: +2. The target and actual trends are both positive.

NIST PERFORMANCE MEASURE			
MEASURE: Increased sales attributed to Hollings MEP centers receiving federal funding			
Year	**Status**	**Actual**	**Target**
FY 2012	Exceeded	$2,700M from FY 2011 funding[1]	$2,000M from FY 2011 funding
FY 2011	Exceeded	$3,600M from FY 2010 funding	$2,500M from FY 2010 funding
FY 2010	Exceeded	$3,500M from FY 2009 funding	$2,000M from FY 2009 funding
FY 2009	Exceeded	$3,610M from FY 2008 funding	$630M from FY 2008 funding
FY 2008	Exceeded	$5,600M from FY 2007 funding	$630M from FY 2007 funding
FY 2007	Exceeded	$3,100M from FY 2006 funding	$591M from FY 2006 funding
FY 2006	Exceeded	$2,842M from FY 2005 funding	$591M from FY 2005 funding
FY 2005	Exceeded	$1,889M from FY 2004 funding	$228M from FY 2004 funding
FY 2004	Exceeded	$1,483M from FY 2003 funding	$522M from FY 2003 funding
FY 2003	Exceeded	$953M from FY 2002 funding	$728M from FY 2002 funding
FY 2002	Not Met	$636M from FY 2001 funding	$708M from FY 2001 funding
FY 2001	Met	$698M from FY 2000 funding	$670M from FY 2000 funding
FY 2000	Slightly Below	$425M from FY 1999 funding	$443M from FY 1999 funding
Trend: +2. The FY 2012 estimate was lower than in the previous years, but it remained above the target. Overall, the target and actual trends are both positive.			
[1] Estimate as of June 30, 2012.			

NIST PERFORMANCE MEASURE			
MEASURE: Capital investment attributed to Hollings MEP centers receiving federal funding			
Year	**Status**	**Actual**	**Target**
FY 2012	Exceeded	$2,600M from FY 2011 funding[1]	$1,100M from FY 2011 funding
FY 2011	Exceeded	$1,900M from FY 2010 funding	$1,000M from FY 2010 funding
FY 2010	Exceeded	$1,900M from FY 2009 funding	$1,000M from FY 2009 funding
FY 2009	Exceeded	$1,710M from FY 2008 funding	$485M from FY 2008 funding
FY 2008	Exceeded	$2,190M from FY 2007 funding	$955M from FY 2007 funding
FY 2007	Exceeded	$1,650M from FY 2006 funding	$740M from FY 2006 funding
FY 2006	Exceeded	$2,248M from FY 2005 funding	$740M from FY 2005 funding
FY 2005	Exceeded	$941M from FY 2004 funding	$285M from FY 2004 funding
FY 2004	Exceeded	$912M from FY 2003 funding	$559M from FY 2003 funding
FY 2003	Met	$940M from FY 2002 funding	$910M from FY 2002 funding
FY 2002	Not Met	$680M from FY 2001 funding	$913M from FY 2001 funding
FY 2001	Met	$873M from FY 2000 funding	$864M from FY 2000 funding
FY 2000	Exceeded	$576M from FY 1999 funding	$359M from FY 1999 funding
Trend: +2. The target and actual trends are both positive.			
[1] Estimate as of June 30, 2012.			

NIST PERFORMANCE MEASURE			
MEASURE: Cost savings attributed to Hollings MEP centers receiving federal funding			
Year	**Status**	**Actual**	**Target**
FY 2012	Not Met	$966M from FY 2011 funding[1]	$1,100M from FY 2011 funding
FY 2011	Met	$1,300M from FY 2010 funding	$1,200M from FY 2010 funding
FY 2010	Exceeded	$1,300M from FY 2009 funding	$1,000M from FY 2009 funding
FY 2009	Exceeded	$1,410M from FY 2008 funding	$330M from FY 2008 funding
FY 2008	Exceeded	$1,440M from FY 2007 funding	$521M from FY 2007 funding
FY 2007	Exceeded	$1,100M from FY 2006 funding	$405M from FY 2006 funding
FY 2006	Exceeded	$1,304M from FY 2005 funding	$405M from FY 2005 funding
FY 2005	Exceeded	$721M from FY 2004 funding	$156M from FY 2004 funding
FY 2004	Exceeded	$586M from FY 2003 funding	$353M from FY 2003 funding
FY 2003	Exceeded	$681M from FY 2002 funding	$497M from FY 2002 funding
FY 2002	Not Met	$442M from FY 2001 funding	$576M from FY 2001 funding
FY 2001	Not Met	$482M from FY 2000 funding	$545M from FY 2001 funding

Trend: +2. The FY 2012 estimate was lower than in previous years, and below the target. Overall, targets and actuals varied, but increased significantly from FY 2001.

[1] Estimate as of June 30, 2012.

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

TRADE PROMOTION AND COMPLIANCE TOTAL RESOURCES *(Dollars in Millions)*						
	FY 2007 Actual	**FY 2008 Actual**	**FY 2009 Actual**	**FY 2010 Actual**	**FY 2011 Actual**	**FY 2012 Actual**
Funding FTE	$458.3 2,118	$473.4 2,008	$493.7 1,985	$525.0 1,940	$535.5 2,035	**$541.3** **1,953**

OBJECTIVE 9: Increase U.S. export value through trade promotion, market access, compliance, and interagency collaboration (including support for small and medium enterprises) (ITA)

OBJECTIVE 9 TOTAL RESOURCES *(Dollars in Millions)*						
	FY 2007 Actual	**FY 2008 Actual**	**FY 2009 Actual**	**FY 2010 Actual**	**FY 2011 Actual**	**FY 2012 Actual**
Funding FTE	$263.0 1,202	$273.4 1,151	$283.1 1,120	$296.3 1,051	$331.2 1,176	**$350.2** **1,198**

ITA PERFORMANCE MEASURE			
MEASURE: Commercial diplomacy success (cases) (annual)			
Year	**Status**	**Actual**	**Target**
FY 2012	Exceeded	215	152
FY 2011	Exceeded	243	172
FY 2010	Not Met	112	166
FY 2009	Met	196	162
FY 2008	Met	181	160
Trend: +2. The target and actual trends are both positive.			

ITA PERFORMANCE MEASURE			
MEASURE: Ratio of US&FCS export value to US&FCS costs			
Year	**Status**	**Actual**	**Target**
FY 2012	Exceeded	$387	$140

ITA PERFORMANCE MEASURE			
MEASURE: Number of clients assisted by US&FCS			
Year	**Status**	**Actual**	**Target**
FY 2012	Not Met	18,945	20,709
FY 2011	Met	20,143	19,723
FY 2010	N/A	18,784	N/A

ITA PERFORMANCE MEASURE			
MEASURE: Dollar value of U.S. export content in advocacy cases won			
Year	**Status**	**Actual**	**Target**
FY 2012	Exceeded	$74B	$19B

ITA PERFORMANCE MEASURE			
MEASURE: Annual number of SMEs US&FCS assists exporting to a second or additional country			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	3,444	3,307

OBJECTIVE 10: Implement an effective export control reform program to advance national security and economic competitiveness (BIS)

OBJECTIVE 10 TOTAL RESOURCES *(Dollars in Millions)*						
	FY 2007 Actual	**FY 2008 Actual**	**FY 2009 Actual**	**FY 2010 Actual**	**FY 2011 Actual**	**FY 2012 Actual**
Funding	$75.4	$74.9	$83.7	$100.3	$102.9	**$101.0**
FTE	364	353	329	322	349	**366**

BIS PERFORMANCE MEASURE			
MEASURE: Percent of licenses requiring interagency referral referred within 9 days			
Year	**Status**	**Actual**	**Target**
FY 2012	Slightly Below	97%	98%
FY 2011	Not Met	88%	98%
FY 2010	Slightly Below	90%	95%
FY 2009	Met	99%	95%
FY 2008	Met	98%	95%
FY 2007	Met	98%	95%
FY 2006	Met	98%	95%

Trend: -1. This is a maintain standards measure. The target trend has remained stable while the actual trend was stable from 2000 to 2009 and then negative from 2009 to 2011, and then upward in FY 2012.

BIS PERFORMANCE MEASURE			
MEASURE: Median processing time for new regime regulations (months)			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	2.0	2.0
FY 2011	Met	2.0	2.0
FY 2010	Met	3.0	3.0
FY 2009	Exceeded	2.0	3.0
FY 2008	Exceeded	2.0	3.0
FY 2007	Exceeded	2.0	3.0
FY 2006	Met	2.5	3.0
FY 2005	Exceeded	1.0	3.0
FY 2004	Exceeded	2.0	3.0
FY 2003	Not Met	7.0	3.0

Trend: 0. This is a maintain standards measure. Both the target and actual trends have remained stable.

BIS PERFORMANCE MEASURE			
MEASURE: Percent of attendees rating seminars highly			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	93%	93%
FY 2011	Met	94%	93%
FY 2010	Met	94%	85%
FY 2009	Met	93%	85%
FY 2008	Met	93%	85%
FY 2007	Met	90%	85%
FY 2006	Met	90%	85%

Trend: +2. This appeared to be initially a maintain standards measure because the target trend remained stable from 2006 to 2010. However, the actual trend is positive leading to an increase in the target in 2011.

BIS PERFORMANCE MEASURE			
MEASURE: Percent of declarations received from U.S. industry in accordance with CWC regulations (time lines) that are processed, certified, and submitted to the State Department in time so the United States can meet its treaty obligations			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	100%	100%
FY 2011	Met	100%	100%
FY 2010	Met	100%	100%
FY 2009	Met	100%	100%
FY 2008	Met	100%	100%
FY 2007	Met	100%	100%
FY 2006	Met	100%	100%
Trend: 0. This is a maintain standards measure. The target and actual trends have remained stable.			

BIS PERFORMANCE MEASURE			
MEASURE: Number of actions that result in a deterrence or prevention of a violation and cases which result in a criminal and/or administrative charge			
Year	**Status**	**Actual**	**Target**
FY 2012	Exceeded	1,162	850
FY 2011	Exceeded	1,073	850
FY 2010	Slightly Below	806	850
FY 2009	Met	876	850
FY 2008	Exceeded	881	675
FY 2007	Exceeded	930	450
FY 2006	Exceeded	872	350
FY 2005	Exceeded	583	275
FY 2004	Met	310	250
FY 2003	Exceeded	250	85
FY 2002	Met	82	75
FY 2001	Met	81	70
FY 2000	Met	93	80
Trend: +2. Both the target and actual trends are positive.			

BIS PERFORMANCE MEASURE			
MEASURE: Percent of shipped transactions in compliance with the licensing requirements of the Export Administration Regulations (EAR)			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	99%	99%
FY 2011	Met	99%	99%
FY 2010	Met	98%	97%
FY 2009	Met	96%	95%
FY 2008	Met	87%	87%
Trend: +2. Both the target and actual trends are positive.			

BIS PERFORMANCE MEASURE			
MEASURE: Percentage of post-shipment verifications completed and categorized above the "unfavorable" classification			
Year	**Status**	**Actual**	**Target**
FY 2012	Slightly Below	343 PSVs/87%	315 PSVs/90%
FY 2011	Met	382 PSVs/92%	315 PSVs/90%
FY 2010	Met	256 PSVs/93%	260 PSVs/85%
FY 2009	Met	314 PSVs/88%	260 PSVs/85%
FY 2008	Met	136 PSVs/93%	215 PSVs/80%
Trend: 0. This is a maintain standards measure. The target and actual trends have remained stable with the actuals consistently meeting the targets.			

BIS PERFORMANCE MEASURE			
MEASURE: Number of end-use checks completed			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	983	850
FY 2011	Met	891	850
FY 2010	Not Met	708	850
FY 2009	Not Met	737	850
FY 2008	Not Met	490	850
FY 2007	Met	854	850
FY 2006	Exceeded	942	700
Trend: 0. The target trend remained stable with the actual not having a trend, varying from year to year.			

BIS PERFORMANCE MEASURE			
MEASURE: Percent of industry assessments resulting in BIS determination, within three months of completion, on whether to revise export controls			
Year	**Status**	**Actual**	**Target**
FY 2011	Met	100%	100%
FY 2011	Met	100%	100%
FY 2010	Met	100%	100%
FY 2009	Met	100%	100%
FY 2008	Met	100%	100%
FY 2007	Met	100%	100%
FY 2006	N/A	N/A[1]	100%
Trend: 0. This is a maintain standards measure. Both the target and actual trends have remained stable.			

[1] No assessments fell within the metric timeframe in FY 2006. BIS completed two industry assessments late in the fourth quarter of FY 2006, thus not meeting the three month window (before the end of the fiscal year) to make a final determination on revising export controls. This was the first year this measure was in place. Industry assessment data will be available in subsequent fiscal years.

OBJECTIVE 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)

OBJECTIVE 11 TOTAL RESOURCES *(Dollars in Millions)*						
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual
Funding FTE	$1.7 8	$1.6 8	$1.7 8	$1.9 8	$2.3 9	**$2.2** **8**

NTIA PERFORMANCE MEASURE			
MEASURE: Percent of NTIA positions substantially adopted or successful at international meetings			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	>80%	75% adoption or success
FY 2011	Exceeded	95% adoption or success	75% adoption or success

OBJECTIVE 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)

OBJECTIVE 12 TOTAL RESOURCES *(Dollars in Millions)*						
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual
Funding FTE	$118.2 544	$123.5 496	$125.2 528	$126.5 559	$99.1 501	**$87.9** **381**

ITA PERFORMANCE MEASURE			
MEASURE: Percent of identified unfair trade practices affecting U.S. parties addressed through informal/formal intervention of dispute settlement			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	27%	20%
FY 2011	Met	20%	20%
FY 2010	N/A	27%	N/A
FY 2009	N/A	20%	N/A
FY 2008	N/A	27%	N/A
FY 2007	N/A	60%	N/A
Trend: 0. Actuals have tended to be stable other than the first year.			

ITA PERFORMANCE MEASURE			
MEASURE: Number of new antidumping/countervailing duty petitioners counseled			
Year	**Status**	**Actual**	**Target**
FY 2012	Exceeded	77	50
FY 2011	N/A	153	N/A
FY 2010	N/A	44	N/A
FY 2009	N/A	71	N/A
FY 2008	N/A	52	N/A
FY 2007	N/A	78	N/A

Trend: 0. Since ITA did not include this as a PAR measure until FY 2012, ITA did not have targets prior to FY 2012. However, ITA did track actuals back to FY 2007. Actuals have varied widely with an average of 79, close to both the first and last years of data.

ITA PERFORMANCE MEASURE			
MEASURE: Percent of industry-specific trade barriers addressed that were removed or prevented			
Year	**Status**	**Actual**	**Target**
FY 2012	Exceeded	37%	20%
FY 2011	Met	35%	30%
FY 2010	Met	35%	30%
FY 2009	Exceeded	30%	20%
FY 2008	Exceeded	29%	15%

Trend: +1. The target trend is stable. The actual trend is slightly positive.

ITA PERFORMANCE MEASURE			
MEASURE: Percent of industry-specific trade barrier milestones completed			
Year	**Status**	**Actual**	**Target**
FY 2012	Exceeded	72%	55%
FY 2011	Met	75%	70%
FY 2010	Exceeded	75%	55%
FY 2009	Exceeded	72%	55%
FY 2008	Exceeded	73%	55%
FY 2007	Not Met	54%	85%
FY 2006	Slightly Below	81%	85%

Trend: 0. Difficult to determine a trend for both actuals and targets since variance occurs. Actual average is 72%, fairly close to most of the actuals, and the same as FY 2012. Target average is 66%.

ITA PERFORMANCE MEASURE			
MEASURE: Number of compliance and market cases initiated			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	227	210
FY 2011	N/A	246	N/A
FY 2010	N/A	221	N/A
FY 2009	N/A	215	N/A
FY 2008	N/A	227	N/A
FY 2007	N/A	187	N/A

Trend: 0. Since ITA did not include this as a PAR measure until FY 2012, ITA did not have targets prior to FY 2012. However, ITA did track actuals back to FY 2007. Actuals tended to be stable with an average of 221.

ITA PERFORMANCE MEASURE			
MEASURE: Number of compliance and market access cases resolved successfully[1]			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	89	80
FY 2011	Met	51% (91)	50%
FY 2010	Met	58% (98)	50%
FY 2009	Exceeded	61% (112)	35%
FY 2008	Met	39% (38)	35%
FY 2007	Exceeded	54% (82)	25%

Trend: +1. The target trend is positive. The actual trend is somewhat stable–an average of 51%.

[1] Prior to FY 2012, ITA showed this measure as a percentage while tracking the number of cases. For comparative purposes to the FY 2012 target and actual, those numbers are included in parenthesis for the years prior to FY 2012.

THEME 2: SCIENCE AND INFORMATION

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

SCIENCE AND INFORMATION TOTAL RESOURCES *(Dollars in Millions)*						
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual
Funding	$3,775.0	$4,081.4	$6,420.4	$9,683.0	$4,670.4	**$4,635.2**
FTE	14,264	14,924	33,962	101,419	18,787	**17,056**

This theme has only one goal. Therefore the Funding and FTE resources for the theme and the strategic goal are the same.

OBJECTIVE 13: Increase scientific knowledge and provide information to stakeholders to support economic growth and to improve innovation, technology, and public safety (NTIS, NTIA)

OBJECTIVE 13 TOTAL RESOURCES *(Dollars in Millions)*						
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual
Funding	$419.2	$288.2	$316.0	$364.3	$313.0	**$89.3**
FTE	238	235	642	636	666	**205**

NTIS PERFORMANCE MEASURE			
MEASURE: Number of updated items available (annual)			
Year	Status	Actual	Target
FY 2012	Met	978,871	875,000
FY 2011	Met	836,579	825,000
FY 2010	Exceeded	969,473	765,000
FY 2009	Met	893,138	745,000
FY 2008	Met	813,775	725,000
FY 2007	Met	744,322	665,000
FY 2006	Met	673,087	660,000
FY 2005	Met	658,138	530,000
FY 2004	Met	553,235	525,000
FY 2003	Met	530,910	520,000
FY 2002	Met	514,129	510,000
Trend: +2. The target and actual trends are both positive.			

NTIS PERFORMANCE MEASURE			
MEASURE: Number of information products disseminated (annual)			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	54,592,481	49,878,000
FY 2011	Met	48,958,993	47,800,000
FY 2010	Exceeded	50,333,206	33,000,000
FY 2009	Exceeded	49,430,840	32,850,000
FY 2008	Met	32,267,167	32,100,000
FY 2007	Met	32,027,113	27,100,000
FY 2006	Met	30,616,338	27,000,000
FY 2005	Met	26,772,015	25,800,000
FY 2004	Exceeded	25,476,424	18,000,000
FY 2003	Exceeded	29,134,050	17,000,000
FY 2002	Met	16,074,862	16,000,000
Trend: +2. The target and actual trends are both positive.			

NTIS PERFORMANCE MEASURE			
MEASURE: Customer satisfaction			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	98.4%	95-98%
FY 2011	Met	99.5%	95-98%
FY 2010	Met	98%	95-98%
FY 2009	Met	98%	95-98%
FY 2008	Met	96%	95-98%
FY 2007	Met	98%	95-98%
FY 2006	Met	98%	95-98%
FY 2005	Met	98%	98%
FY 2004	Slightly Below	96%	98%
FY 2003	Slightly Below	97%	98%
FY 2002	Met	98%	97%
Trend: 0. This is a maintain standards measure. The target and actual trends are both stable.			

NTIA PERFORMANCE MEASURE			
MEASURE: Annual progress report on the Test-Bed program			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	Published report	Publish annual report
FY 2011	Met	Published report	Publish annual report

OBJECTIVE 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)

OBJECTIVE 14 TOTAL RESOURCES[1] (Dollars in Millions)						
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual
Funding FTE	$2,380.9 8,954	$2,800.8 9,575	$5,053.9 28,282	$8,225.5 95,689	$3,272.2 13,050	**$3,447.6** **11,797**

[1] NOAA had funding for this objective beginning in FY 2007 and FTE beginning in FY 2009.

ESA/CENSUS PERFORMANCE MEASURE			
MEASURE: Produce timely, relevant, and accurate measures showing the dynamics of local job markets and identifying the changing structure of the U.S. economy and its effect on jobs			
Year	**Status**	**Actual**	**Target**
FY 2012	**Met**	For states that provide wage records on schedule, Census Bureau produced Quarterly Workforce Indicators for at least 90% of those states on time every quarter	For states that provide wage records on schedule, Census Bureau will produce Quarterly Workforce Indicators for at least 90% of those states on time every quarter

ESA/CENSUS PERFORMANCE MEASURE			
MEASURE: Release monthly export statistics on schedule			
Year	**Status**	**Actual**	**Target**
FY 2012	**Met**	100%	100%

ESA/CENSUS PERFORMANCE MEASURE			
MEASURE: Achieve pre-determined collection rates for Census Bureau censuses and surveys in order to provide statistically reliable data to support effective decision-making of policymakers, businesses, and the public			
Year	**Status**	**Actual**	**Target**
FY 2012	**Not Met**	At least 80% of key censuses and surveys met/exceeded collection rates/levels of reliability	At least 90% of key censuses and surveys meet/exceed collection rates/levels of reliability
FY 2011	**Met**	Met percentages	At least 90% of key censuses and surveys meet/exceed collection rates/levels of reliability
FY 2010	**Met**	Met percentages	At least 90% of key censuses and surveys meet/exceed collection rates/levels of reliability
FY 2009	**Met**	Met percentages	At least 90% of key censuses and surveys meet/exceed collection rates/levels of reliability
FY 2008	**Met**	Met percentages	At least 90% of key censuses and surveys meet/exceed collection rates/levels of reliability.
FY 2007	**Met**	Met percentages	At least 90% of key censuses and surveys meet/exceed collection rates/levels of reliability
FY 2006	**Met**	Met percentages	At least 90% of key censuses and surveys meet/exceed collection rates/levels of reliability
FY 2005	**Met**	Met percentages	Various %s - see FY 2006 APP
FY 2004	**Met**	Met percentages	Various %s - see FY 2005 APP
FY 2003	**Met**	Met percentages	Various %s - see FY 2004 APP
FY 2002	**Met**	100%	100%
FY 2001	**Met**	100%	100%
FY 2000	**Met**	100%	100%
Trend: 0. This is a maintain standards measure. The target and the actual trends have remained stable.			

ESA/CENSUS PERFORMANCE MEASURE			
MEASURE: Release data products for key Census Bureau programs on time to support effective decision-making of policymakers, businesses, and the public			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	• 100% of Economic Indicators released on time • At least 90% of key prep activities completed on time	• 100% of Economic Indicators released on time • At least 90% of key prep activities completed on time
FY 2011	Met	• 100% of Economic Indicators released on time • At least 90% of key prep activities completed on time	• 100% of Economic Indicators released on time • At least 90% of key prep activities completed on time
FY 2010	Met	• 100% of Economic Indicators released on time • At least 90% of key prep activities completed on time	• 100% of Economic Indicators released on time • At least 90% of key prep activities completed on time
FY 2009	Met	• 100% of Economic Indicators released on time • At least 90% of key prep activities completed on time	• 100% of Economic Indicators released on time • At least 90% of key prep activities completed on time
FY 2008	Met	• 100% of Economic Indicators released on time • At least 90% of key prep activities completed on time	• 100% of Economic Indicators released on time • At least 90% of key prep activities completed on time
FY 2007	Met	• 100% of Economic Indicators released on time • At least 90% of other key censuses and surveys data released on time	• 100% of Economic Indicators released on time • At least 90% of other key censuses and surveys data released on time
FY 2006	Met	• 100% of Economic Indicators • 100% of other products	• 100% of Economic Indicators released on time • At least 90% of other key censuses and surveys data released on time
FY 2005	Met	22 products	22 products
FY 2004	Exceeded	10 products	7 products
FY 2003	Not Met	2 products	3 products
FY 2002	Met	Maintained FY 1999 time	Maintain FY 1999 time
FY 2001	Met	Maintained FY 1999 time	Maintain FY 1999 time
FY 2000	Met	Maintained FY 1999 time	Maintain FY 1999 time
Trend: 0. This is a maintain standards measure. The target and the actual trends have remained stable.			

ESA/CENSUS PERFORMANCE MEASURE			
MEASURE: Complete key activities for cyclical census programs on time to support effective decision-making by policymakers, businesses, and the public and meet constitutional and legislative mandates			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	At least 90% of key prep activities completed on time	At least 90% of key prep activities completed on time
FY 2011	Met	At least 90% of key prep activities completed on time	At least 90% of key prep activities completed on time
FY 2010	Met	At least 90% of key prep activities completed on time	At least 90% of key prep activities completed on time
FY 2009	Met	At least 90% of key prep activities completed on time	At least 90% of key prep activities completed on time
FY 2008	Not Met	Some of the planned dress rehearsal activities were cancelled	At least 90% of key prep activities completed on time
FY 2007	Met	> 90% of key prep activities completed on time	At least 90% of key prep activities completed on time
FY 2006	Met	100% of activities completed on time	At least 90% of key prep activities completed on time
FY 2005	Met	Activities completed on time	Various activities with different dates
Trend: 0. This is a maintain standards measure. The target and the actual trends have remained stable.			

ESA/CENSUS PERFORMANCE MEASURE			
MEASURE: Correct street features in TIGER (geographic) database (number of counties completed) to more effectively support Census Bureau censuses and surveys, facilitate the geographic partnerships between federal, state, local and tribal governments, and support the E-Government initiative in the President's Management Agenda[1]			
Year	**Status**	**Actual**	**Target**
FY 2012	N/A	N/A	N/A
FY 2011	N/A	N/A	N/A
FY 2010	Exceeded	Increased TIGER update submissions electronically by 51%	Increase TIGER update submissions electronically by 10%
FY 2009	Met	Complete	Complete updates to eligible counties in the United States, Puerto Rico, and Island Areas
FY 2008	Met	320	320
FY 2007	Met	737	690
FY 2006	Met	700	700
FY 2005	Met	623	610
FY 2004	Met	602	600
FY 2003	Met	250	250

[1] This measure is associated with the 2010 Decennial Census so there are no targets for FY 2011 onward. However, this measure will be updated in the future to reflect activities associated with the 2020 Decennial Census.

ESA/BEA PERFORMANCE MEASURE			
MEASURE: Timeliness: Reliability of delivery of economic data statistics (number of scheduled releases issued on time)			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	62	62
FY 2011	Met	62	62
FY 2010	Exceeded	61	55
FY 2009	Slightly Below	56	57
FY 2008	Met	57[1]	58
FY 2007	Met	54	54
FY 2006	Met	54	54
FY 2005	Met	54	54
FY 2004	Met	54	54
FY 2003	Met	48	48
FY 2002	Met	50	50

Trend: +1. Trends were largely stable with slight increases beginning in FY 2008.

[1] In FY 2008, the Annual Industry Accounts statistical release was rescheduled from December 13, 2007 to January 29, 2008, in order to include important information from the Census 2006 Annual Survey of Manufacturers (ASM). By delaying this release, BEA was able to provide a better product for BEA's data users, so this measure was considered "Met."

ESA/BEA PERFORMANCE MEASURE			
MEASURE: Relevance: Customer satisfaction (mean rating on a 5-point scale)			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	4.3	> 4.0
FY 2011	Met	4.1	> 4.0
FY 2010	Met	4.4	> 4.0
FY 2009	Met	4.2	> 4.0
FY 2008	Met	4.2	> 4.0
FY 2007	Met	4.3	> 4.0
FY 2006	Met	4.2	> 4.0
FY 2005	Met	4.4	> 4.0
FY 2004	Met	4.3	> 4.0
FY 2003	Met	4.4	> 4.0
FY 2002	Met	4.3	> 4.0
FY 2001	N/A	N/A[1]	> 4.0
FY 2000	Met	4.3	> 4.0

Trend: 0. This is a maintain standards measure. The target and the actual trends have remained stable.

[1] Due to budget constraints, the FY 2001 survey was postponed until FY 2002.

ESA/BEA PERFORMANCE MEASURE			
MEASURE: Accuracy: Percent of GDP estimates correct			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	87%	> 85%
FY 2011	Met	89%	> 85%
FY 2010	Met	88%	> 85%
FY 2009	Met	88%	> 85%
FY 2008	Met	94%	> 85%
FY 2007	Met	93%	> 85%
FY 2006	Met	96%	> 85%
FY 2005	Met	96%	> 85%
FY 2004	Met	88%	> 85%
FY 2003	Met	88%	> 85%

Trend: 0. This is a maintain standards measure. The target and the actual trends have remained stable.

ESA/BEA PERFORMANCE MEASURE			
MEASURE: Complete all major strategic plan milestones related to improving the economic accounts[1]			
Year	**Status**	**Actual**	**Target**
FY 2012	**Met**	Completed all major milestones	Completion of strategic plan milestones
FY 2011	**Met**	Completed all major milestones	Completion of strategic plan milestones
FY 2010	**Met**	Completed all major milestones	Completion of strategic plan milestones
FY 2009	**Met**	Completed all major milestones	Completion of strategic plan milestones
FY 2008	**Met**	Completed all major milestones	Completion of strategic plan milestones
FY 2007	**Met**	Completed all major milestones	Completion of strategic plan milestones
FY 2006	**Met**	Completed all major milestones	Completion of strategic plan milestones
FY 2005	**Met**	Completed all major milestones	Completion of strategic plan milestones
FY 2004	**Met**	Completed all major milestones	Completion of strategic plan milestones
FY 2003	**Met**	Completed all major milestones	Completion of strategic plan milestones
Trend: 0. This is a maintain standards measure. The target and the actual trends have remained stable.			
[1] The BEA Strategic Plan and a report card of completed milestones are available in "About BEA" on *www.bea.gov*.			

OBJECTIVE 15: Improve weather, water, and climate reporting and forecasting (NOAA)

OBJECTIVE 15 TOTAL RESOURCES *(Dollars in Millions)*						
	FY 2007 Actual	**FY 2008 Actual**	**FY 2009 Actual**	**FY 2010 Actual**	**FY 2011 Actual**	**FY 2012 Actual**
Funding	$974.9	$992.4	$1,050.5	$1,093.2	$1,085.2	**$1,098.3**
FTE	5,072	5,114	5,038	5,094	5,071	**5,054**

Beginning in FY 2008, NOAA shifted to a storm-based method of forecast as opposed to a county-based method. The reason for this change was to reduce the area warned to provide more specific information to emergency responders and the public. By reducing the area coverage of tornado and flash flood warnings, the emergency management community can more effectively target mitigation and response efforts. This new storm-based verification methodology is more stringent and results in lower metric scores for lead time and accuracy for flash floods and slightly lower scores for tornadoes. Performance data using this new verification methodology was computed beginning in FY 2008 with tornado actuals and targets being reported from FY 2008 onward and flash flood actuals and targets being reported from FY 2010 onward.

NOAA PERFORMANCE MEASURE			
MEASURE: Severe weather warnings for tornadoes (storm-based) – Lead time (minutes)[1]			
Year	**Status**	**Actual**	**Target**
FY 2012	Slightly Below	12[2]	13
FY 2011	Exceeded	15	12
FY 2010	Met	14	12
FY 2009	Slightly Below	11	12
FY 2008	Exceeded	14	11
FY 2007	Met	14	13
FY 2006	Met	13	13
FY 2005	Met	13	13
FY 2004	Met	13	12
FY 2003	Met	13	12
FY 2002	Met	12	11
FY 2001	Not Met	10	13
FY 2000	Not Met	10	12

Trend: +1. The target trend has tended to be stable, while the actual trend varies, tending to be positive.

[1] Prior to FY 2008, these warnings were county-based rather than storm-based. Under the county-based system, targets and actuals tended to be slightly higher.
[2] Estimate

NOAA PERFORMANCE MEASURE			
MEASURE: Severe weather warnings for tornadoes (storm-based) – Accuracy (%)[1]			
Year	**Status**	**Actual**	**Target**
FY 2012	Slightly Below	71%[2]	72%
FY 2011	Met	75%	70%
FY 2010	Met	71%	70%
FY 2009	Slightly Below	65%	69%
FY 2008	Met	72%	67%
FY 2007	Met	80%	75%
FY 2006	Slightly Below	75%	76%
FY 2005	Met	76%	73%
FY 2004	Met	75%	72%
FY 2003	Met	80%	70%
FY 2002	Met	76%	69%
FY 2001	Slightly Below	67%	68%
FY 2000	Not Met	63%	70%

Trend: +2. The target trend has been stable, while the actual trend is positive.

[1] Prior to FY 2008, these warnings were county-based rather than storm-based. Under the county-based system, targets and actuals tended to be slightly higher.
[2] Estimate

NOAA PERFORMANCE MEASURE			
MEASURE: Severe weather warnings for tornadoes (storm-based) – False alarm rate (%)[1]			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	70%[2]	72%
FY 2011	Slightly Below	73%	72%
FY 2010	Slightly Below	74%	72%
FY 2009	Not Met	77%	72%
FY 2008	Met	74%	74%
FY 2007	Not Met	75%	68%
FY 2006	Not Met	79%	69%
FY 2005	Not Met	77%	69%
FY 2004	Improved but Not Met	74%	70%
FY 2003	Not Met	76%	70%
FY 2002	Slightly Below	73%	71%
FY 2001	Met	73%	73%
FY 2000	Not Met	76%	65%

Trend: +1. The target trend has been stable, while the actual trend is positive (for this measure, declining numbers reflect an upward trend).

[1] Prior to FY 2008, these warnings were county-based rather than storm-based. Under the county-based system, targets and actuals tended to be slightly higher.
[2] Estimate

NOAA PERFORMANCE MEASURE			
MEASURE: Severe weather warnings for flash floods (storm-based) – Lead time (minutes)[1]			
Year	**Status**	**Actual**	**Target**
FY 2012	Exceeded	57[2]	42
FY 2011	Exceeded	73	38
FY 2010	Exceeded	71	38
FY 2009	Exceeded	66	49
FY 2008	Exceeded	77	49
FY 2007	Exceeded	60	48
FY 2006	Met	49	48
FY 2005	Met	54	48
FY 2004	Improved but Not Met	48	50
FY 2003	Not Met	41	46
FY 2002	Met	53	45
FY 2001	Met	46	45
FY 2000	Not Met	43	55

Trend: +2. Target trend tends to be stable, while the actual trend has been upward (for this measure), though dipping in FY 2012.

[1] Prior to FY 2010, these warnings were county-based rather than storm-based. Under the county-based system, targets tended to be slightly higher.
[2] Estimate

NOAA PERFORMANCE MEASURE			
MEASURE: Severe weather warnings for flash floods (storm-based) – Accuracy (%)[1]			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	77%	74%
FY 2011	Met	79%	72%
FY 2010	Met	79%	72%
FY 2009	Met	91%	90%
FY 2008	Met	92%	90%
FY 2007	Met	90%	89%
FY 2006	Met	89%	89%
FY 2005	Met	89%	89%
FY 2004	Met	89%	89%
FY 2003	Met	89%	87%
FY 2002	Met	89%	86%
FY 2001	Met	86%	86%
FY 2000	Met	86%	86%

Trend: +2. While it appears that trends are negative, this is due to the change in methodology. In fact, the target trend has been stable, while the actual trend has been positive.

[1] Prior to FY 2010, these warnings were county-based rather than storm-based. Under the county-based system, targets tended to be slightly higher.

NOAA PERFORMANCE MEASURE			
MEASURE: Hurricane forecast track error (48 hours) (nautical miles)[1]			
Year	**Status**	**Actual**	**Target**
FY 2012	Exceeded	70[1]	84
FY 2011	Exceeded	71	106
FY 2010	Exceeded	89	107
FY 2009	Exceeded	70	108
FY 2008	Exceeded	89	110
FY 2007	Exceeded	86	110
FY 2006	Met	97	111
FY 2005	Met	101	128
FY 2004	Exceeded	94	129
FY 2003	Met	107	130
FY 2002	Met	122	142

Trend: +2. Both the target and actual trends have been positive (for this measure, declining numbers reflect improved performance).

[1] Beginning in FY 2007, NOAA reported the previous year's results because data isn't available until February.

NOAA PERFORMANCE MEASURE			
MEASURE: Hurricane forecast intensity error (48 hours) (difference in knots)			
Year	**Status**	**Actual**	**Target**
FY 2012	Not Met	14.4	13
FY 2011	Not Met	14	13
FY 2010	Not Met	15	13
FY 2009	Not Met	18	13
FY 2008	Met	14	14
Trend: 0. Both the target and actual trends have been stable (even if the target hasn't been met).			

NOAA PERFORMANCE MEASURE			
MEASURE: Accuracy (%) (threat score) of day 1 precipitation forecasts			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	32%	31%
FY 2011	Met	34%	30%
FY 2010	Met	35%	30%
FY 2009	Met	29%	29%
FY 2008	Met	33%	29%
FY 2007	Met	31%	29%
FY 2006	Met	30%	28%
FY 2005	Met	29%	27%
FY 2004	Met	29%	25%
FY 2003	Met	29%	25%
FY 2002	Exceeded	26%	17%
FY 2001	Not Met	19%	22%
FY 2000	Not Met	16%	20%
Trend: +2. Both target and actual trends are positive.			

NOAA PERFORMANCE MEASURE			
MEASURE: Winter storm warnings – Lead time (hours)			
Year	**Status**	**Actual**	**Target**
FY 2012	Not Met	18	19
FY 2011	Exceeded	20	15
FY 2010	Exceeded	21	15
FY 2009	Met	18	16
FY 2008	Met	17	15
FY 2007	Exceeded	18	15
FY 2006	Met	17	15
FY 2005	Met	17	15
FY 2004	Met	16	14
FY 2003	Met	14	14
FY 2002	Met	13	13
FY 2001	Met	13	13
FY 2000	Not Met	9	12
Trend: +2. Both target and actual trends are positive.			

NOAA PERFORMANCE MEASURE			
MEASURE: Winter storm warnings – Accuracy (%)			
Year	**Status**	**Actual**	**Target**
FY 2012	Not Met	83%	90%
FY 2011	Slightly Below	88%	90%
FY 2010	Met	90%	90%
FY 2009	Slightly Below	90%	91%
FY 2008	Slightly Below	89%	90%
FY 2007	Met	92%	90%
FY 2006	Slightly Below	89%	90%
FY 2005	Met	91%	90%
FY 2004	Met	90%	89%
FY 2003	Met	90%	88%
FY 2002	Met	89%	86%
FY 2001	Met	90%	86%
FY 2000	Met	85%	85%
Trend: 0. Target trend has been positive while the actuals have varied.			

NOAA PERFORMANCE MEASURE			
MEASURE: Marine wind speed accuracy (%)			
Year	**Status**	**Actual**	**Target**
FY 2012	Exceeded	76%[1]	71%
FY 2011	Met	75%	69%
FY 2010	Met	74%	69%
FY 2009	Met	74%	69%
FY 2008	Met	72%	68%
FY 2007	Met	73%	68%
FY 2006	Not Met	55%	58%
FY 2005	Met	57%	56%
FY 2004	Met	57%	55%
FY 2003	Met	57%	54%
FY 2002	Met	53%	53%
FY 2001	Slightly Below	52%	53%
FY 2000	Met	51%	51%
Trend: +2. Both the target and actual trends are positive.			
[1] Estimate			

NOAA PERFORMANCE MEASURE			
MEASURE: Marine wave height accuracy (%)			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	77%[1]	75%
FY 2011	Met	77%	74%
FY 2010	Met	76%	74%
FY 2009	Met	79%	74%
FY 2008	Met	77%	73%
FY 2007	Met	78%	73%
FY 2006	Met	70%	68%
FY 2005	Met	78%	67%
FY 2004	Met	70%	69%
FY 2003	Met	67%	66%
Trend: +2. Both the target and actual trends are positive.			
[1] Estimate			

NOAA PERFORMANCE MEASURE			
MEASURE: Aviation forecast accuracy for ceiling/visibility (3 mile/1,000 feet or less) (%)			
Year	**Status**	**Actual**	**Target**
FY 2012	**Not Met**	61%[1]	65%
FY 2011	**Slightly Below**	63%	65%
FY 2010	**Met**	65%	65%
FY 2009	**Slightly Below**	63%	64%
FY 2008	**Slightly Below**	62%	63%
FY 2007	**Slightly Below**	61%	62%

Trend: +1. Both target and actual trends are slightly positive (even if the target hasn't been met).

[1] Estimate

NOAA PERFORMANCE MEASURE			
MEASURE: Aviation forecast FAR for ceiling/visibility (3 mile/1,000 feet or less) (%)			
Year	**Status**	**Actual**	**Target**
FY 2012	**Met**	39%	40%
FY 2011	**Met**	39%	41%
FY 2010	**Met**	36%	42%
FY 2009	**Met**	38%	43%
FY 2008	**Met**	39%	44%
FY 2007	**Met**	40%	45%

Trend: 0. The target trend is positive while the actual trend has been stable (for this measure, declining numbers reflect a positive trend).

THEME 3: ENVIRONMENTAL STEWARDSHIP

STRATEGIC GOAL: *Promote economically-sound environmental stewardship and science*

ENVIRONMENTAL STEWARDSHIP TOTAL RESOURCES *(Dollars in Millions)*						
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual
Funding	$1,761.0	$1,880.4	$2,479.4	$2,249.3	$1,962.4	**$1,788.5**
FTE	4,924	4,920	5,169	5,260	5,209	**5,167**

This theme has only one goal. Therefore the Funding and FTE resources for the theme and the strategic goal are the same.

OBJECTIVE 16: Support climate adaption and mitigation (NOAA)

OBJECTIVE 16 TOTAL RESOURCES *(Dollars in Millions)*						
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual
Funding	$160.2	$297.7	$395.6	$436.6	$324.1	**$281.4**
FTE	650	580	744	796	672	**693**

NOAA PERFORMANCE MEASURE			
MEASURE: U.S. temperature forecasts (cumulative skill score computed over the regions where predictions are made)			
Year	Status	Actual	Target
FY 2012	Exceeded	28[1]	21
FY 2011	Met	22	21
FY 2010	Not Met	18	24
FY 2009	Exceeded	27.5	20
FY 2008	Exceeded	26	19
FY 2007	Exceeded	29	19
FY 2006	Exceeded	25	18
FY 2005	Met	19	18
FY 2004	Not Met	17	21
FY 2003	Not Met	17	20
FY 2002	Not Met	18	20
FY 2001	Met	20	20
FY 2000	Exceeded	25	20
Trend: 0. The target trend has been stable. Because of the influence of climate patterns, actuals tend to vary from year to year, not indicating a trend.			
[1] Estimate			

NOAA PERFORMANCE MEASURE			
MEASURE: Uncertainty in the magnitude of the North American (NA) carbon uptake			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	0.40 GtC/year[1]	0.40 GtC/year
FY 2011	Met	0.40 GtC/year	0.40 GtC/year
FY 2010	Met	0.40 GtC/year	0.40 GtC/year
FY 2009	Met	0.40 GtC/year	0.40 GtC/year
FY 2008	Met	0.40 GtC/year	0.40 GtC/year
FY 2007	Met	0.40 GtC/year	0.40 GtC/year
FY 2006	Met	0.40 GtC/year	0.40 GtC/year
FY 2005	Not Met	0.40 GtC/year	0.48 GtC/year
FY 2004	Met	0.50 GtC/year	0.70 GtC/year
Trend: 0. This is a maintain standards measure. The target and the actual trends have remained stable.			
[1] Estimate			

NOAA PERFORMANCE MEASURE			
MEASURE: Error in global measurement of sea surface temperature			
Year	**Status**	**Actual**	**Target**
FY 2012	Not Met	0.56°C	0.50°C
FY 2011	Slightly Below	0.51°C	0.50°C
FY 2010	Met	0.50°C	0.53°C
FY 2009	Met	0.50°C	0.50°C
FY 2008	Met	0.50°C	0.50°C
FY 2007	Not Met	0.53°C	0.50°C
FY 2006	Not Met	0.53°C	0.50°C
Trend: 0. The target trend has been stable, the actual has varied.			

NOAA PERFORMANCE MEASURE			
MEASURE: Annual percentage of U.S. states and territories that use NOAA climate information and services to improve decision-making in the face of a changing climate			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	22%	22%

OBJECTIVE 17: Develop sustainable and resilient fisheries, habitats, and species (NOAA)

OBJECTIVE 17 TOTAL RESOURCES *(Dollars in Millions)*						
	FY 2007 Actual	**FY 2008 Actual**	**FY 2009 Actual**	**FY 2010 Actual**	**FY 2011 Actual**	**FY 2012 Actual**
Funding FTE	$986.0 2,983	$973.6 2,994	$1,245.4 3,058	$1,125.8 3,105	$1,043.1 3,164	**$976.1 3,122**

NOAA PERFORMANCE MEASURE			
MEASURE: Fish stock sustainability index (FSSI)			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	606	603.5
FY 2011	Met	587	586
FY 2010	Met	582.5	580
FY 2009	Met	565.5	548.5
FY 2008	Met	535	530.5
FY 2007	Met	524	505
Trend: +2. Both the target and actual trends are positive.			

NOAA PERFORMANCE MEASURE			
MEASURE: Percentage of fish stocks with adequate population assessments and forecasts			
Year	**Status**	**Actual**	**Target**
FY 2012	Slightly Below	56.1% (129/230)	57.4% (132/230)
FY 2011	Not Met	57.4% (132/230)	60.4% (139/230)
FY 2010	Met	57.4% (132/230)	57.4% (132/230)
FY 2009	Met	59.1% (136/230)	57.4% (132/230)
FY 2008	Met	56.1% (129/230)	55.7% (128/230)
FY 2007	Met	55.7% (128/230)	53.9% (124/230)
FY 2006	Not Met	52.2% (120/230)	57.8% (133/230)
Trend: 0. Both the target and actual trends are stable.			

NOAA PERFORMANCE MEASURE			
MEASURE: Number of protected species with adequate population assessments and forecasts			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	20.9% (79/378)	20.6% (78/378)
FY 2011	Not Met	17.6% (69/392)	18.6% (73/392)
FY 2010	Met	20.1% (75/373)	20.1% (75/373)
FY 2009	Met	29.8% (74/248)	27.8% (69/248)
FY 2008	Not Met	25.2% (61/242)	27.3% (66/242)
FY 2007	Met	26.6% (64/241)	26.6% (63/237)
FY 2006	Met	26.1% (61/234)	25.2% (59/464)
Trend: 0. Both the target and actual percentage trends are negative, whereas the number (as opposed to percentage) of species with assessments trend is positive.			

NOAA PERFORMANCE MEASURE			
MEASURE: Number of protected species designated as threatened, endangered, or depleted with stable or increasing population levels			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	29	28
FY 2011	Met	29	28
FY 2010	Met	29	25
FY 2009	Met	25	22
FY 2008	Met	24	22
FY 2007	Met	26	26
FY 2006	Met	26	24
Trend: +1. Both the target and actual trends are slightly positive.			

NOAA PERFORMANCE MEASURE			
MEASURE: Number of habitat acres restored (annual)[1]			
Year	**Status**	**Actual**	**Target**
FY 2012	Exceeded	8,242[2]	80,007
FY 2011	Exceeded	15,420	8,888
FY 2010	Not Met	6,907	8,875
FY 2009	Met	9,232	9,000
FY 2008	Exceeded	11,254	9,000
FY 2007	Met	5,974	5,000
FY 2006	Exceeded	7,598	4,500
FY 2005	Exceeded	8,333	4,500
FY 2004	Exceeded	5,563	3,700
FY 2003	Exceeded	5,200	2,829
Trend: +2. Both the target and actual trends are positive.			

[1] In FY 2012, NOAA began including the Pacific Coast Salmon Recovery Fund, hence the large increase in the target between FY 2011 and FY 2012.
[2] Acres restored with funding from the Pacific Coastal Salmon Recovery Fund were not available at the time of publication. The acres shown were restored from Habitat Program funding, which exceeded the target of 6,007.

OBJECTIVE 18: Support coastal communities that are environmentally and economically sustainable (NOAA)

OBJECTIVE 18 TOTAL RESOURCES *(Dollars in Millions)*						
	FY 2007 Actual	**FY 2008 Actual**	**FY 2009 Actual**	**FY 2010 Actual**	**FY 2011 Actual**	**FY 2012 Actual**
Funding	$614.8	$609.1	$838.4	$686.9	$595.2	**$531.0**
FTE	1,291	1,346	1,367	1,359	1,373	**1,352**

NOAA PERFORMANCE MEASURE			
MEASURE: Annual number of coastal, marine, and Great Lakes ecological characterizations that meet management needs			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	51	51
FY 2011	Met	50	50
FY 2010	Slightly Below	48	50
FY 2009	Met	50	50
FY 2008	Met	45	45
FY 2007	Met	27	27
FY 2006	Met	62	53
Trend: 0. With the exception of FY 2007, both the target and actual trends tended to be stable.			

NOAA PERFORMANCE MEASURE			
MEASURE: Cumulative number of coastal, marine, and Great Lakes issue-based forecasting capabilities developed and used for management			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	58	55
FY 2011	Met	55	45
FY 2010	Met	42	42
FY 2009	Met	41	41
FY 2008	Met	38	38
FY 2007	Met	35	35
FY 2006	Met	31	31
Trend: 0. While it appears that the trends are positive, these numbers are cumulative. The differences between each year tend to be the same from year to year.			

NOAA PERFORMANCE MEASURE			
MEASURE: Percentage of tools, technologies, and information services that are used by NOAA partners/customers to improve ecosystem-based management			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	88%	88%
FY 2011	Met	88%	87%
FY 2010	Met	88%	86%
FY 2009	Met	86%	86%
FY 2008	Met	86%	86%
FY 2007	Met	85%	85%
Trend: 0. This is a maintain standards measure. The target and the actual trends have remained stable.			

NOAA PERFORMANCE MEASURE			
MEASURE: Annual number of coastal, marine, and Great Lakes habitat acres acquired or designated for long-term protection			
Year	**Status**	**Actual**	**Target**
FY 2012	Exceeded	8,694,070[1]	69,550
FY 2011	Not Met	17,274	19,219
FY 2010	Exceeded	21,341	2,000
FY 2009	Met	2,247	2,000
FY 2008	Exceeded	6,219	2,000
FY 2007	Met	2,000	2,000
FY 2006	Exceeded	> 86,000,000[1]	200,137

Trend: 0. No trends appear to exist for this measure since the numbers vary largely from year to year.

[1] The large FY 2006 actual reflects the new Northwest Hawaiian Islands Marine National Monument. The large FY 2012 actual reflects the expansion of the Fagatele Bay National Marine Sanctuary in American Samoa.

NOAA PERFORMANCE MEASURE			
MEASURE: Percentage of U.S. coastal states and territories demonstrating 20% or more annual improvement in resilience capacity to weather and climate hazards (%/year)			
Year	**Status**	**Actual**	**Target**
FY 2012	Exceeded	46%	34%
FY 2011	Exceeded	43%	36%

NOAA PERFORMANCE MEASURE			
MEASURE: Hydrographic survey backlog within navigationally significant areas (square nautical miles surveyed per year)			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	2,947	2,200
FY 2011	Not Met	2,278	2,400
FY 2010	Not Met	4,395	5,160
FY 2009	Met	3,219	3,000
FY 2008	Not Met	2,127	2,500
FY 2007	Exceeded	3,198	1,350
FY 2006	Met	2,851	2,500
FY 2005	Met	3,079	2,700
FY 2004	Improved but Not Met	2,070	2,290
FY 2003	Not Met	1,762	2,100

Trend: 0. With the exception of one year (FY 2010), it appears that the trends for both the actuals and targets are relatively stable.

NOAA PERFORMANCE MEASURE			
MEASURE: Percent of U.S. and territories enabled to benefit from a new national vertical reference system for improved inundation management[1]			
Year	**Status**	**Actual**	**Target**
FY 2012	**Met**	23.9%	20%
FY 2011	**N/A**	14.7%	N/A
FY 2010	**N/A**	7.83%	N/A

[1] This measure replaced "Percentage of U.S. counties rated as fully enabled or substantially enabled with accurate positioning capacity." NOAA has actuals for FY 2010-2011, but did not have targets.

While the themes of **Customer Service**, **Organizational Excellence**, and **Workforce Excellence** apply to a certain degree to all the Departmental bureaus, for performance, FTE and funding presentation purposes, only the administrative bureaus—**Departmental Management** (DM) and the **Office of Inspector General** (OIG)—are reflected in these themes. Furthermore, the FTE has been consolidated and appear only in the Organizational Excellence theme.

THEME 4: CUSTOMER SERVICE

STRATEGIC GOAL: *Create a culture of outstanding communication and services to our internal and external customers*

CUSTOMER SERVICE TOTAL RESOURCES *(Dollars in Millions)*						
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual
Funding	$8.6	$6.1	$7.7	$7.0	$9.3	**$9.2**
FTE	N/A	N/A	N/A	N/A	N/A	**N/A**

This theme has only one goal. Therefore the Funding and FTE resources for the theme and the strategic goal are the same. The following three objectives apply to this theme with only Objectives 19 and 21 receiving funding. The three measures that follow the funding tables apply to all three objectives.

- OBJECTIVE 19: Provide streamlined services and a single point of contact assistance to customers, improving interaction and communication through CommerceConnect, partnerships, and other means of stakeholder involvement (DM)
- OBJECTIVE 20: Promote information access and transparency through the use of technology, fuller understanding of customer requirements, and new data products and services that add value for customers (DM)
- OBJECTIVE 21: Provide a high level of customer service to our internal and external customers through effective and efficient functions implemented by empowered employees (DM)

OBJECTIVE 19 TOTAL RESOURCES *(Dollars in Millions)*						
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual
Funding	N/A	N/A	N/A	N/A	$0.9	**$2.4**
FTE	N/A	N/A	N/A	N/A	N/A	**N/A**

OBJECTIVE 21 TOTAL RESOURCES *(Dollars in Millions)*						
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual
Funding	$8.6	$6.1	$7.7	$7.0	$8.4	**$6.8**
FTE	N/A	N/A	N/A	N/A	N/A	**N/A**

DM PERFORMANCE MEASURE			
MEASURE: Number of referrals made			
Year	Status	Actual	Target
FY 2012	Not Met	703	1,100

DM PERFORMANCE MEASURE			
MEASURE: Number of companies engaged – field operations			
Year	Status	Actual	Target
FY 2012	Met	401	400

DM PERFORMANCE MEASURE			
MEASURE: Number of existing Commerce field locations			
Year	Status	Actual	Target
FY 2012	Not Met	19	30

THEME 5: ORGANIZATIONAL EXCELLENCE

STRATEGIC GOAL: *Create a high-performing organization with integrated, efficient, and effective service delivery*

ORGANIZATIONAL EXCELLENCE TOTAL RESOURCES *(Dollars in Millions)*						
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual
Funding FTE	$58.5 302	$56.6 286	$67.2 278	$81.7 349	$76.4 333	**$73.2 297**

This theme has only one goal. Therefore the Funding and FTE resources for the theme and the strategic goal are the same. All the FTE appear in Objective 22.

OBJECTIVE 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)

OBJECTIVE 22 TOTAL RESOURCES *(Dollars in Millions)*						
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual
Funding FTE	$49.1 302	$48.4 286	$53.9 278	$66.2 349	$58.8 333	**$55.7 297**

DM PERFORMANCE MEASURE			
MEASURE: Provide accurate and timely financial information and conform to federal standards, laws, and regulations governing accounting and financial management			
Year	**Status**	**Actual**	**Target**
FY 2012	Not Met	• Did not eliminate significant deficiency • Completed A-123 assessment	• Eliminate any significant deficiency within 1 year of determination that there is a significant deficiency • Complete FY 2012 A-123 assessment of internal controls
FY 2011	Met	• Eliminated significant deficiency • Completed A-123 assessment	• Eliminate any significant deficiency within 1 year of determination that there is a significant deficiency • Complete FY 2011 A-123 assessment of internal controls
FY 2010	Not Met	• One significant deficiency was not eliminated • Completed FY 2010 A-123 assessment of internal controls for financial reporting	• Eliminate any significant deficiency within 1 year of determination that there is a significant deficiency • Complete FY 2010 A-123 assessment of internal controls
FY 2009	Not Met	• One significant deficiency was not eliminated • Completed FY 2009 A-123 assessment of internal controls for financial reporting	• Eliminate any significant deficiency within 1 year of determination that there is a significant deficiency • Complete FY 2009 A-123 assessment of internal controls
FY 2008	Not Met	• The Department closed 70% of prior year financial systems audit findings • Completed FY 2008 A-123 assessment of internal controls for financial reporting • Significant deficiency was not eliminated	• Eliminate any significant deficiency within 1 year of determination • Complete FY 2008 A-123 assessment of internal controls

(continued)

DM PERFORMANCE MEASURE *(continued)*			
MEASURE: Provide accurate and timely financial information and conform to federal standards, laws, and regulations governing accounting and financial management *(continued)*			
Year	**Status**	**Actual**	**Target**
FY 2007	**Not Met**	• Completed migration of Commerce Business System • Completed assessment of internal controls • Significant deficiency was not eliminated	• Eliminate any significant deficiency within 1 year of determination • Complete internal control and document review • Complete FY 2007 A-123 assessment of internal controls • Migrate Commerce Business System to an all Web-base architecture
FY 2006	**Not Met**	• Reportable condition not eliminated	• Eliminate any reportable condition within 1year of determination • 95% of management with access to the CRS have financial data/reports by the 15th of month
FY 2005	**Not Met**	• Corrective action plan (CAP) met • Reportable condition not eliminated	• Eliminate any reportable condition within 1 year of the determination that there is a reportable condition • 90% of management with access to the Consolidated Reporting System (CRS) have financial data/reports by the 15th of month
Trend: +2. From FY 2010 to FY 2011 and FY 2012, DM made a significant accomplishment/change in eliminating the significant deficiency. This reflects a positive trend.			

DM PERFORMANCE MEASURE			
MEASURE: Effectively use commercial services management[1]			
Year	**Status**	**Actual**	**Target**
FY 2012	**Slightly Below**	• 1% increase • 16% decrease	• Increase use of competition by 2% measured by procurement dollars awarded • Decrease procurement dollars awarded on cost-reimbursement, time and materials, and labor hour contracts by 10%
FY 2011	**Exceeded**	• 9.3% increase (from 75% in FY 2010 to 82% in FY 2011) • 22.8% decrease (from $175M in FY 2010 to $135M in FY 2011)	• Increase use of competition by 2% measured by procurement dollars awarded • Decrease procurement dollars awarded on cost-reimbursement, time and materials, and labor hours contracts by 10%
FY 2010	**N/A**	• Maintained and monitored existing activities, however, no new cost comparisons were permitted under this year's appropriation language, therefore the result is considered not applicable	• Increase use of competition by 2%, measured by procurement dollars awarded • Decrease procurement dollars awarded on a cost-reimbursement, time and materials, and labor hours contracts by 10%
FY 2009	**Met**	• Due to change in Administration, all new competitive sourcing comparisons have been placed on hold. The same is true for the Green Plan. • 2009 FAIR Act Inventory filed timely with OMB	• Use business process re-engineering, feasibility studies, and/or similar initiatives to identify operational efficiency and effectiveness opportunities
FY 2008	**Met**	• Completed several feasibility studies in FY 2008 and planned several more for FY 2009	• Use business process re-engineering, feasibility studies, and/or similar initiatives to identify operational efficiency and effectiveness opportunities
FY 2007	**Met**	• Bureaus identified FY 2008 feasibility studies which were submitted as part of the Green Plan	• Update and/or continue to implement FY 2006 plan to conduct feasibility studies of Department commercial functions to determine potential new competitions/studies in the outyears

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DM PERFORMANCE MEASURE *(continued)*			
MEASURE: Effectively use commercial services management[1] *(continued)*			
FY 2006	Met	• Green Plan submitted to OMB on 9/28/2006	• Finalize new green competition plan based on 08/2005 CFO council outcome
FY 2005	Met	• Feasibility studies nominated for 168 FTE	• Complete feasibility studies for 168 FTE to determine 2005-2006 studies
FY 2004	Met	• New FAIR inventory guidance developed	• Multi-year plan under development
FY 2003	Not Met	• Completed competition on 6.6%	• Complete competitions on 10%
FY 2002	Not Met	• Completed competition on 1%	• Complete competition on 5%
FY 2001	Met	• Commercial inventory – submitted 6/30/2001	• Commercial inventory – complete by 6/30/2001
FY 2000	Met	• Commercial inventory – submitted 6/30/2000	• Commercial inventory – complete by 6/30/2000
Trend: 0. Target and actual trends are stable.			

[1] Prior to FY 2005, this was stated as "Expand A-76 competitions and more accurate FAIR Act inventories."

OIG PERFORMANCE MEASURE			
MEASURE: Percent of OIG recommendations accepted by Departmental and bureau management			
Year	**Status**	**Actual**	**Target**
FY 2012	Slightly Below	90%[1]	95%
FY 2011	Met	100%	95%
FY 2010	Met	99%	95%
FY 2009	Met	97%	95%
FY 2008	Met	99%	95%
FY 2007	Met	96%	95%
FY 2006	Met	96%	95%
FY 2005	Met	99%	90%
FY 2004	Met	98%	90%
FY 2003	Met	97%	90%
Trend: +1. The target trend has been stable though it increased in 2006 in response to better performance. The actual trend was slightly positive from FY 2003 - FY 2011.			

[1] Estimate.

OIG PERFORMANCE MEASURE			
MEASURE: Dollar value of financial benefits identified by the OIG			
Year	**Status**	**Actual**	**Target**
FY 2012	Exceeded	$175.8M	$39.0M
FY 2011	Not Met	$33.6M	$39.0M
FY 2010	Exceeded	$47.8M	$38.0M
FY 2009	Exceeded	$126.9M	$32.0M
FY 2008	Exceeded	$113.9M	$28.0M
FY 2007	Exceeded	$51.7M	$29.6M
FY 2006	Met	$34.2M	$30.0M
FY 2005	Exceeded	$32.0M	$23.0M
FY 2004	Exceeded	$26.0M	$20.0M
FY 2003	Exceeded	$43.3M	$20.0M

Trend: +1. The target trend has been positive while the actual trend has varied.

OIG PERFORMANCE MEASURE			
MEASURE: Percent of criminal and civil matters that are accepted for prosecution			
Year	**Status**	**Actual**	**Target**
FY 2012	Not Met	40%	75%
FY 2011	Slightly Below	73%	75%
FY 2010	Not Met	38%	75%
FY 2009	Met	78%	63%
FY 2008	Met	73%	63%
FY 2007	Met	73%	63%
FY 2006	Exceeded	91%	63%
FY 2005	Exceeded	81%	62%
FY 2004	Exceeded	67%	50%
FY 2003	Met	50%	50%

Trend: 0. With the exception of FY 2010 and FY 2012, the trend for actuals has been positive from FY 2003 onward. The targets trend has been positive from FY 2003 onward, while the actual trend has varied widely.

OBJECTIVE 23: Re-engineer key business processes to increase efficiencies, manage risk, and strengthen effectiveness (DM)

OBJECTIVE 23 TOTAL RESOURCES *(Dollars in Millions)*						
	FY 2007 Actual	**FY 2008 Actual**	**FY 2009 Actual**	**FY 2010 Actual**	**FY 2011 Actual**	**FY 2012 Actual**
Funding FTE	$3.2 N/A	$3.0 N/A	$4.0 N/A	$3.6 N/A	$3.9 N/A	**$3.8** **N/A**

DM PERFORMANCE MEASURE			
MEASURE: Obligate funds through performance-based contracting (% of eligible service contracting $)			
Year	**Status**	**Actual**	**Target**
FY 2012	Not Met	45%	50%
FY 2011	Not Met	39%	50%
FY 2010	Not Met	37%	50%
FY 2009	Improved but Not Met	45%	50%
FY 2008	Not Met	28%	50%
FY 2007	Not Met	28%	40%
FY 2006	Not Met	30%	50%
FY 2005	Not Met	< 50%	50%
FY 2004	Met	42%	40%
FY 2003	Not Met	24%	30%
FY 2002	Met	31%	25%
FY 2001	Met	25%	10%
Trend: +2. Both the target and actual trends have been slightly positive even if the targets were rarely met.			

OBJECTIVE 24: Create an IT enterprise architecture that supports mission-critical business and programmatic requirements, including effective management of cyber security threats (DM)

OBJECTIVE 24 TOTAL RESOURCES *(Dollars in Millions)*						
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual
Funding FTE	$6.2 N/A	$5.2 N/A	$9.3 N/A	$11.9 N/A	$13.7 N/A	**$13.7** **N/A**

DM PERFORMANCE MEASURE			
MEASURE: Improve the management of information technology			
Year	**Status**	**Actual**	**Target**
FY 2012	Met	• 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.	• 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.

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DM PERFORMANCE MEASURE *(continued)*			
MEASURE: Improve the management of information technology *(continued)*			
FY 2011	**Met**	• All IT investments within 10% of cost and schedule • Reviews completed • 89% completion rate • NCSD 3-10 did not receive funding	• 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
FY 2010	**Met**	• IT investments had cost/schedule overruns and performance shortfalls averaging less than 10% • Completed security and vulnerability assessments for all operating units. Submitted findings and recommendations to operating units and OCIO for review. • Implemented cybersecurity development program and graduated 20 candidates from the Department's first class. Enrolled candidates in the program's second class. More than eight candidates have obtained or are planning to obtain security-related certifications. • Deployed national security and emergency network in the development environment. Received official approval to connect from Defense Intelligence Agency.	• 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 • Deploy an enterprise-wide role-based cybersecurity training program • Deploy national security and emergency initial operating capability
FY 2009	**Met**	• Cost/schedule overruns/performance shortfalls averaged under 10% • CSAM C&A enhancements were deployed • IT security compliance in all operating unites and five FISMA systems in CSAM were reviewed	• Cost/schedule overruns/performance shortfalls less than 10% • All national-critical and mission-critical systems certified and accredited with acceptable, quality documentation in place
FY 2008	**Met**	• Cost/schedule overruns/performance shortfalls less than 10% • All national-critical and mission-critical systems certified and accredited with acceptable, quality documentation in place	• Cost/schedule overruns/performance shortfalls less than 10% • All national-critical and mission-critical systems certified and accredited with acceptable, quality documentation in place
FY 2007	**Met**	• Cost/schedule overruns/performance shortfalls less than 10% • All national-critical and mission-critical systems certified and accredited	• Cost/schedule overruns/performance shortfalls less than 10% • All national-critical and mission-critical systems certified and accredited
FY 2006	**Met**	• Cost overruns and performance shortfalls less than 10% • All national-critical and mission-critical systems certified and accredited	• Cost/schedule overruns/performance shortfalls less than 10% • All national-critical and mission-critical systems certified and accredited
FY 2005	**Met**	• Cost overruns and performance shortfalls less than 10%	• Cost overruns and performance shortfalls less than 10%
Trend: 0. Both the target and actual trends tended to be stable from year to year.			

THEME 6: WORKFORCE EXCELLENCE

STRATEGIC GOAL: ***Develop and support a diverse, highly qualified workforce with the right skills in the right jobs to carry out the Department's mission***

WORKFORCE EXCELLENCE TOTAL RESOURCES *(Dollars in Millions)*						
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual
Funding	$5.1	$4.9	$6.0	$5.4	$5.4	**$4.9**
FTE	N/A	N/A	N/A	N/A	N/A	**N/A**

This theme has only one goal with the following three objectives.

- OBJECTIVE 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)
- OBJECTIVE 26: Create an optimally-led Department by focusing on leadership development, accountability, and succession planning (DM)
- OBJECTIVE 27: Provide an environment that empowers employees and creates a productive and safe workplace (DM)

Since only Objective 25 has funding, separate funding tables for Objectives 26 and 27 do not appear. In addition, only Objective 25 has performance measures with targets in FY 2012. That measure appears below.

DM PERFORMANCE MEASURE			
MEASURE: Acquire and maintain diverse and highly qualified staff in mission-critical occupations			
Year	**Status**	**Actual**	**Target**
FY 2012	**Met**	• 84 calendar days • 122 Department participants in leadership development programs • 711 participants in Careers in Motion	• Meet or exceed the 80-day hiring goals mandated by OPM • Train 100-200 Department participants on leadership development programs via ALDP, ELDP, APCP, and SES CDP • Train 180-200 participants via Careers in Motion
FY 2011	**Exceeded**	• Four mission-critical occupations • 83 calendar days • 103 participants in leadership development • 382 participants in Careers in Motion	• Have new competency models in place for three mission-critical occupations for use in workforce recruitment, training, and development activities • 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
FY 2010	**Met**	• Produced competency models for four mission-critical occupations • Established a hiring process baseline at 133 days for 2009. Then 105 calendar day average in FY 2010. • Trained 98 ALDP, ELDP, and APCP participants via leadership programs and 181 employees via the Careers in Motion Program • Integrated Commerce Learning Center in program administration to enhance measurement of results	• Have new competency models in place for three mission-critical occupations for use in workforce recruitment, training, and development activities • Meet or exceed the 80-day hiring goals mandated by OPM • Train up to 50-70 participants on leadership development programs via ALDP, ELDP, and APCP, and 180-200 participants via Careers in Motion • Integrate Commerce Learning Center in program administration to enhance tracking and progress monitoring

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DM PERFORMANCE MEASURES *(continued)*			
MEASURE: Acquire and maintain diverse and highly qualified staff in mission-critical occupations *(continued)*			
Year	**Status**	**Actual**	**Target**
FY 2009	**Exceeded**	• Competency models in place for four series including budget analyst, meteorologist, oceanographer, and hydrologist • Average time to fill of 31 days for non-SES candidates • 100 trainees graduated from leadership development programs • Department employees nationwide applied to ALDP	• Have new competency models in place for three mission-critical occupations for use in workforce recruitment, training, and development activities • Meet or exceed the 45-day hiring goals mandated by OPM • Train up to 50-60 participants on leadership development programs via ALDP, ELDP, and APCP • Open ALDP to Department employees nationwide
FY 2008	**Exceeded**	• Delivered a total of four competency models for the economist, acquisition, mathematical statistician, and chemist series • Exceeded the OPM 45-day-time-to-hire standard with an average fill time of 31 days for non-SES vacancies	• Have new competency models in place for three mission-critical occupations for use in applicant selections and training and development decisions • Meet or exceed the 45-day hiring goals mandated by OPM
FY 2007	**Met**	• Trained post-secondary internship program applicants to increase applicant pools • Trained managers to make better hiring decisions • Trained employees in project management to close skill gaps	• Improve recruitment strategies via targeted activities • Assist managers in making better selections • Close skill gaps
FY 2006	**Met**	• Marketed job vacancies to organizations via automated hiring system • Participated in career fairs and special programs • Conducted training of managers and employees	• Improve recruitment strategies via targeted activities • Assist managers in making better selections • Close skill gaps
FY 2005	**Met**	• Improved from 28% to 29% • Maintained 30 day fill-time	• Improve representation in underrepresented groups • Maintain 30 day fill-time
Trend: +1. Both the target and actual trends tend to be positive.			

STAKEHOLDERS AND CROSSCUTTING PROGRAMS

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

DEPARTMENT OF COMMERCE BUREAU ACTIVITIES

Advanced manufacturing
Chemical Weapons Convention compliance
Defense industrial base activities
Economic development
Economic distress and recovery efforts
Environmental programs
Export controls
Homeland security
Improve the environment
Information Technology
Market access improvements
Measurements and standards
Minority-owned business development
Patents, trademarks and intellectual property
Research
Smart Grid (or energy)
Telecommunications
Technology transfer
Tracking the U.S. economy through GDP and other statistics
Trade policies

OTHER FEDERAL AGENCIES AND ORGANIZATIONS

Agency for Health Care Research and Quality
Agency for International Development
Appalachian Regional Commission
Bureau of Justice Statistics
Bureau of Transportation Statistics
Central Intelligence Agency
Customs/Border and Transportation Security
Delta Regional Authority
Department of Agriculture
Department of Defense
Department of Education
Department of Energy
Department of Homeland Security
Department of Housing and Urban Development
Department of Justice
Department of Labor
Department of State
Department of Transportation
Department of the Treasury
Environmental Protection Agency
European Patent Office
Federal Aviation Administration
Federal Bureau of Investigation
Federal Communications Commission
Food and Drug Administration
Indian tribes
National Aeronautics and Space Administration
National Institutes of Health
National Science Foundation
Small Business Administration
U.S. Coast Guard
U.S. Postal Service
U.S. States
Other Countries and Organizations

FY 2012 MANAGEMENT CHALLENGES AND ACTIONS TAKEN

Top Management Challenges Facing the Department

The Reports Consolidation Act of 2000 requires inspectors general to identify the top management challenges facing their departments. In October 2011, the Department of Commerce OIG identified five challenges that require significant departmental attention in FY 2012 and beyond.

1. Effectively Promote Exports, Stimulate Economic Growth, and Create Jobs

The Department is at the center of the federal government's efforts to promote exports and stimulate economic development while regulating imports and exports, marine fisheries, and patents and trademarks. Effective implementation of these initiatives requires the Secretary to work closely with interagency partners and integrate Department resources in order to:

Implement Administration Initiatives with Effective Interagency Partnerships. More than 20 federal agencies perform trade-related functions. The Department plays a critical role in working with these partners to implement the administration's three government-wide initiatives: promote U.S. exports, reform the export control system, and reorganize the federal government's trade promotion responsibilities. The Department reported that, as of August 2011, the joint efforts by Export Promotion Cabinet agencies have resulted in a 17 percent increase in exports since 2009. However, ongoing management attention will be necessary to promote continued progress in these areas.

Enhance Commerce Unit Operations to Help Promote Trade and Job Creation. Various bureaus within the Department engage in trade-related functions. The Department began improving coordination among these units by launching "CommerceConnect" in 2009—a website providing a portfolio of government assistance to businesses. The Department continues facing challenges:

- repatriating manufacturing jobs in America;
- allocating resources to support the President's National Export Initiative;
- reducing patent backlog, improving processing times, and implementing patent reform;
- improving technical and financial assistance to promote domestic job growth; and
- ensuring the elimination of social and economic surveys does not adversely affect vital national indicators.

Correct Unfair Trade Practices and Protect Our National Security Through Enforcement Activities. While trade promotion is an essential part of its mission, the Department must also maintain strong trade enforcement programs, so that the United States can thrive in the global marketplace. Among the bureaus, BIS faces the greatest challenge as it helps to implement the long-term goals of the Export Control Reform initiatives.

Improve Regulatory Reviews to Protect and Promote Public Interests. In addition to imports and exports, the Department is also responsible for regulating marine fisheries (to protect ocean resources) and patents and trademarks (to protect intellectual property). The Department should conduct adequate cost–benefit analyses and identify meaningful performance measures for regulatory activities to avoid overburdening affected industries. This is especially important for balancing NOAA's goals of protecting the environment and supporting the fishing industry.

Bureau Responses:

Implement Administration Initiatives with Effective Interagency Partnerships.

ITA

The Department plays an important leadership function among the more than 20 agencies performing trade-related functions as (1) the statutory Chair of the Trade Promotion Coordinating Committee (TPCC); (2) the home of interagency coordinating bodies such as the Advocacy Center, the Trade Compliance Center, and Export.Gov; and (3) the primary backbone of the U.S. Government's (USG) domestic and overseas export promotion field operations.

The Department's TPCC Secretariat provides critical support to the Export Promotion Cabinet's (EPC) National Export Initiative (NEI). TPCC working groups developed the NEI's baseline 70 recommendations, and the TPCC Secretariat drafted the EPC's NEI Report to the President in September 2010. The TPCC has since dedicated the annual National Export Strategy Report to reporting on the progress of the NEI and on new government-wide performance metrics. TPCC working groups (e.g. The TPCC Renewable Energy/Energy Efficiency Working Group) remain actively engaged in implementing NEI recommendations. In 2012, the White House National Security Staff (NSS) called for a renewed NEI effort to increase the national base of small business exporters. Along with the Commerce Department hosting and chairing joint TPCC Principals/EPC meetings, new NSS working groups and the TPCC Small Business Working Group met weekly to develop aggressive new recommendations, timeframes, and metrics. Consecutive increases of U.S. goods and services exports of 17 percent in 2010 and 14 percent in 2011 (the last year of available data) supported 1.2 million more jobs than in 2009, and resulted in exports surpassing $2 trillion for the first time (to $2.1 trillion). In 2012, U.S. exports have grown less rapidly due to economic downturns in markets like Europe and China – factors adding to the Administration's emphasis on the renewed export push described above toward the NEI's five year goal of doubling exports and supporting 2 million jobs.

In 2012, Commerce and the TPCC Secretariat played a major role in developing new initiatives, including: a coordinated national marketing campaign, outreach to large and small U.S. banks to support exports, a national training program for federal trade counselors and partners, clarification of interagency client intake and referral procedures domestically, and a new interagency consultations process to address resource alignment and alternative service delivery models in overseas markets. Many of these new initiatives will now be implemented in the next six months, with timeframes, milestones, and metrics in place to track progress.

Enhance Commerce Unit Operations to Help Promote Trade and Job Creation.

Repatriating manufacturing jobs in America

ITA

SelectUSA: Established by Executive Order on June 15, 2011, SelectUSA is the first coordinated federal effort to pursue and win business investment in the United States. It was created to showcase the United States as the world's premier business location and to make accessible federal government programs and services related to business investment. SelectUSA is designed to complement the activities of states—the primary drivers of economic development—and spur economic growth, job creation and repatriation. As competitor nations develop aggressive inward investment programs, SelectUSA is designed to be a key component to strengthening the U.S. image and competitiveness in this area.

Foreign direct investment contributes significantly to U.S. economic growth and prosperity. Output from U.S. affiliates accounted for almost 6 percent of total U.S. private sector output in 2008, 42 percent of which was in the manufacturing sector. FDI plays a vital role in supporting U.S. jobs and helping to bolster U.S. export competitiveness. For example, U.S. subsidiaries of foreign-owned firms accounted for 19 percent of all U.S. goods exports in 2007. In addition, U.S. subsidiaries of foreign-owned firms employed approximately 5.7 million U.S. workers in 2008, which accounted for 5 percent of the private workforce employment.

SelectUSA has used its 2012 pilot year to develop a robust outreach strategy focused on leveraging the Department of Commerce's foreign and domestic fields. Internationally, SelectUSA identified 25 target markets for focused outreach and engagement. Those markets - which include Belgium, Brazil, Canada, China & Hong Kong, Finland, France, Germany, India, Ireland, Israel, Italy, Japan, Mexico, Netherlands, Russia, Saudi Arabia, Singapore, South Korea, Spain, Sweden, Switzerland, Taiwan, United Arab Emirates, and United Kingdom – comprise 90 percent of current foreign direct investment (FDI) in the United States. SelectUSA provided training to commercial officers in 23 of these 25 target markets. Domestically, SelectUSA is increasing awareness of its services among U.S. economic development organizations and other key stakeholders by leveraging intra-agency partners, including the National Institute of Science and Technology's Manufacturing Extension Partnership (NIST-MEP), the Economic Development Administration (EDA), the Minority Business Development Agency (MBDA), and the U.S. Patent and Trademark Office (USPTO).

Allocating Resources to Support the President's National Export Initiative

ITA

The US&FCS (United States and Foreign Commercial Service) is the USG's front facing exporter support unit, focusing on "export generating trade promotion" activities in an increasingly global marketplace, all priories of the President's National Export Initiative. US&FCS is presently in 72 markets comprising 94 percent of the global market for American exports. US&FCS will continue to align its resources to help U.S. firms to become more globally competitive, including increased staff support to Export.Gov, continuing with the regionalization of US&FCS posts overseas, and repositioning staff based on a regularly updated resource allocation model. These initiatives will focus on increasing our expertise and involvement in priority markets and sectors that offer the greatest opportunity for U.S. companies. The Export 2.0 program delivers customized export content to U.S. companies, particularly SMEs, through a personalized web experience. The program consists of a knowledge center staffed by content and web experts that assess web content needs and develop content tailored for the web; a modern technology platform with cutting edge features; and a Customer Relationship Management (CRM) system. In addition, the program integrates all export-related content and contacts across the Federal Government's Trade Promotion Coordinating Committee (TPCC) agencies into a single web platform. The Export.gov 2.0 web portal and its content are seamlessly integrated to the larger BusinessUSA.gov platform. The US&FCS is also working to leverage partnerships and technology via the Export.Gov web-based platform to assist U.S. companies entering more markets. The US&FCS core competencies of export promotion, advocacy and commercial diplomacy will continue to be sustained.

Reducing patent backlog, improving processing times, and implementing patent reform

USPTO

The following initiatives will be implemented to meet the OIG management challenges to reform the patent application process, update the IT systems, and reduce pendency time:

- The USPTO has adopted significant revisions to the patent examiner production (count) system. The revised count system places emphasis on complete and thorough initial examination, decreases redundancy, and encourages quicker resolution of issues in the patent application process. This fundamental redesign is aimed at improving quality and efficiency, thereby resulting in a decrease in the application backlog and pendency. It provides more time for examination and more credit for first actions, which emphasize high quality examination and place a focus on quality up-front early in the examination process. In addition, a new Docket Management element was implemented at the beginning of FY 2012.

- The USPTO is moving from a patent examination process to a multi-track process by adopting procedures and initiatives that incentivize abandoning applications that are not important to applicants; accelerating critical technologies; permitting an applicant to accelerate important applications; and exploring other incentive and accelerated examination options.

- The Three-Track Program is a new patent examination initiative that moves from a single patent examination process to a multi-track process which would provide applicants greater control over the speed with which their applications are examined, promote greater efficiency in the patent examination process, and allow the USPTO to deploy its resources to better meet the needs of innovators.

- The USPTO has implemented patent processes to increase efficiencies and strengthen the effectiveness of examination workflow in the overall patent prosecution process.

- The USPTO has begun an effort to reengineer the entire patent examination process from the time an application is filed all the way through to the granting of a patent. This effort is paramount in order to upgrade and redesign its IT infrastructure, and to allow innovative redesign of the examination process supported by state-of-the-art automated work flow capabilities. The USPTO will maximize the usage of automation in all processes and link project due dates to those of the end-to-end IT initiative such that the IT system is built to utilize the functionality of the reengineered process.

- The USPTO plans to hire, train and retain highly skilled and diverse examiners. While continuing to draw candidates from our traditional sources, it is expected that including Intellectual Property (IP) experienced hires will assist in developing a balanced workforce, contribute to a lower attrition rate, and a provide a faster transition to productivity for new hires. Recruiting candidates having significant IP experience will lead to a reduced training burden as well as an increased ability to examine applications much sooner than an inexperienced new hire, thereby increasing production output.

The USPTO faced management challenges obtaining a reliable and sustainable source of funding to finance operations on a multi-year basis. The agency does not have much flexibility adjusting its fees or spending levels if filings and revenues change unexpectedly. To accomplish its strategic goals, the USPTO must have the authority to set the fees necessary to recover the cost of operations, spend fees collected on requirements-based operations, and to adapt and manage its funding requirements as changes occur in internal and external conditions.

As the agency requires sufficient resources to reduce the patent application backlog and achieve its stated pendency goals, the USPTO seeks fee setting authority through the America Invents Act (AIA). This Act will allow the USPTO to proactively adjust its fees in response to changes in demand for services, processing costs, or other factors. With fee setting authority, and with routine evaluation of the fee structure, the Agency can compare the cost of activities with fees to ensure the rates are set at appropriate levels and the fee structure is achieving rational results.

USPTO also faces the potential existence of financial uncertainty as a result of the agency's unique financial structure. Subsequent downturns in the U.S. and global economies showed the structure's vulnerabilities. Multiple factors contribute to the differences, including a reduction in the number of patent applications filed and declines in maintenance fees collected for existing patents. In December 2010, the DOC IG found that the USPTO does not have clear guidance or a disciplined, documented process for forecasting patent fee collections. The IG recommended the establishment and implementation of written policies and procedures for developing fee-collection forecasts and annual reports on variances between projected and actual fee collections. The USPTO has completed several of these IG recommendations, having documented the CFO process for developing fee-collection forecasts and submitting the annual variance report.

The provisions in the AIA can be categorized into three areas: (i) promulgating new rules to implement statutory provisions; (ii) conducting studies into congressionally-mandated areas of intellectual property law; and (iii) establishing new programs to facilitate the public's access to the patent system. The agency is progressing well and on-time for each of these categories.

Improving technical and financial assistance to promote domestic job growth

NIST

NIST promotes U.S. innovation and industrial competitiveness by advancing measurement science, standards, and technology in a range of strategic areas and Administration initiatives critical to the nation's economy. 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 improve technical and financial assistance to promote trade and job growth through its Laboratory Programs and its Innovation and Industry Services Programs.

In FY 2012, NIST Laboratories have addressed increasingly complex measurement challenges, ranging from the very small (nanoscale devices) to the very large (vehicles and buildings), and from the physical (renewable energy sources) to the virtual (cybersecurity and cloud computing). Solving these measurement challenges builds an infrastructure that U.S. companies will leverage to create more efficient and effective manufacturing processes increasing global competitiveness. Highlights for FY 2012 include:

- Development of new measurement methods, protocols, and standards to facilitate improved manufacturing and regulatory approval of biologic drug products.
- Working on the revision of the International System of Units (SI), which includes research and development to support international efforts for a redefinition of the unit of mass – the kilogram.
- Development of single photon technologies for quantum information science and technology and quantum-based communication which is pushing the boundaries of advanced, cutting-edge metrologies that can be applied to problems of national significance in such areas as communications, defense, electronics, energy, health, lighting, and manufacturing.
- Conducted the research, development and outreach necessary to provide standards and guidelines, tools, metrics and practices in the information technology areas of Smart Grid, Cloud Computing, Cybersecurity and Next-generation Robotics and Automation.

- Supporting the Food and Drug Administration's regulatory reform through development of standards to assess the measurement validity of data from new technologies, such as ultra high throughput DNA sequencing as used for whole genome sequencing.

NIST ensures the efficient commercialization and exchange of goods and services and enables a fair global marketplace by providing the scientific underpinnings for basic and derived measurement units in the international standards community, calibration services, and certified reference materials; impartial expertise and leadership in basic and applied research to enable development of test methods and verified data; and support for the development of and conformity to open, consensus-based standards and specifications that define technical and performance requirements for goods and services.

In support of the Administration's emphasis on serving industry through outreach services, NIST provided two externally-focused services through FY 2012: The Hollings Manufacturing Extension Partnership (MEP) and the Baldrige Performance Excellence Program (BPEP). Highlights of the MEP program include:

- **Accelerating technology transfer** by assisting manufacturers in adopting technology and inventions from federal laboratories and by scouting for technical solutions to current needs.

- Developing the **National Innovation Marketplace**, in partnership with other organizations, which facilitates connections between original equipment manufacturers and potential suppliers.

- **Deploying ExporTech** nationally as collaboration between MEP, U.S. Export Assistance Centers, and other partners including District Export Councils, State Trade Offices, Export-Import Bank and the Small Business Administration. **ExporTech** leads companies through a facilitated process that prepares them for profitable growth in global markets.

- Supporting the **Economy, Energy, and Environment** (E3), a coordinated federal and local technical assistance initiative that is helping manufacturers across the nation adapt and thrive in a new business era focused on sustainability, leveraging the resources of the Department of Commerce, the Department of Labor, the Department of Energy and the Environmental Protection Agency.

- Focusing on the "**Make It In America**" agenda. The national MEP system scouts for U.S. manufacturing capabilities and capacities in an effort to solve difficult supply chain and procurement issues by connecting potential suppliers with federal procurement sources, assisting manufacturers with product expansion and/or alteration for additional uses, and securing the engineering necessary to produce technical data needed for manufacturing.

In the future, NIST will align its programs with the following strategic priorities to ensure that targeted program investments meet its mission of advancing U.S. innovation and industrial competitiveness.

In order to strengthening U.S. advanced manufacturing capabilities, NIST will continue to develop and deliver the measurement science tools that will support advanced manufacturing technologies; support technologies and practices that increase the competitiveness and resiliency of our nation's small and medium manufacturing base, through the MEP; host the interagency Advanced Manufacturing National Program Office; and launch the Advanced Manufacturing Technology Consortia (AMTech) initiative.

In order to enable strong and reliable trade programs, NIST will advance the state of the art in cybersecurity solutions by encouraging the rapid adoption of advanced security technology through the National Cybersecurity Center of Excellence that will bridge the gap between the public and private sectors and provide U.S. companies with technical resources for developing, evaluating, and transferring the technology needed to secure their intellectual property and data; and support the Administration's National Strategy for Trusted Identities in Cyberspace (NSTIC) initiative by facilitating the creation of an Identity Ecosystem that gives participants access to secure credentials and increases the opportunities for trusted on-line transactions.

To accelerate technology transfer and commercialization in support of the October 2011 Presidential Memorandum, "Accelerating Technology Transfer and Commercialization of Federal Research in Support of High-Growth Businesses," NIST efforts will include:

- Establishing and implementing a plan to increase technology transfer activities with external partners;
- Developing a comprehensive definition of the full range of NIST's technology transfer mechanisms and executing a coordinated effort to track the outcomes and impacts of such activities; and
- Establishing new competitive Centers of Excellence in measurement science areas defined by NIST, which will provide an interdisciplinary environment for NIST, academia and industry to enable innovation and technology transfer.

Ensuring the elimination of social and economic surveys does not adversely affect vital national indicators

ESA / BEA

BEA strives to provide the most timely, relevant, and accurate measures of economic activity possible in order to inform the decisions of policymakers, business leaders, and every American household. BEA's national, industry, regional, and international economic accounts present statistics—including GDP (for the nation, by state, by metropolitan area, and by industry), personal income and outlays, corporate profits, and the balance of payments—that are critical indicators of overall economic growth, growth in U.S. jobs, and growth in exports of U.S. goods and services.

In FY2012, BEA achieved several milestones that advanced efforts to improve its statistics and to keep its statistics in pace with the rapidly changing economy. For example, BEA developed prototype quarterly GDP by industry statistics that provide a more detailed and precise view of how U.S. industries—including the U.S. manufacturing sector—contribute to overall economic growth. The recent recession and recovery highlighted the need for data on a quarter-by-quarter basis to track industry performance and to gauge industry response to various stimulus programs and other key factors. In addition, BEA developed a new linked dataset that combines data on cross-border trade in services with data on operations of multinational companies to answer key questions such as: What are the characteristics of firms that engage in international services trade? What are the patterns of international trade in research and development? BEA also developed an alternate approach to detailing household expenditures on health care by classifying spending on a disease-by-disease basis. This new classification facilitates cost-benefit assessments and provides a better understanding of the factors that drive growth in health care spending. Finally, BEA made progress on developing new statistics on the distribution of household income and consumption that provide decision-makers with a better understanding of how changes in the economic environment can have very different impacts across households, industries, and regions.

Correct Unfair Trade Practices and Protect Our National Security

ITA

When Commerce and the U.S. International Trade Commission make affirmative final determinations in an antidumping (AD) or countervailing duty (CVD) investigation, Commerce issues an "Order" which specifies the estimated duty liability importers will incur when importing merchandise subject to a trade remedy proceeding. Increasingly, Commerce has observed numerous schemes on the part of exporters and importers to evade the payment of AD and/or CVD duties. These include, for example, the circumvention of our orders through the minor alteration of subject merchandise in a third country. Further, under the statutory provisions allowing for "new shipper reviews," certain exporters may be able to receive a very low, or no, AD duty rate on its exports. Subsequently, these companies may increase their dumping activity significantly but when efforts are made to assess the proper amount of duty, the importer of record may have disappeared resulting in the revenue going uncollected. Issues of duty evasion and transshipment also exist. While many of these issues properly fall within the jurisdiction of Customs and Border Protection, IA often works with CBP as it sorts through these issues. The activities identified above, when combined with an already extremely heavy AD/CVD caseload and limited resources, present significant challenges for IA as it attempts to enforce the trade laws and provide relief to domestic industries that suffer material injury as a result of dumped and subsidized imports.

Improve Regulatory Reviews to Protect and Promote Public Interests

NOAA

The Department continues to prepare a Regulatory Impact Review (RIR) to assess regulatory impact and select the regulatory alternative that maximizes net benefits to the Nation. This review is based on the best available science and accounts for potential economic, environmental, public health and safety, and other effects. It also includes distributional impacts and equity considerations, unless a statute requires another regulatory approach. This is consistent with E.O. 12866, which includes an analysis of the regulatory alternatives' expected costs and benefits. Further, the Department also prepares a Regulatory Flexibility Act Analysis (RFAA), which is necessary to satisfy the requirements of the Regulatory Flexibility Act (RFA). The RFAA assesses the impacts of rules on small entities and describes the steps taken by the Department to minimize any significant economic impact on small entities while achieving regulatory goals. The general intent of the RIR and RFAA is to make the regulatory process open and transparent so that everyone can understand the decision-making process and agree that the required steps of that process were followed. The Department uses performance measures to track the effectiveness of fisheries regulations in achieving outcomes associated with sustainable fisheries. We will continue to work on developing new performance measures based on improved data and analytical methods.

2. Reduce Costs and Improve Operations to Optimize Resources for a Decade of Constrained Budgets

As the government prepares for an extended period of tighter budgets and decreased spending, it is most important to target waste, reduce inefficiency, and ensure that taxpayers' dollars are spent wisely. It will be difficult, but possible, to leverage savings to support investments in economic growth. Agencies should:

Implement and Expand Initiatives to Improve Operational Efficiency and Economy. The Department has an initiative in place to save $143 million in administrative costs in FYs 2011 and 2012. About 60 percent of the target savings would derive from reduction in facilities, information technology (IT), and workforce. The remaining 40 percent would derive from more strategic sourcing and reducing the use of high-risk acquisition contracts. Relentless management attention and oversight of reported savings are critical to achieving the Department's goal.

Strengthen Oversight of Improper Payments for Additional Recoveries. The Department can increase efforts to implement the Improper Payments Elimination and Recovery Act of 2010—and maximize the dollars it recovers from improper payments. Adjusting payment testing practices and focusing on highest risk programs are key.

Reduce the Risk of Misuse, Abuse, or Waste of Federal Funds Awarded to Grantees. In June 2011, the Department reported about $10 billion accumulative outstanding obligations, more than half of which were for grants. The diversity and duration of the Department's grant programs further highlight the need to examine ways to standardize and streamline its management processes, such as consolidation of the Department's three separate grants management systems and better use of OIG and single audit reports to detect emerging issues.

With $4 billion in funding, the Broadband Technology Opportunities Program (BTOP) represents a significant investment of Recovery Act funds to develop and deploy broadband services nationwide. The success of BTOP depends on the coordinated efforts of NTIA and its grant management partners, NOAA and NIST. However, the uncertain funding for BTOP oversight in FY 2013 and beyond (i.e., to oversee the closeout of projects and the completion of projects that receive extensions) raises concerns about NTIA's ability to adequately oversee the program's future.

Apply Lessons Learned from 2010 Decennial to Planning for the 2020 Census to Avoid Cost Overruns. Given projections of increasing life-cycle cost estimates to $22–30 billion, Census has to fundamentally change the design, implementation, and management of the 2020 decennial census. The decade's early years are critical for deciding on a design and implementing changes to decennial operations. With funding constraints likely, the bureau needs to prioritize its research and testing to determine the feasibility, cost, and data-quality impacts of proposed census design changes.

Bureau Responses:

Implement and Expand Initiatives to Improve Operational Efficiency and Economy.

DM

For FY 2012, the Department sought to save $143 million in administrative costs. By the end of FY 2012 (currently projected), the Department saved $177 million in administrative costs, or 24 percent above the FY 2012 target. In particular, the areas of Logistics and General Administration had significant savings. DM will continue to seek administrative savings in FY 2013. See the table below for a breakout of specific areas:

	Target	Actual*	Difference	% Difference
Acquisition Reform	46,283	36,852	-9,431	-20
Human Capital	61,159	55,892	-5,267	-9
Logistics	18,538	47,545	29,007	156
General Administrative	7,042	29,497	22,455	319
Information Technology	3,351	2,365	-986	-29
Working Capital Fund Efficiencies	6,357	6,042	-315	-5

Total	**142,730**	**178,193**	**35,463**	**25**
*** Actual reflects reported data through July 2012 and projected amounts for August and September, 2012.**				

ITA

Administrative Savings

ITA is contributing to the administrative savings efforts through the reutilization of surplus IT equipment received from Census, and by renegotiating overseas contracts for telecommunications services to achieve cost savings and improve bandwidth at selected foreign posts. We also continue to benefit from the savings achieved by moving from a commercial data center to Census' Bowie Computer Center (BCC) in FY 11.

Strategic Sourcing

ITA is has taken maximum advantage of the new DOC PC and Accessories contract, by withholding major computer purchasing until this contract was in place, midway through the fiscal year. Because the award of the contract coincided with our equipment refresh point for the majority of ITA end-user computers, ITA expects to achieve savings in the range of $280 thousand. ITA is also planning to renew annual maintenance for Adobe software products using the recently awarded DOC BPA, and expects to save 30-40% (or approximately $15-$20 thousand) in comparison to last year's purchase.

Although the DOC PC and Accessories contract offers advantageous pricing, there was a significant negative business impact as a result of an almost six-month delay due to administrative issues associated with procurement procedures and product configurations. The administrative complexity associated with getting large shared-use contracts up and running smoothly should not be underestimated. Hopefully, lessons learned with this contract can be applied to additional DOC-wide contract vehicles that are in the process of being implemented.

NIST

As of May 31, 2012, NIST has contributed approximately $16 million towards the overall Commerce Department goal of $143 million in administrative cost savings, to include:

- Approximately $11 million in human capital and position control initiatives.
- Approximately $5 million in acquisition reforms and strategic sourcing initiatives.

In addition, NIST has identified another $3.2 million in savings expected to be realized by the end of FY 2012, to include:

- $1.5 million in human capital and position control initiatives.
- $1.3 million in logistics related initiatives.
- $0.4 million in acquisition reforms and strategic sourcing initiatives.

In FY 2013, the Commerce Department plans to save another $33 million in administrative costs. NIST's share of these administrative cost savings are anticipated to be approximately $2.7 million and are expected to be realized through additional acquisition, human capital, and logistical reforms.

Strengthen Oversight of Improper Payments for Additional Recoveries.

DM

The Department has in place a cost-effective program of internal control to prevent, detect, and recover overpayments. The Department's program of internal control includes activities such as reviews of disbursements cycles, prepayment reviews, improper payment risk assessments, improper payments reporting and monitoring, and payment recapture audits. Results of Departmental improper payments risk assessments as well as reviews of internal controls over disbursement processes have not revealed a program or activity susceptible to significant improper payments. The risk assessments have indicated current internal controls over disbursement processes are sound, the amount of improper payments is immaterial, and the risk of significant improper payments is low. Along with its recapture audit of contracts, as a result of the Improper Payments Elimination and Recovery Act (IPERA) of 2010, the Department also implemented payment recapture audits of grants and other cooperative agreements. The FY 2011 Department-wide payment recapture audit of grants and other cooperative agreements as well as the FY 2011 payment recapture audit of NTIA closed contracts/obligations, did not identify any improper payments. The Department is continuing in FY 2012 with new payment recapture audits of Department-wide grants and other cooperative agreements and closed contracts/obligations for selected bureaus. Effective FY 2012, the scope of payment recapture audits of contracts/obligations has been expanded to additionally include contracts/obligations for which the period of performance ended and last payment was made, but for which the closeout process has not yet been completed.

Reduce the Risk of Misuse, Abuse, or Waste of Federal Funds Awarded to Grantees.

DM

The Office of Acquisition Management (OAM) has worked to improve the oversight, compliance and policies for grants management in DOC. OAM has pursued a plan of action to provide better insight into the Bureau grants information systems; track various audit findings (Single Audit Act, OIG, GAO and Internal Controls) and resolution; and ensure that policies are updated to deal with recurring audit findings.

In addition, the Department has initiated an analysis of the Grants functional area to assess the effectiveness of internal controls. The purpose of the analysis is to assess the level of risk associated with each Financial Assistance Program, identify existing internal controls, and evaluate the effectiveness of the existing internal controls with the level of inherent risk. The recommendations provided in the results of the study will be considered and appropriate risk mitigation measures implemented.

OAM has collaborated with the Office of Inspector General to more closely track the audit resolution process to insure that audit findings are successfully resolved. Additionally, OAM is now on the distribution list for Government Accounting Office reports pertaining to grants processes including waste, fraud and abuse.

NTIA

NTIA's FY 2013 Congressional Budget Request includes a proposed increase of $996,000 to the Broadband Programs' FY 2013 base budget. Additional funding will enable NTIA to avoid a gap in oversight necessary to mitigate the risk of waste, fraud, and abuse of public funds. NTIA will be able to continue to work with recipients to close their grants and ensure that recipients properly account for the Federal funds spent under the grants. The additional $996,000 will enable NTIA to continue contract services through the end of FY 2013 to ensure that NTIA conducts adequate grants oversight and technical assistance to recipients as their projects near completion. The contract support also will help fill resource gaps, as NTIA expects Federal staff attrition under the limited remaining term of these Broadband programs.

Apply Lessons Learned from 2010 Decennial Census to Planning for the 2020 Census to Avoid Cost Overruns

CENSUS

The Bureau has completed the Decision Making Roadmap for FY12-14 including identification of key program and project deliverables, and linked projects to budgets. We also completed analysis of FY12-14 coverage of decennial census functions along with recommendations for disposition of functions not covered in the first planning phase. Future work includes integrating roadmap and key products into the integrated schedule, ensuring decisions, projects, and budgets are integrated so that the full breadth of change can be understood. We are expanding on the initial 2020 Decision Making Roadmap and developing a governance strategy, laying out roles and responsibilities, decision-making processes, and aligning program controls.

Census has created interdivisional teams that have begun research. Some of this research includes exploring alternative approaches to responding to the 2020 census such as Internet and web-based response options, and utilizing administrative records. They have constructed their initial Concept of Operations (CONOPS). The purpose of the CONOPS is to break operations down into manageable projects, and articulate goals, dependencies, and timing for each of the FY12 projects. CONOPS are now being developed for each of the tests, and a detailed schedule of all research and testing operations will be finalized in August 2012. The Lifecycle Budget Planning team will use this schedule to develop the key decision points for the research program to ensure evidence is in place to inform conclusions about the operational design for the census. This work also is critical to help census management, oversight, and stakeholders understand when and how those decisions will be made.

In June 2012, senior management continued their discussions of exploring the options and opportunities of using the American Community Survey (ACS), such as the ACS Content Test in FY 2015, for the 2020 Census. By September 2012, we will document which of the planned research and testing field tests can be conducted by leveraging the ACS.

3. Strengthen Department-Wide Information Security to Protect Critical Information Systems and Data

In recent years, the federal government—and the Department in particular—have increasingly taken advantage of Internet-based technologies to interconnect IT systems and conduct business with the public. As this trend continues, cyberattacks on Internet commerce, vital business sectors, and government agencies have grown exponentially. To address such threats, the Department plays a leading role in developing public policies and private-sector standards and practices. But the Department's own IT systems are constantly exposed to increasingly numerous and sophisticated cyberattacks. We have recommended that the Department:

Continue Working to Improve IT Security by Addressing Ongoing Security Weaknesses. For our FY 2010 Federal Information Security Management Act of 2002 report to the Department, we evaluated 18 Department IT systems and concluded that the Department's information security program and practices have not adequately secured Department systems. In response to our recommendations, the Department developed an action plan to address the security weaknesses we identified—and, in the past year, the Department has taken several steps toward improving IT security. However, until the Department successfully implements the items in its action plan, we can expect to find recurring security weaknesses. Our FY 2012 work continues to find significant security weaknesses in Department and contractor systems that put the systems at risk of cyberattack.

Implement Security Policy Effectively Through Consistent, Proactive Management. Our audits reaffirm the need for increased senior management attention to ensure security policy and practices are applied consistently and effectively across the Department. For example, we reviewed a sample of FY 2010 and FY 2011 performance plans for individuals holding critical IT security roles—and found that requirements for these roles are not consistently incorporated in some of the performance plans. Additional cyberinfrastructure challenges the Department faces include securing hundreds of Internet connection points on Departmental networks and establishing enterprise monitoring capability and a cybersecurity center.

Bureau Responses

Continue Working to Improve IT Security by Addressing Ongoing Security Weaknesses

DM

The Department continues its ongoing efforts to improve and elevate IT security programs for Commerce information systems. The Department's accomplishments in FY 2012 include addressing the recommendations outlined by the OIG in the FY 2010 and FY 2011 Federal Information Security Management Act Audits and in the OIG's FY 2011 Web Security Management Audit report.

The Department implemented several new policies to address deficiencies within IT security programs across the Department including vulnerability scanning and patch management; secure configuration checklist program; plans of action and milestones (POA&M) management; risk management framework (RMF); password management, and safeguarding information while on foreign travel. The Department also issued Commerce-wide guidance on secure implementation, use, and management of mobile technology.

The Department is pursuing Enterprise initiatives to promote best practices for IT security. Commerce implemented Managed Trust Internet Protocol Service to support operating units (OUs) within the HCHB campus to comply with OMB's Trusted Internet Connection (TIC) initiative. The Department has awarded a contract for Enterprise Cybersecurity Monitoring and Operations (ECMO), which will allow continuous monitoring of security related information across Commerce systems. The Department also launched a Security Shared Services effort and working group to leverage common controls and services throughout the HCHB campus.

Despite its progress on remediation of deficiencies, one of the Department's smaller bureaus experienced an IT security incident in FY 2012. As a result, the Department engaged two independent assessments of the Office of Secretary performed by the Department of Homeland Security (DHS) and National Security Agency (NSA). The preliminary results of the assessments cited while IT security improvements could be made, there were no impacts from the security incident on Office of the Secretary critical information systems.

ITA

ITA has addressed security weaknesses identified in audits and reviews by (a) increasing our contractor-based operational IT security staff to ramp up our monitoring and response capabilities, (b) implementing a new highly sophisticated security tool that has dramatically improved our ability to resist, detect and contain intrusions, and (c) focusing our improvement efforts in key areas, such as those addressed in the Top-5 Security Controls monitoring as part of the DOC Balanced Scorecard.

Implement Security Policy Effectively Through Consistent Proactive Management

DM

The Department has developed several IT security metrics tracked monthly and quarterly including system authorization status; POA&M management and delays; progress on implementation of critical configuration management and vulnerability management controls; and progress on remediation of FISMA and FISCAM IT audit findings. Several of these are being tracked through the Department's Balanced Scorecard process, providing visibility of cybersecurity metrics at senior levels of Department leadership. The Department also performed more than 25 IT security assessments throughout FY 2012 including IT Compliance checks of all of the Commerce operating units.

Strengthening the Cybersecurity workforce within Commerce continues to be a top priority. The Department implemented a role-based training policy for employees with significant IT security roles and responsibilities and tracks progress on completion of annual requirements on a quarterly basis. The Department also re-issued a joint memorandum, incorporating IT security critical elements into performance plans of personnel with significant IT security roles and responsibilities, from the Chief Information Officer and the Deputy Chief Human Capital Officer and Director of Human Resources Management in June 2012. The Department continues to be proactive in the area of IT training by offering workshops, vendor expos and webinars for IT information systems owners and authorizing officials throughout Commerce quarterly.

ITA

During the past year, ITA has strengthened the IT security workforce by recruiting additional government staff with professional security certifications to serve in key roles such as Information System Security Officers (ISSO), and who are now making significant contributions to security policy oversight and implementation.

To focus senior management attention on IT security, the CIO routinely briefs ITA senior executives who are members of ITA's Management Council, meets frequently with ITA's Deputy Under Secretary to apprise her of key security events and issues, and chairs a weekly meeting led by ITA's Chief Information Security Officer (CISO). The CIO also organized special security briefings this year for ITA senior staff engaged sensitive work, to apprise them of emerging security threats and appropriate defensive measures.

ITA also achieved compliance in June of this year with OMB's Trusted Internet Connection (TIC) mandate, which significantly reduces ITA's exposure to Internet threats by minimizing the number of Internet access points and implementing monitoring services provided by US-CERT/DHS.

4. Manage Acquisition and Contract Operations More Effectively to Obtain Quality Goods and Services in a Manner Most Beneficial to Taxpayers

In FY 2010, the Department obligated nearly $4 billion through more than 26,000 contract actions to acquire a wide range of goods and services to support mission-critical programs. While the Department has made some progress in this important area, it should continue to:

Develop and Retain a Qualified Acquisition Workforce. Recruitment, training, and retention pose risks to the Department's ability to meet its increasing acquisition workload. In FY 2010, the Department experienced a 15 percent attrition rate among contracting officers. Further, between FYs 2009 and 2019, 54 percent of the senior-level acquisition employees in the Department will be eligible to retire. The Department lacks a sufficient pipeline of entry- to mid-level professionals to sustain operations during the projected retirement wave.

Ensure High Ethical Standards in the Acquisition Workforce and in Procurement Practices. Government contracting is risky by nature. Department employees in contract-related positions represent the front line of defense by promptly recognizing and reporting ethics violations and fraud indicators. The Department needs to take actions to prevent recurrence of OIG investigative findings—questionable sole sourcing practices against advice of counsel, steering contracts to acquaintances, splitting purchase card transactions to circumvent spending limits, and improper communications with unsuccessful contract bidders. The Department also needs to strengthen its suspension and debarment program, which would help to ensure it awards contracts and grants only to responsible parties. The Department's current suspending and debarring official has begun to develop the processes and policies that form the foundation of a successful suspension and debarment program. Despite this recent progress, creating an efficient and durable program remains a challenge.

Strengthen Processes to Govern the Appropriate Use of High-Risk Contracts and to Maximize Competition. High-risk contracts—including contracts awarded noncompetitively or in which only one bid was received, cost-reimbursement contracts, and time-and-materials and labor-hour contracts—comprised almost 40 percent of the total value of new contract awards in FY 2010. The Department needs to reduce high-risk contract awards and exercise strong oversight of performance-based contracts such as cost-plus-award-fee. Although designed to motivate excellence in contractor performance, without strong oversight, performance-based contracts can represent an additional risk to the Department.

Achieve Efficiency and Savings in Acquiring Goods and Services, and Improve Oversight and Tracking of Contract Savings. The Office of Management and Budget (OMB) requires agencies to focus on cutting contract costs by using smarter buying practices. The Department has taken steps to improve its monitoring and verification of the cost savings reported by the bureaus' procurement offices. While these efforts to improve reporting represent real progress, continued attention will be needed to meet the level of accountability called for by OMB.

Deliver Cost Savings and Efficiency on Major IT Investments. The Department spends about 25 percent of its annual budget on IT investments—one of the highest percentages among federal agencies. Accordingly, the Department must watch for any opportunity to save money, improve efficiency, and prevent setbacks to these important investments. For instance, the Department reported serious cost and schedule problems concerning four NOAA IT investment projects, totaling $265 million. In addition, we have identified challenges and offered recommendations to improve USPTO's Patent End-to-End acquisition initiative with an estimated cost of $130 million.

Bureau Responses

DM / OAM

The Office of Acquisition Management, in conjunction with its partners in oversight and management of acquisition programs, is implementing a comprehensive Scalable Acquisition Project Management Framework within which systematic program management control, oversight and skills development can be accomplished within the Department.

The Office of the CFO/ASA, in conjunction with the Office of the Chief Information Officer, facilities, program management, the CFO community, and the bureaus have collaboratively developed a unified, centralized approach to program and project management within the Department. The acquisition milestone Framework guidance and policy comprehensively defines the processes and requirements for high-profiles programs/projects. Using the Framework model, senior level Departmental management has assisted in initial reviews of high-profile programs, to include the satellite programs. The draft interim policy is in the Commerce Secretary's office awaiting final signature to transition from a year long development process to implementation.

Develop and Retain a Qualified Acquisition Workforce

OAM continues to work with the Office of Human Resource Management (OHRM) to maximize incentives and recruitment strategies. The acquisition-specific marketing campaign has succeeded in yielding a larger pool of applicants from academic institutions and associations.

The Department has taken several steps to ensure the capacity and capability of the acquisition workforce to effectively manage the Department's resources. Using the Direct Hire authority, the Department successfully hired eight contracting professionals and the number of entry-level contracting staff was increased by 14% to help ensure an adequate entry-level pipeline to address the projected retirement wave. To ensure the development of a capable and competent acquisition workforce, the Department has ensured that all Program/Project Managers assigned to projects considered major investments, Contracting Officers, and Contracting Officer Representatives have the requisite education, training and experience for Federal Acquisition Certification (FAC) and provided targeted training to close identified competency gaps. In addition, the Department's FAC-COR program was enhanced to include experience requirements and training in small business programs and green procurement.

Additional steps taken to develop and retain a qualified acquisition workforce include:

- The Department reduced the average time to hire 1102s from 105 calendar days in FY12 Q1 to 68 days in FY12 Q3, for a cumulative FY12 average of 76 days, which is below the 80-day target. By reducing the average number of days in the recruitment process, any lost productivity due to vacancies and its impact on the acquisition workload is also reduced.
- Approximately 26% of 1102s engage in telework. Telework is widely used by the Department to position itself as an "employer of choice" in attracting qualified employees, facilitating employee work/life balance, increasing employee satisfaction and engagement, and ultimately increasing employee productivity.
- The Commerce Learning Center (CLC), the Department's Learning Management System, provides all Commerce employees with access to basic online acquisition courses such as: IT Acquisition Development, and Implementation; Fundamentals of Purchasing and Vendor Management; Government Contracting Essentials; Proper Use of Government Charge Cards; and Finding Sources of Supply.
- Employees throughout the Department completed several classroom training courses including: Performance-Based Acquisition; Green Procurement; Contracting Overview; Commercial Item Pricing; Contract Source Selection; Contract Terminations; COR with a Mission Focus; Cost

Estimating; Ethics Training for Acquisitions; Improved Statement of Work; Market Research; Past Performance Information; Acquisition Planning; and Purchase Card Training.

- Throughout the Department, 219 employees were trained in the Project Management (PM) discipline through Commerce's formal PM Master's Certificate Program and IT PM Master's Certificate Program, which are administered in conjunction with The George Washington University. Employees have two years to complete the 7 required core courses, by successfully passing each course's final examination, to earn their certificates.

Ensure High Ethical Standards in the Acquisition Workforce and in Procurement Practices

High ethical standards are critical to the acquisition process and maintaining public trust. The Department's acquisition leadership routinely demonstrates and emphasizes high ethical standards to the acquisition workforce through policies, procedures, and training. Awareness and training of ethical practices is integrated into the training curriculum for all members of the acquisition workforce and is reinforced at the Department's annual acquisition conference. Additionally, the acquisition community works closely with the Office of General Counsel to provide guidance and assistance throughout the acquisition process to ensure integrity of the acquisition process.

The Department has taken steps to protect the Government's interest by ensuring that awards are made to responsible sources by strengthening its Suspension and Debarment Program. The Department consulted with other agency officials, collaborated with the Office of Inspector General (OIG) and Office of General Counsel (OGC) in the development of a strong program that effectively leverages DOC's resources. These advances include the implementation of a case referral process in addition to the creation of the Suspension and Debarment Coordinator function to ensure that processes and procedures are followed in a timely manner. As a result, the Department has taken prompt action on all suspension/debarment referrals and increased the number of actions by 314%. The Department will continue to enhance the Suspension and Debarment Program through the issuance of policies, procedures and internal controls.

Strengthen Processes to Govern the Appropriate Use of High-Risk contracts and to Maximize Competition

The Office of Acquisition Management has implemented policies and processes to govern the appropriate use and strengthen the management and oversight of high-risk contracts and to maximize competition. OAM in conjunction with acquisition managers in the operating units, developed comprehensive acquisition measures with specific targets. The measures include reduction in high-risk contracting and increasing competition. The Senior Procurement Executive conducts monthly reviews of acquisition measures to allow for adjustments during the course of the year to ensure progress is being made toward achieving targets and to leverage best practices among the contracting offices. Monthly reports on high-risk and competitive acquisition achievement are provided to members of the Department's Acquisition Council.

In addition, the department has increased the focus on acquisition planning which provides the opportunity to identify requirements early in the acquisition phase in order to allow for adequate market research that will help maximize competition and create more effective, less risky acquisition strategies.

Achieve Efficiency and Savings in Acquiring Goods and Services, and Improve Oversight and Tracking of Contract Savings

Commerce has launched a Department-wide Strategic Sourcing/Cost Reduction program, built upon a strong foundation of rigorous tracking, managing and reporting of savings. The project was built upon a strong body of data and measures gathered during an "opportunity analysis" phase. The opportunity assessment was conducted across over $4 billion spent on goods and services in late 2010 to identify cost reduction opportunities, and a range of initiatives were uncovered. The initiatives spanned a number of categories (Cellular Services, Office Supplies, PCs & Accessories, Print Management & Energy, and Small Package Delivery) and included both demand management and acquisition related strategies. The successful implementation of these strategies resulted in $5.4M in cost savings in FY11 – surpassing original targets by more than double. The project has captured $9.6M in savings as of August 2012 and is expected to achieve $14.9M in savings by the end of the fiscal year. In addition, a second wave with two new initiatives was launched in September, 2011: Onsite Professional & Technical Support Services and Software & Maintenance. The project team continues to analyze the Department's spending and patterns for new initiatives to ensure there is a healthy pipeline of savings opportunities.

As each of the initiatives is launched, additional detailed data is gathered across the Department to ensure an accurate baseline with actual historical data, by Bureau and by initiative, from which to measure future savings. OAM has implemented a robust and formal process to validate and document savings that includes multiple levels of review and control with emphasis on appropriate visibility at all organizational levels.

To institutionalize the knowledge gained and sustain the results in the long-term, a Procurement Performance Excellence Office was established under the Office of Acquisition Management. The organization currently has a Director and is looking to expand with additional resources to monitor and track savings from implemented initiatives and build upon the momentum with new cost reduction strategies.

Deliver Cost Savings and Efficiency on Major IT Investments

The Department has instituted a systemic approach to enhancing collaboration on major investments. Communication of and coordinated responses to major IT investments is routinely practiced between all Departmental stakeholders including the acquisition, information technology, budget, financial management, and risk management communities. This collaboration has resulted in a more effective environment for integrating cost savings and efficiencies on major IT investments.

In addition, the Department conducted a comprehensive study of its acquisition function to examine the full spectrum of DOC's acquisition operations and processes. The study recognized that there exist a prevailing need for a more systematic approach to overseeing and managing acquisitions, particularly with regard to requirements definition/development and managing project requirements. Toward that end, a Department-wide team worked collaboratively on the development of a Scalable Acquisition Project Management Framework (Framework) to serve as the infrastructure to an integrated acquisition project management system. The Framework is designed to provide a life-cycle approach to managing acquisition projects from concept initiation to project delivery, and retirement that is scalable dependent on the project's size, complexity, and level of risk with a special focus on high-profile and/or highly-complex acquisitions such as high-risk IT projects.

The Framework encompasses three distinctly defined early phases of the acquisition life-cycle (the conceptual phase; the project definition phase; and the project development phase), each requiring assessment of the project readiness and risk prior to formal authorization to proceed to the subsequent phase.

NOAA

NOAA TechStat Reviews

NOAA has conducted numerous TechStats since FY2010. A TechStat is a face-to-face, evidence-based review of an IT investment. A TechStat is triggered when the NOAA CIO determines that a project is underperforming or at risk, using data from the Federal IT Dashboard and other sources. During the session, the investment's Project Manager briefs the NOAA CIO, NOAA Risk Management Officer, and NOAA Acquisitions and Grants Office Director. The review highlights the management of the investment, examines program performance data, and explores opportunities for corrective action. TechStat sessions conclude with clear next steps formalized in a memo and tracked to completion. The following represent the TechStat reviews performed on NOAA investments:

- NWS, National Air Quality Forecast Capability (NAQFC), 02-19-2010
- NESDIS, Environmental Satellite Processing Center (ESPC), 03-01-2010
- NWS, Next Generation Weather Radar System Product Improvement (NEXRAD PI), 03-22-2010 and 03-25-2011
- NWS, Weather Radio Improvement Project (WRIP), 06-08-2011, 02-10-2012, 06-22-2012
- NWS, National Weather Service Telecommunications Gateway (NWSTG), 07-08-2011
- NMFS, Office of Law Enforcement (OLE) Wide-Area Network (WAN), 12-16-2011

<u>NOAA IT Oversight Structure for IT Acquisitions and Contracts</u>
The NOAA CIO is Chair of the NOAA CIO Council (with 51% vote) and the Senior IT member of the NOAA Executive Panel (NEP). The NOAA CIO Council is empowered to make corporate decisions involving IT policy, resources, and acquisitions, and uses specialized committees and working groups as advisory bodies to its deliberations. CIO Council Committees include:

- Infrastructure Operations Coordination Committee
- IT Security Committee
- Enterprise Messaging Committee
- Network Committee
- Enterprise Architecture Committee
- Geospatial Information Systems (GIS) Committee
- Web Committee

<u>Cost Savings and Efficiency Opportunities</u>
NOAA has identified a number of opportunities to save money, improve efficiency, and prevent setbacks to these important investments in FY12 and beyond.

FY12 Focus Areas:

- Consolidated requirements from existing IT HelpDesk and IT Infrastructure Support expiring contracts under one NOAALink Task Order
- Consolidated requirements for IT Security System Assessment & Accreditation (A&A) testing under one NOAALink Task Order and develop standards for use across NOAA
- Developed and implemented a more efficient enterprise approach to acquiring desktop and laptop computers
- Implemented a NOAA-wide Unified Messaging Service (UMS)
- Developed NOAA-wide data center consolidation targets and execution plan

FY13-18 Planning Areas:

- Develop and implement executable plans for cost-reduction initiatives to include impact on NOAA's workforce and facilities
- Develop long-term solutions for high performance computing and data storage
- Sustain and advance NOAA’s IT infrastructure by implementing cost-effective enterprise IT solutions

<u>NOAA Implementation of DOC IT Portfolio Management Policy</u>

NOAA will implement the DOC IT Portfolio Management to realize cost savings and improve customer service by removing barriers to improving efficiency, eliminating redundancy, promoting standardization, creating common services, and improving NOAA's security posture to meet increasing threats. NOAA's objectives include:

- Improve IT Services – Develop and leverage enterprise-wide performance-based IT processes and services
- IT Cost Reductions – Plan and execute enterprise-wide cost savings initiatives
- Strategic Sourcing – Consolidate contracts and purchasing to more strategically and effectively achieve economies of scale
- Infrastructure Consolidation – Standardize and consolidate NOAA's IT infrastructure
- Shared Services and Cloud Computing – Advance migration toward shared services and cloud computing
- Enhance Cyber Security – Employ enterprise-wide approaches to improve NOAA's security posture to meet increasing threats

USPTO

USTPO has created a schedule of Patents End-to-End (PE2E) releases based on prioritized, high-level requirements, as well as the documented design and architecture necessary to support the implementation of these requirements and meet or exceed best practices.

To facilitate USPTO's execution of PE2E according to its schedule, USPTO has identified its procurement needs, matched them to appropriate procurement vehicles, and identified procurement lead-times to ensure that projects are able to obtain procured resources according to a well-known and predictable schedule.

USPTO has continued to conduct its regular key milestone reviews of PE2E with its ITIRB and CRB bodies to allow ongoing assessment of PE2E's viability, risk, feasibility, and ability to meet strategic goals. Based on these regular reviews, the ITIRB and CRB recommend continuing the PE2E investment.

In 2012 USPTO retained an industry leading expert on legacy systems migration and operational integration to provide independent oversight through four reports delivered quarterly.

5. Manage the Development and Acquisition of NOAA's Environmental Satellite Systems to Avoid Launch Delays and Coverage Gaps

NOAA's environmental satellite operations and weather forecasting are designated primary mission-essential functions of the Department of Commerce. But NOAA's current constellation of polar and geostationary operational environmental satellites is aging, and its capabilities will degrade over time. As a result, the risk of gaps in critical satellite data is increasing. In February 2010, the White House directed NOAA, in partnership with NASA, to establish the Joint Polar Satellite System (JPSS) program—after experiencing significant cost overruns and schedule delays with an earlier joint development effort among NOAA, NASA, and the Department of Defense. Given their histories, these critical satellite programs require strong management and close oversight to:

Prevent a Near-Term Polar Satellite Coverage Gap Between NOAA-19 and NPP. Since the first JPSS satellite (JPSS-1) is not scheduled for launch until 2017, NOAA will use an interim satellite—the Suomi National Polar-orbiting Partnership (NPP), launched in October 2011, to bridge the gap between JPSS-1 and its current polar-orbiting operational environmental satellite (NOAA-19). NOAA projects NPP will reach operational readiness 18 to 24 months after launch because of delays in completing activities to provide data for operational use. This extension could lead to a coverage gap in some data if NOAA-19 (or other satellite data sources) stops functioning at the end of its design life—approximately March 2013. NOAA needs to take effective steps to reduce the risk of such a data gap.

Ensure Solid Program Management and Systems Engineering Principles Are Applied to Mitigate the Coverage Gap Between NPP and JPSS-1. Due to program and funding issues, NOAA expects a gap in weather and climate observations between NPP and JPSS-1. We project the gap could range from 9 to 21 months, or even longer, if NPP experiences a shorter-than-expected life. NOAA studies have found that its weather forecasting at 5, 4, and 3 days before an event could be significantly degraded during the coverage gap period. NOAA—in coordination with its line officers and in concert with Departmental and congressional decision-makers—must minimize the potential impact of this gap.

Maintain Robust Program Management and Systems Engineering Disciplines to Prevent Geostationary Coverage Gaps. NOAA relies on another satellite system—the Geostationary Operational Environmental Satellite-R Series (GOES-R)—for uninterrupted short-range severe weather warning. This development program also experienced problems of cost changes and reduced capabilities. According to March 2012 program documentation, the GOES-R program's overall schedule and technical development remain on track; however, the ground project's development is being modified to control costs. The program is also revising the ground segment's schedule to allow more flexibility. In light of these developments, NOAA needs to control costs, keep schedules on track, and maintain required technical performance.

NOAA RESPONSE

***Prevent a Near-Term Polar Satellite Coverage Gap Between NOAA-19 and NPP*.**

Minimizing the risk of a gap in the afternoon orbit between NOAA-19 and NPP is one of NOAA's top priorities. NPP was successfully launched in October 2011 and commissioned in March 2012. NOAA plans to continue to rely on the Polar-orbiting Operational Environmental Satellite (POES) series of satellites (i.e., NOAA-19, NOAA-18, NOAA-16) and NASA's Earth Observing System (EOS) data to meet operational requirements for as long as possible. While the POES satellites are operating beyond their design life, the key instruments providing input to Numerical Weather Prediction and imagery are performing well. The other risk to a gap between NOAA-19 and NPP is a delay in completing the validation of the NPP data products – in this regard, validation activities are on schedule and data from the ATMS (used for Numerical Weather Predication) is already being used operationally by the National Weather Service. In order to address deficiencies in the ground system which could lead to a gap in coverage, JPSS is in the process of upgrading the ground system, which should be operational in July 2012. The upgrade will improve the reliability of the system. JPSS is planning on deploying a stop-gap Mission Management Center by Q4 of CY2012 based at the Raytheon Ground Systems facility in Aurora CO, and has selected a site to host a permanent Alternate Mission Management Center in Fairmont, WV. To ensure flow of mission data JPSS has already implemented a backup downlink site in Fairbanks, AK to mitigate the risk of a failure of the primary Svalbard site or a break in communications from Svalbard to the NOAA Satellite Operations Facility. The Center for Satellite Applications and Research (STAR) has been fully engaged as part of the JPSS team in calibration and validation activities and the transition to operations has not been affected by science transition activities. JPSS has implemented a Coordination Group to facilitate information exchange with the Center for Satellite Applications and Research (STAR) and has implemented routine meetings to develop plans to transition science related activities to STAR. These activities will clarify roles and responsibilities and ensure that there is no impact to the calibration and validation activities necessary to use the NPP data operationally. The coordination challenges have not impacted JPSS' ability to upgrade the system - as noted above, a major upgrade is currently underway.

Ensure Solid Program Management and Systems Engineering Principles Are Applied to Mitigate the Coverage Gap Between NPP and JPSS-1.

NOAA is employing sound systems engineering principles in managing the risk associated with a gap in polar observations between NPP and JPSS-1. NOAA's first priority is to maintain NPP operations and ensure data products are successfully processed and distributed. This includes resolving anomalies and implementing upgrades necessary to ensure successful flight operations and continued evolution of the ground system to reach a robust, operational state. NOAA's second priority is to ready JPSS-1 for launch as soon as possible by employing a robust risk and schedule mitigation approach.

Program cost, schedule and requirements have been established and briefed within NOAA, the Department of Commerce, the Office of Management and Budget and to the appropriations and authorization Congressional committees. JPSS reports progress against the plan to senior agency leadership on a monthly basis. Congressional baselines required by law (Section 112 of P.L. 110-161 as amended by section 105 of P.L. 112-55) will be submitted after JPSS completes the rigorous systems engineering, program planning, and independent review processes against well-established best practices and comprehensive decision milestone criteria for Key Decision Point-1.

JPSS is approaching the risk of a potential gap between NPP and JPSS-1 in two ways: i) taking steps to reduce the likelihood of a gap; and ii) taking steps to reduce the consequence of a gap JPSS has initiated a study to identify further actions that would reduce the likelihood of a gap in critical data products while meeting the Administration's budget profile and life-cycle cost constraints. JPSS expects to complete the first version of this study, which will include a plan to reduce the consequences of a gap, by August 31, 2012. This plan, developed in coordination with the National Weather Service, and in response to GAO's "*Polar-Orbiting Environmental Satellites: Changing Requirements, Technical Issues, and Looming Data Gaps Require Focused Attention*" report will look at alternate domestic and foreign data sources. Supporting both these activities is an effort by NOAA to prioritize all its requirements (both the requirements for environmental observations as well as functional and performance requirements). A tiered approach to prioritizing the requirements has been developed and the draft priorities are currently under review by the Low-Earth Observing Requirements Working Group and the NOAA Observing Systems Council. These will be incorporated into the planned updates to the Level-1 Requirements Document to be submitted for approval in the fall of 2012.

NOAA's National Weather Service is exploring ways to use DMSP data as input into its operational numerical weather models. Preliminary work is underway, but a final product is not expected until mid-2013. However, these data are available in the early morning and mid-morning orbit, not the afternoon orbit and will not be a replacement for Suomi NPP. This may help during the gap, but there will still be forecast degradation. An Observing System Experiment (OSE) is currently underway to evaluate the extent to which this type of data will be helpful to the models.

Maintain Robust Program Management and Systems Engineering Disciplines to Prevent Geostationary Coverage Gaps.

The GOES-R Program has taken prudent measures to control costs and keep its schedule on track. Impacts to the Program's costs have largely been driven by reductions in funding to the GOES-R Program. In particular, a $70M reduction in FY11 by Congress necessitated GOES-R having to postpone the implementation of a number of products. Nevertheless, because GOES-R had already developed the algorithms to produce these products it is working with the National Weather Service to define alternative means for implementation.

GOES-R has also taken the tact to re-plan the development schedule for the Ground Segment to allow more flexibility and less risk to the program than the original waterfall schedule approach. GOES-R chose a replan path that achieved better alignment between deliveries from the Flight Project (from both instrument and spacecraft contractors) and Ground software design and development while providing increased flexibility through an improved software implementation approach. This approach was independently reviewed by the program's Standing Review Board, who also concluded that the approach was robust.

Additional Detail Regarding USPTO's responses to the OIG Management Challenges

Challenge 1: 1. Effectively Promote Exports, Stimulate Economic Growth, and Create Jobs

Subchallenge: Enhance Commerce Unit Operations to Help Promote Trade and Job Creation.

USPTO Issue: Reduce the Patent Backlog, Improve Processing Times, and Effectively Implement Patent Reform

Patent Pendency. The Priority Goal (PG) of the USPTO is to optimize patent quality and timeliness while simultaneously reducing the backlog of unexamined patent applications. By the end of FY 2012, the USPTO anticipates reducing the average time to first action and final action on patent applications to 22.5 months and 34.7 months respectively. More importantly, the USPTO expects to reduce the backlog of unexamined patents to approximately 621,800 by the end of FY 2012. However, there are a number of complex factors that must be carefully executed and monitored in order to achieve this goal. Some of these factors include application filings which may be largely driven by the economy; improvements in process efficiencies, the ability to outsource applications filed under the Patent Cooperation Treaty (PCT) and hiring new examiners.

In the short term, first action pendency may increase slightly and overall pendency is expected to maintain at around 34 months. Two major factors contribute to this result: *first*, inability to gain access to our fees earlier in FY 2011 to allow for full examiner hiring and full overtime; and *second*, the recalibration of workflow process, including re-engineering the examiner count system and moving toward a more first-in, first-out (FIFO) inventory process. In order to achieve its goal to reduce pendency, the USPTO must first clean up the older cases in the pending backlog, and more strictly manage its inventory in a FIFO environment, which may result in a temporary rise in pendency in the near-term. Clearing the oldest patent applications is imperative to the USPTO's long-term success in reducing pendency and the backlog of unexamined patent applications.

The following initiatives will be implemented to meet the management challenges identified by the OIG to reform the patent application process, update the IT systems, and reduce pendency time:

- The USPTO has adopted significant revisions to the patent examiner production (count) system. The revised count system places emphasis on complete and thorough initial examination, decreases redundancy, and encourages quicker resolution of issues in the patent application process. This fundamental redesign is aimed at improving quality and efficiency, thereby resulting in a decrease in the application backlog and pendency. It provides more time for examination and more credit for first actions, which emphasize high quality examination and place a focus on quality up-front early in the examination process. In addition, a new Docket Management element was implemented at the beginning of FY 2012. The changes have resulted in the following:
    - As of May 2012, the number of actions per disposal was approximately 2.5. This is down from over 2.9 in FY 2008-2009, which represents a significant increase in efficiency.
    - The new system changed the examiner docket management policy to provide a more "first-in, first-out" (FIFO) inventory management system that aligns with applicants expectations that examination should be done in the order applications are received.
    - Changes were also made to incentivize resolution of oldest cases in the backlog.
    - Further changes were made to incentivize interviews, which are strongly correlated with early identification and closure of issues. The Office has increased the number and time spent on

interviews. Interview time in FY 2011 was up 341.7% over FY 2009. Examiners are more proactive in working with applicants to advance prosecution and identify allowable subject matter earlier, and through May of 2012, FY 2012 interview time is up 18.7% over FY 2011.

- Average first action pendency on May 31, 2012 was 22.6 months, down significantly from 25.8 months at the end of FY 2009.
- Average total pendency on May 31, 2012 was 33.8 months, down from 34.6 months at the end of FY 2009.
- As of June 18, 2012, the UPR backlog had been reduced to 627,770. This is down from the end of the FY 2009 total of 718,835.
- The growth rate of RCE filings has slowed from 29.1% in FY 2008 to 23.1% in FY 2009. This decline in RCE filings continued in FY 2010 which saw a 10.7% growth rate and for FY 2011 RCE filings actually declined by 0.4%. Through May 2012, FY 2012 RCE filings are projected to increase only 3.4% over FY 2011.
- As of May 2012, the patent application allowance rate was 50.2%, up from 41.3% in FY 2009.

- The USPTO is moving from a patent examination process to a multi-track process by adopting procedures and initiatives that incentivize abandoning applications that are not important to applicants; accelerating critical technologies; permitting an applicant to accelerate important applications; and exploring other incentive and accelerated examination options. Specific initiatives include:

  - **Project Exchange** - Project Exchange is an application acceleration pilot initiative that empowers qualifying applicants having two or more pending patent applications to accelerate the review status of one of the applications by abandoning a second unexamined application. This initiative, which gives applicants greater control over the processing speed of their applications, helps the USPTO to prioritize its workload while reducing the backlog of unexamined patent applications.

    After first testing the pilot by permitting its use only by qualifying independent inventors and small entities, the pilot was expanded to permit use by all patent applicants in May 2010. This program was started on November 27, 2009 and was terminated on December 31, 2011.

    - In total, 209 requests were received under the Project Exchange Pilot.
    - 174 requests have been granted and 35 have been dismissed.
    - The time from the filing of the petition to the petition being granted was 20 days.
    - As of June 21, 2012, 79 applications examined under this program have been issued.

  - **Green Technology Pilot Program** - The Green Technology Pilot Program provides accelerated examination of inventions involving green technology, thereby promoting innovation in green technologies and reducing the pendency of patent applications critical to climate change mitigation. In response to feedback from applicants, the USPTO revised the Green Technology Pilot Program to allow more categories of technology to be eligible for expedited processing under the program. As a result, the Green Technology Pilot Program has increased the development and deployment of green technology, created green jobs, and contributed to promoting U.S. competitiveness in this vital sector.

    In June 2011, the 350th patent issued through the pilot and in October 2011 the 500th patent under the pilot issued. The program started December 8, 2009 and the pilot closed on February 21, 2012. The Agency is still processing pending petitions, but is no longer accepting new ones for this program.

    - The Agency received 5,523 Green Technology petitions. As of June 2012, 3,524 petitions were granted.
    - 1479 petitions were dismissed; the large majority of these dismissals occurred before the program expansion described above.
    - 507 petitions were denied (defect was not correctable).
    - 1224 applications received in the Green Technology program have issued as patents.

- The average time from filing of the Green Technology petition to the petition being granted was 33.5 days.

- **Three-Track Program** – The Three-Track Program is a new patent examination initiative that moves from a single patent examination process to a multi-track process which would provide applicants greater control over the speed with which their applications are examined, promote greater efficiency in the patent examination process, and allow the USPTO to deploy its resources to better meet the needs of innovators. This new program has targeted application processing within 12 months for those applications deemed to be most important to applicants. Under the proposed “Three-Track” initiative, an applicant may request one of the following: Track I: a prioritized examination with a 12 month pendency goal, Track II: a traditional examination under the current procedures, or Track III: an applicant-controlled delay for up to 30 months prior to docketing for examination. The “Three-Track” patent examination program, first published for public comment in June 2010.

  The USPTO published a final rule to implement Track I of the "Three-Track" initiative on April 4, 2011, and began accepting applications under Track I on September 26, 2011.A total of 4,127 Track 1 applications have been filed through June 18, 2012

  - 97% of Track I requests are granted.
  - As of June 18, 2012, Track I applications received a first action in an average of 3.0 months after filing, and averaged 6.28 months of total pendency.
  - 522 Track I applications have been allowed.

- The USPTO has implemented patent processes to increase efficiencies and strengthen the effectiveness of examination workflow in the overall patent prosecution process. Specific initiatives include:

  - **First Action Interview Program** - The First Action Interview program encourages examiners to hold interviews with applicants early in the prosecution process in order to facilitate resolution of issues for a timely disposal. This program has been expanded to include all utility applications in all technology areas, enhance efficiency, and provide more options to participants. The benefits of the program include the ability to advance prosecution of an application, enhanced interaction between applicant and the examiner, the opportunity to resolve patentability issues one-on-one with the examiner at the beginning of the prosecution process, and the opportunity to facilitate possible early allowance. The First Action Interview program has not only provided applicants with more options in regard to procedures needed for examination, but it has also has contributed dramatically to improving patent application quality.

    The USPTO launched the Full First Action Interview Pilot Program on May 16, 2011. This program expands on the First Action Interview Pilot Program by including all utility applications in all technology areas and filing dates. As with the previous First Action Interview pilot programs, the applicant is entitled to a first action interview, upon request, prior to the first Office action on the merits. This pilot has been extended to run through August 16, 2012.

    - A total of 3353 applicants have joined the programs since April 2008.
    - 868 interviews have been conducted, and 1033 of the applications have been allowed.
    - The program has an overall first action allowance rate of 27.5% as compared with 17.7% for all original non-continuing applications so far in FY 2012.

  - **Clearing the Oldest Patent Applications (“COPA”)**: In February 2011, the USPTO launched a new initiative known as “Clearing the Oldest Patent Applications” (or “COPA”) in an effort to eliminate the “tail” of backlog applications that were more than 16 months old at the beginning of the fiscal year and had not yet received a first office action. This initiative is a critical first step in reaching the USPTO’s strategic goal of providing first office actions on all new applications in an average of 10 months from their date of filing by 2014. The goal for FY 2011 is to have a first office action completed on nearly all of the 313,000 oldest backlog applications. Reaching this goal, however, is highly dependent on the passage of a FY 2011 budget that would provide sufficient resources for hiring and examiner overtime.

In FY 2011, the COPA initiative was a great success that allowed us, not only, to reach our original target of COPA first actions but exceed both stretch goals by completing an additional 22,642 COPA applications.

COPA 2.0 is a continuation of the FY 2011 program. For COPA 2.0, the tail is considered to be applications that are 13 months and older, as of October 1, 2011, and have not received a first office action. The goal for FY 2012 is to complete a first office action on 260,000 applications. As of June 18, 2012, we have completed 209,111 COPA 2.0 applications, or 80% of the goal.

- The USPTO has begun an effort to reengineer the entire patent examination process from the time an application is filed all the way through to the granting of a patent. This effort is paramount in order to upgrade and redesign its IT infrastructure, and to allow innovative redesign of the examination process supported by state-of-the-art automated work flow capabilities. The USPTO will maximize the usage of automation in all processes and link project due dates to those of the end-to-end IT initiative such that the IT system is built to utilize the functionality of the reengineered process.
  - The Patent Process Reengineering (PPR) team was organized in June 2010 to focus on aspects of pre-examination, examination, and post-examination processes to supply redesigned and streamlined processes and improvements to Bureau senior leadership and the Patents End-To-End (PE2E) Team. These improved processes would be incorporated into the Patents End-To-End (PE2E) project to support development of new system architecture. The PPR effort also serves to meet the United States Patent Office (USPTO) 2010-2015 strategic goal to optimize patent quality and timeliness to facilitate achieving organizational excellence. The PPR team organized internal stakeholder outreach focus groups by leveraging affinity groups and open space technology facilitation. The outreach initiatives continued throughout the summer of 2010. Based on this input, the team organized working groups tasked to investigate specific areas. The working groups followed a process improvement methodology based on LEAN Six Sigma that included documenting the current processes, identifying issues at both the process and step levels, assessing the impact of those issues, identifying the root cause of each issue, identifying solutions to address the root causes, prioritizing those solutions, and reporting and validating their results. These working groups worked in 6-10 week time frames staggered over the Fall of 2010, and the winter and spring of 2011. Phase I ended June 30, 2011, Phase II ended September 30, 2011, and Phase III continue to date in a similar staggered fashion as Phases I and II.
  - Phases I and II working groups produced more than 200 individual process improvement recommendations. If all of the recommendations are implemented, results will include:
    - Increased electronic filing, revenue collection, processing efficiency, standardization, ability to accurately and easily measure core metrics and progress toward goals, examination quality; and
    - Reductions in pendency measures, examiner search time for related applications and prior art, applicant filing time, Office and applicant errors and management time for quality reviews and administrative tasks, grievances
- The USPTO plans to hire, train and retain highly skilled and diverse examiners. While continuing to draw candidates from our traditional sources, it is expected that including Intellectual Property (IP) experienced hires will assist in developing a balanced workforce, contribute to a lower attrition rate, and a provide a faster transition to productivity for new hires. Recruiting candidates having significant IP experience will lead to a reduced training burden as well as an increased ability to examine applications much sooner than an inexperienced new hire, thereby increasing production output.
  - A total of 836 patent examiners were hired in FY 2011, including 57 IP experienced hires.

- A total of 1500 hires including 200 IP experienced hires are planned for FY 2012.
- A total of 873 new examiners are already on-board as of June 18, 2012, with another 224 offers having been accepted.

In addition, in response to the President's call to hire veterans, the USPTO launched an intensive recruitment effort to increase veteran hiring in its patent examiner corps. The program features broad outreach and support to attract veterans interested in pursuing careers in patent examination. To achieve this goal, USPTO is implementing a comprehensive recruitment plan aimed at attracting veterans and their family members to job opportunities through sources including job postings, resource sites, career centers, and career fairs. The USPTO has engaged military career placement offices on the local and national level and the agency will hold special information sessions at veteran career centers and veteran career fairs to attract veterans. Job announcements have to be posted on websites specializing in veterans, and USPTO will partner with veteran organizations to market the agency.

- By outsourcing searching on Patent Cooperation Treaty (PCT) international applications, examiners will have more time to conduct the examination process on U.S. National applications. In continuing to outsource this function, contractors, instead of patent examiners, would provide an international search report and a written opinion of the International Searching Authority under the provisions of the PCT, thus allowing examiners to examine the approximately 17,000 utility, plant and reissue (UPR) applications, which will reduce the backlog by an estimated 9,000 applications.
- In FY 2012 the USPTO will outsource approximately 20,000 PCT applications which equates to an estimated 10,000 application reduction in the backlog. In total, over 100,000 PCT applications have been outsourced for an estimated 50,000 application backlog reduction.

Challenge 2: Reduce Costs and Improve Operations to Optimize Resources for a Decade of Constrained Budgets

The USPTO faced management challenges obtaining a reliable and sustainable source of funding to finance operations on a multi-year basis. The agency does not have much flexibility adjusting its fees or spending levels if filings and revenues change unexpectedly. To accomplish its strategic goals, the USPTO must have the authority to set the fees necessary to recover the cost of operations, spend fees collected on requirements-based operations, and to adapt and manage its funding requirements as changes occur in internal and external conditions.

As the agency requires sufficient resources to reduce the patent application backlog and achieve its stated pendency goals, the USPTO seeks fee setting authority through the America Invents Act. This Act will allow the USPTO to proactively adjust its fees in response to changes in demand for services, processing costs, or other factors. With fee setting authority, and with routine evaluation of the fee structure, the Agency can compare the cost of activities with fees to ensure the rates are set at appropriate levels and the fee structure is achieving rational results.

Another management challenge faced by the USPTO is the potential existence of financial uncertainty as a result of the agency's unique financial structure. Subsequent downturns in the U.S. and global economies showed the structure's vulnerabilities. Multiple factors contribute to the differences, including a reduction in the number of patent applications filed and declines in maintenance fees collected for existing patents. In December 2010, the DOC IG found that the USPTO does not have clear guidance or a disciplined, documented process for forecasting patent fee collections. The IG recommended the establishment and implementation of written policies and procedures for developing fee-collection forecasts and annual reports on variances between projected and actual fee collections. The USPTO has completed several of these IG recommendations, having documented the CFO process for developing fee-collection forecasts and submitting the annual variance report.

AIA Implementation. The provisions in the America Invents Act can be categorized into three areas: (i) promulgating new rules to implement statutory provisions; (ii) conducting studies into congressionally-mandated areas of intellectual property law; and (iii) establishing new programs to facilitate the public's access to the patent system. The agency is progressing well and on-time for each of these categories.

Rulemaking: The USPTO is required to implement 20 new provisions of law under the AIA. The agency already has timely implemented seven provisions that were required to be effective within 60 days of enactment of the AIA (i.e., by November 16, 2011), including prioritized examination, 15% surcharge, and the electronic filing incentive. The agency either issued a guidance document or new rules to accomplish this implementation.

Presently, the USPTO is in the process of implementing nine additional provisions with effective dates of one year after AIA enactment (i.e., by September 16, 2012). These provisions include inventor's oath or declaration, supplemental examination, preissuance submissions, citation of patent owner statements, and the new administrative trials of inter partes review, post grant review, and covered business method review. For these 9 provisions, the agency published proposed rules, collected public input, prepared final rules, and submitted those final rules for Federal Register publication. These final rules will publish several weeks before their September 16th effective date.

Finally, the agency has four remaining provisions to implement by March 16, 2013, such as fee setting, micro-entity, first-inventor-to-file, and derivation. The agency has already prepared proposed rules for these provisions, published some, and submitted the remaining ones to the Federal Register for publication soon. The agency is on track to complete its rulemaking for these four remaining provisions on time, just as it has done for all other AIA provisions.

Studies: The USPTO is charged with completing three studies within one year after AIA enactment—Prior User Rights, International Patent Protection for Small Businesses, and Genetic Testing. The agency has completed the Prior User Rights and International Patent Protection Studies and timely delivered its reports to Congress. For those two studies, the agency collaborated with other government agencies as specified in the AIA, published requests for information, and conducted public hearings where members of the public provided testimony about the study topics. The agency compiled all of the collected information, made findings of fact, and offered recommendations to Congress as required by the AIA.

For the Genetic Testing Study, the agency followed the same study protocol as for the two previous studies and circulated a report containing findings of fact and recommendations for inter-agency clearance. Because the report is currently still undergoing inter-agency clearance, the agency missed its statutory due date for delivery of the report to Congress. The agency currently is continuing the inter-agency clearance process to release the report as soon as possible.

Programs: The USPTO must establish 4 programs by the one-year anniversary of the AIA and has already completed this work.

First, the agency has worked with intellectual property law organizations to help set up pro bono programs for under-resourced independent inventors and small businesses. There are currently two such programs running in Minneapolis and Denver and discussions are under way to expand the programs to California, Texas, and the DC metro area by the end of the calendar year 2012.

Second, the USPTO opened the first satellite office in Detroit on July 13, 2012, and announced the locations for three additional offices in Denver, Dallas, and San Jose on July 2, 2012. The agency now is planning for the opening of these additional offices.

Third, the USPTO established a methodology to collect diversity information for patent applicants and published its methodology in a white paper. The USPTO is in the process of affecting its methodology to collect that diversity information. As one component, the agency has established a Memorandum of Understanding with the Census Bureau to collect diversity information for past U.S. patent applicants based on Census records. As a second component, the agency is preparing a Request for Information to inquire with the public about ways to collect diversity information for foreign applications as well as future patent applicants.

Finally, to fulfill the Patent Ombudsman Program, the USPTO offers several services to help small businesses and independent inventors with their patent filings, including the Inventors Assistance Center and an Ombudsman Program. The Inventors Assistance Center helps to guide independent inventors and small business in filing patent applications with the USPTO. The Ombudsman Program assists applicants and their representatives with concerns about their patent applications and issues that arise during prosecution. Currently, the USPTO is preparing a white paper to alert the public to services.

FY 2013 MANAGEMENT CHALLENGES

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

November 9, 2012

MEMORANDUM TO THE ACTING SECRETARY

FROM: Todd J. Zinser

SUBJECT: Top Management Challenges Facing the Department of Commerce in Fiscal Year 2013

Enclosed is our final report on the Department of Commerce's top management challenges for fiscal year (FY) 2013. The Department plays a pivotal role in implementing the President's initiatives for economic recovery and job creation and, like other federal agencies, faces significant financial uncertainties in the upcoming year. The report identifies what we consider, from our oversight perspective, to be the most significant management and performance challenges facing the Department.

The five top challenges we reported last year have been updated for FY 2013, to reflect progress made as well as current events.

- ***Stimulate economic growth in key industries, increase exports, and enhance stewardship of marine fisheries.*** The Department has engaged in multiple government-wide initiatives to implement the President's priorities. Successful implementation of these initiatives could have a profound impact on the nation's economy; however, it requires focused attention by senior management, close coordination with the private sector and other federal agencies, and sustained congressional support.

- ***Increase oversight of resources entrusted by the public and invest for long-term benefits.*** In an era of constrained budgets, there is a greater risk that management will take shortcuts, loosen internal controls, and deemphasize oversight, in order to devote resources to other requirements. Recent concerns over conference spending and unauthorized reprogramming of funds have highlighted the need for more effective oversight. Also, several planned modernization efforts, including redesign of the 2020 decennial, could provide significant long-term benefits but require increased management attention.

- ***Strengthen security and investments in information technology.*** Recent cyberattacks on bureau systems confirm the urgent need to fix the Department's persistent security weaknesses. While we support senior management's recent actions to strengthen the departmental Chief Information Officer's governance, it is too early to judge their effectiveness.

- ***Implement framework for acquisition project management and improve contracts oversight.*** The Department has recently issued an Acquisition Project Management Framework/Guidebook in response to a special study mandated by former secretary Locke. The new guidance provides more comprehensive coverage of acquisition life-cycle activities and, if implemented consistently, should help mitigate risks of cost overruns and schedule delays. Incorporating the new framework into the Department's acquisition policy and exercising relentless departmental oversight will be critical to the implementation's success.

- ***Reduce risks of cost overruns, schedule delays, and coverage gaps for NOAA's satellite programs.*** Satellite programs remain the largest investment in the Department, comprising nearly 20 percent of the Commerce budget. Preventing significant cost overruns and minimizing the impact of satellite coverage gaps will continue to require top-level management attention.

Over the past several years, the Department has experienced many problems—such as inappropriate acquisition and contracting practices, improper accounting of millions of dollars in reimbursable agreement services, and unjustified use of forfeited assets—due to lapsed internal controls. Recent incidents involving unauthorized reprogramming of funds and cyberattacks on bureau systems are the latest in a series of wake-up calls. To its credit, Department top-level management has issued directives requiring immediate and across-the-board corrective actions when becoming aware of these deficiencies. The Offices of the Chief Financial Officer and Chief Information Officer also took actions to strengthen Department oversight and promulgate consistent practices among bureaus. Commerce leadership must continue showing the way forward to establish an accountability culture with increased transparency, readily available support, and independent validation. This is perhaps the Department's biggest challenge of all.

We remain committed to keeping the Department's decision makers informed of long-standing, as well as emerging, problems identified through our audits and investigations, so that timely corrective actions can be taken. This final report and the Department's response to it (which appears as an appendix) will be included in the Department's *Performance and Accountability Report*, as required by law.[1]

We appreciate the cooperation received from the Department, and we look forward to working with you and the Secretarial Officers in the coming months. If you have any questions concerning this report, please contact me at (202) 482-4661.

cc: Cameron Kerry, General Counsel
Scott Quehl, Chief Financial Officer and Assistant Secretary for Administration
Simon Szykman, Chief Information Officer
Bruce Andrews, Chief of Staff to the Secretary
Justin Ehrenwerth, Chief of Staff to the Deputy Secretary
Ellen Herbst, Senior Advisor to the Deputy Secretary
Operating Unit Heads
Operating Unit Audit Liaisons

[1] 31 U.S.C. §3516(d).

U.S. DEPARTMENT OF COMMERCE OFFICE OF INSPECTOR GENERAL

Contents

Challenge 1: Stimulate Economic Growth in Key Industries, Increase Exports, and Enhance Stewardship of Marine Fisheries 1

Stimulate Economic Growth in Manufacturing, Intellectual Property, and Wireless Industries 1

Promote and Regulate Exports 4

Protect and Promote Marine Fisheries 6

Challenge 2: Increase Oversight of Resources Entrusted by the Public and Invest for Long-Term Benefits 8

Increase Internal Controls and Oversight of Departmental Operations Under a Constrained Budget . 8

Invest for Efficiencies and Long-Term Benefits 11

Implement Bold Design Changes to Contain 2020 Decennial Costs While Maintaining Enumeration Quality 12

Challenge 3: Strengthen Security and Investments in Information Technology 15

Continue Improving Commerce's IT Security Posture by Addressing Persistent Security Weaknesses 15

Develop Resilient Incident Response and Recovery Capabilities with Increased Monitoring of Internet Traffic 17

Manage Commerce's IT Portfolio with Enhanced Governance Structure 17

Strengthen Oversight of IT Investments 18

Challenge 4: Implement Framework for Acquisition Project Management and Improve Contracts Oversight 20

Implement the Planned Framework for Acquisition Project Management 21

Oversee High-Risk Contracts 22

Maintain an Acquisition Workforce That Holds Bureau Officials Accountable 23

Implement an Effective Suspension and Debarment Program 24

Challenge 5: Reduce Risks of Cost Overruns, Schedule Delays, and Coverage Gaps for NOAA's Satellite Programs 25

Communicate with Stakeholders to Define JPSS Capabilities, Schedule, and Cost Baselines 25

Ensure Adequate Leadership and Governance Structure over JPSS Development 27

Develop a Plan to Support NOAA Weather Forecasting Capabilities During Coverage Gaps 28

Reduce Program Risks Associated with GOES-R Development 29

Acronym List 31

Appendix A: Related OIG Publications 33

Appendix B: Comparison Between FY 2012 and FY 2013 Challenges 36

Appendix C: Management Response to OIG Draft Report 37

FINAL REPORT NO. OIG-13-003

Challenge 1:

Stimulate Economic Growth in Key Industries, Increase Exports, and Enhance Stewardship of Marine Fisheries

The Department is at the center of the federal government's efforts to stimulate economic and job growth in key industries and promote exports, while at the same time regulating exports and maintaining the delicate balance between promoting and regulating the commercial use of marine fisheries. These efforts require the Department to work effectively with interagency partners and the private sector as well as to marshal and integrate Commerce resources. We have identified three areas for management attention:

- Stimulate economic growth in manufacturing, intellectual property, and wireless industries
- Promote and regulate exports
- Protect and promote marine fisheries

Stimulate Economic Growth in Manufacturing, Intellectual Property, and Wireless Industries

In early FY 2011, the Department laid out its vision to support manufacturing jobs in America by implementing the President's Advanced Manufacturing Partnership—a nationwide effort that brings together industry, universities, and the federal government to invest in the emerging technologies and strengthen intellectual property protection. Further, to support the explosive growth in wireless industries and foster job creation, the President has tasked the Department to make more spectrum available for commercial use. Successful implementation of these initiatives could have a profound impact on the nation's economy; however, it will require focused attention by senior management, close coordination with the private sector and other federal agencies, and sustained congressional support.

Support Job Insourcing and Manufacturing Initiatives

Recent reports[2] emphasize the role of manufacturing in creating high-paying jobs, providing U.S. exports, and spurring innovation. The President's Council of Advisors on Science and Technology's July 2012 report cites three keys to strengthening U.S. manufacturing: innovation, a skilled workforce, and a business climate that "spurs investment and fosters partnerships between government, academia, and industry" through the development of policies in the areas of tax, regulation, trade, and energy. Many offices, task forces, and councils are involved with

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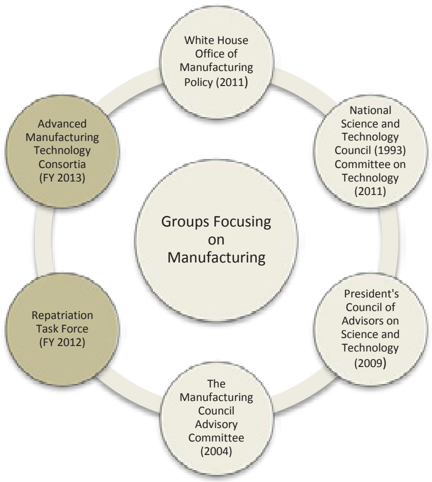
[2] U.S. Department of Commerce, in consultation with the National Economic Council, January 2012. *The Competitiveness and Innovative Capacity of the United States.* http://www.commerce.gov/sites/default/files/documents/2012/january/competes_010511_0.pdf; President's Council of Advisors on Science and Technology, July 2012. *Report to the President on Capturing Domestic Competitive Advantage in Advanced Manufacturing.* Washington, D.C.: Executive Office of the President.

FINAL REPORT NO. OIG-13-003 1

Figure 1. Sample of Groups Focused on Manufacturing



Source: OIG analysis of departmental data

studying and establishing manufacturing initiatives. A sample of these groups is presented in figure 1.

The two dark circles represent recent initiatives led by the Department of Commerce. Last year, in response to a requirement in its FY 2012 appropriation, the Department established the Repatriation Task Force—chaired by a representative of the Secretary's Office of Policy and Strategic Planning and including officials from the International Trade Administration, the Economic Development Administration, the Minority Business Development Agency, and the National Institute of Standards and Technology—and issued a report that identified incentives to repatriate jobs that had moved abroad back to America (job insourcing).

A second departmental program, the Advanced Manufacturing Technology Consortia (AMTech) program, is supported in NIST's FY 2013 budget. AMTech will provide cost-shared funding to consortia focused on developing advanced technologies to spur manufacturing in the United States. In addition, the President's FY 2013 budget proposed $1 billion of mandatory spending to establish a National Network for Manufacturing Innovation grants program—which requires collaboration among the Department of Commerce, Defense, Energy, and the National Science Foundation. Since this program requires congressional authorization, the administration needs to work with Congress to develop a legislative solution.

In conclusion, while the goal is clear—support job creation by bringing manufacturing jobs back to the United States—the departmental challenge is to implement new initiatives with coordinated policy guidance while avoiding duplicative efforts with its partners.

Reduce the Patent Backlog, Improve Processing Times, and Effectively Implement Patent Reform

The U.S. Patent and Trademark Office (USPTO) fosters innovation and protects inventors' intellectual property rights by registering trademarks and granting patents, which support $5 trillion of the U.S. economy. Long waits for application decisions could adversely affect innovation, economic development, and job growth, inhibiting U.S. companies from exporting until they procure the appropriate patents for their products.

- Over the past decade, the patent backlog has almost doubled, and the completion of patent reviews takes almost 3 years. While USPTO has reduced the backlog from more than

700,000 in FY 2010, it remains above 600,000 at the end of FY 2012.[3] Initially, the Under Secretary of Commerce for Intellectual Property set forth the goals of reducing the backlog of applications awaiting examiner action to a 10-month inventory (approximately 350,000 applications[4]) through decreasing the total processing time for patent applications to 10 months for the first office action by FY 2014 and 20 months total by FY 2015. USPTO later postponed these target dates to FY 2015 and FY 2016, and again to FY 2016 and FY 2017.[5] To reduce the long waits for patent application decisions, it is imperative that USPTO maintain its focus and increase its efforts to address these challenges.

- USPTO also has the challenge of reducing a second backlog: ex parte appeals for rejected patent applications. As the number of patent examiners has grown, the number of new ex parte appeals has grown significantly. Although it is difficult to estimate the exact increase in the number of new appeals before FY 2010 because of inaccuracies in the appeal data, new ex parte appeals have averaged nearly 12,800 between FY 2010 and FY 2012. The time it takes an appellant to receive a decision on an ex parte appeal has doubled in the past 2 years. Although USPTO hired additional judges in FY 2012 and enhanced their performance benchmarks, continued management attention will be needed.[6]

In addition, USPTO faces new administrative and operational challenges in implementing the Leahy-Smith America Invents Act (Pub. L. No. 112-29). This act, signed into law in September 2011, contains many fundamental changes to patent laws and USPTO practices, such as moving the United States to a "first inventor-to-file" system from a "first-to-invent" system. These significant changes will require USPTO to issue new regulations. USPTO has successfully implemented new rules scheduled for September 2012 implementation and is addressing public rulemaking requirements to implement provisions scheduled to take effect next March. Significant planning, outreach, and communication with stakeholders will be needed to implement these fundamental changes.

The James Madison Building at USPTO Headquarters

Source: OIG

[3] Current indicators on patent pendency and quality are available on USPTO's Patent Dashboard: http://www.uspto.gov/dashboards/patents/main.dashxml.

[4] The exact number of applications that would comprise a 10 month inventory will vary based on the size of the patent examiner corps.

[5] Sources for USPTO target dates for decreasing patent application processing time: USPTO FYs 2010–2015 strategic plan (FYs 2014 and 2015), FY 2013 President's budget request (FYs 2015 and 2016), and USPTO's October 2012 proposal (FYs 2016 and 2017).

[6] U.S. Department of Commerce Office of Inspector General, August 2012. *USPTO's Other Backlog: Past Problems and Risks Ahead for the Board of Patent Appeals,* OIG-12-032-A. Washington, D.C.: Department of Commerce OIG.

Strengthen Spectrum Management and Public Safety

Radio frequency spectrum provides an array of wireless communications services critical to the US economy and supports a variety of government functions.[7] In June 2010, the President requested that 500 MHz of spectrum be freed up for commercial sale. The National Telecommunications and Information Administration (NTIA) announced in March 2012, that the federal government intends to repurpose 95 MHz of prime spectrum for commercial use, if certain challenges are met. However, the $18 billion price tag to relocate existing federal users could make this cost prohibitive. A July 2012 report by the President's Council of Advisors on Science and Technology recommended that up to 1000 MHz of federal spectrum be made available for a "shared use spectrum superhighway,"[8] between federal agencies and commercial providers. Recent technology advances make the shared-use architecture feasible in the near future; however, many challenges such as lack of incentive for commercial providers to bid for shared spectrum, revenue generation, and rights of use issues must be addressed to make this effort a possibility. A strong partnership between the federal government (NTIA and FCC) and commercial providers will be needed to make this program a reality.

On February 22, 2012, the President signed the Middle Class Tax Relief and Job Creation Act of 2012, which assigned the D-Block spectrum and provided $7 billion to NTIA to establish an interoperable nationwide Public Safety Broadband Network (PSBN). NTIA is required to establish an independent authority called First Responder Network Authority (FirstNet) to be the holder of the existing public safety spectrum and be responsible for the establishment and deployment of the PSBN. It is important for NTIA to take into consideration the lessons learned from earlier public safety network efforts when establishing FirstNet, such as establishing local/state governance structures in compressed timeframes.

Promote and Regulate Exports

The Department plays a critical role in the success of government-wide initiatives to promote U.S. exports and ensure an effective export control system—approximately 12 percent ($990 million) of its FY 2013 budget request is dedicated to funding international programs and activities.

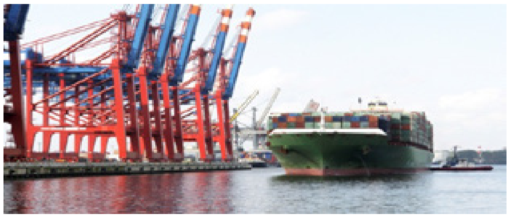
Appropriately Allocate Resources and Increase Collaboration to Support the National Export Initiative

The Department's International Trade Administration (ITA) plays a leading role in supporting the National Export Initiative (NEI), which was formalized by executive order in March 2010. To support NEI, the Department proposed in its FY 2013 budget a reorganization of ITA to eliminate overlapping functions and streamline operations to enhance foreign market access and U.S. industry competitiveness. Also, in FY 2012, its U.S. and Foreign Commercial Service unit began shifting resources away from lower-priority markets to higher-priority markets, in accordance with a congressionally approved plan. According to ITA, 14 offices have been

[7] U.S. Government Accountability Office, April 2011. *Spectrum Management,* Washington, D.C.: GAO, 1

[8] President's Council of Advisors on Science and Technology, July 2012. *Realizing the Full Potential of Government-Held Spectrum to Spur Economic Growth.* Washington, D.C.: President's Council of Advisors on Science and Technology, 11.

closed, and 2 more will remain open only through FY 2014, pending State Department reviews to close them. To make this successful, the Department must continue to strategically reorganize its personnel and resources while providing seamless assistance to the public.



A secretarial-level body called the Export Promotion Cabinet is charged with implementing trade-related activities in coordination with the Trade Promotion Coordinating Committee,[9] chaired by the Secretary. The Department plays an instrumental role in carrying out these activities with external partners. As of December 2011, the value of exports had increased 33 percent in the 2 years since 2009, appearing to be on track to meet the NEI's target of doubling U.S. exports by 2014. However, U.S. export growth for the first 6 months of 2012 was only 6 percent rather than the 15 percent a year necessary to reach the doubling target. The Department reports it has responded to these economic conditions by ramping up its trade advocacy and export promotion efforts, as well as aggressively investigating unfair trade practices affecting U.S. exports or imports into the U.S. market. In addition, we have identified opportunities for ITA to improve training for trade specialists on enhancing collaboration and improving sharing with partner agencies.[10]

Combat Unfair Trade Practices and Continue Implementing the Export Control Reform Initiative

While trade promotion is an essential part of its mission, the Department must also maintain strong trade enforcement and export control programs, so that U.S. companies can thrive in the global marketplace. These key functions are carried out by both ITA and the Bureau of Industry and Security (BIS). Long-term, sustainable U.S. economic growth depends on the effective enforcement of trade agreements and export controls. Recently, for example, the Import Administration, another ITA business unit, issued a final determination that Chinese manufacturers sold at less than fair value (i.e., "dumped") solar panels in the United States and that the manufacturers received trade-distorting government subsidies. The Import Administration also issued a preliminary determination this summer that Chinese manufacturers dumped wind turbines in the U.S. market as well. These kinds of decisions are necessary to level the playing field for U.S. companies. In February 2012, the President signed Executive Order13601, creating a new Interagency Trade Enforcement Center within the Office of the U.S. Trade Representative, co-led by the Department of Commerce. This center seeks to efficiently leverage existing federal government resources, including those within ITA, in challenging unfair trade practices and foreign trade barriers by trade partners. ITA reports it has been dedicating staff and resources to the new enforcement center since its inception in February 2012. ITA's FY 2013 budget request also contains dedicated staff and resources to support this center.

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[9] The TPCC was established in 1993 by Executive Order 12870 under the authority of the Export Enhancement Act of 1992 to coordinate governmental efforts to promote U.S. exports.

[10] U.S. Department of Commerce Office of Inspector General, September 2012. *U.S. Export Assistance Centers Could Improve Their Delivery of Client Services and Cost Recovery Efforts* [Draft report]. Washington, D.C.: Department of Commerce OIG.

The task of administering and enforcing dual-use export controls presently falls on BIS. In April 2010, the Administration proposed the Export Control Reform Initiative to streamline the country's export control system and facilitate U.S. export of high-tech goods while protecting U.S. national security interests. Over the past year, BIS has worked with its interagency partners to review the munitions and dual-use lists to assess whether changes to controls on certain products are warranted. Also in response to Executive Order 13558, BIS, along with other federal agencies, shall provide resources for a new export enforcement coordination center to collect and share information to help prosecute and deter export control violations. Commerce must ensure that it continues to support these important programs and initiatives as the effort to reorganize the Department's and the federal government's trade promotion and enforcement functions continues.

Protect and Promote Marine Fisheries

For several years, we have reported about NOAA's challenge in balancing two competing interests: promoting commercial and recreational fishing as vital elements of our national economy and preserving populations of fish and other marine life.[11] In recent years, members of the fishing industry and elected officials from the New England region have repeatedly questioned certain fishery regulations and whether NOAA has abandoned a core mission to develop the commercial fishing industry and increase industry participation.

An April 2011 independent review of the New England fishery management process[12] suggested many ways to strengthen fishery management rulemaking processes and specifically recommended increased "collection and use of socioeconomic data in fishery management plans in order to make socioeconomic analysis a more visible and meaningful part of the process." This type of analysis includes understanding the impact that fisheries management has on local economies.

As we noted last year, the Department submitted its *Plan for Retrospective Analysis of Existing Rules* in August 2011,[13] in response to Executive Order 13563, *Improving Regulation and Regulatory Review*.[14] In August 2012, the Department's General Counsel informed us that the Department had convened a "regulatory cost–benefit working group" with representatives from USPTO, BIS, and NOAA, since these bureaus engage in most of the Department's rulemaking activity. As a result of these working group meetings, the General Counsel reported that economists and social scientists from the National Marine Fisheries Service have engaged in long-term research to assess the U.S. public's willingness to pay the costs associated with conservation of protected species and marine protected areas. In its rulemaking, the

[11] The Marine Mammal Protection Act of 1972 and the Endangered Species Act of 1973 gave NOAA fisheries responsibility for preventing the extinction of marine fish and other species. The Magnuson-Stevens Fishery Conservation and Management Act of 1976 made the NOAA fisheries the primary federal agency for managing marine fisheries and established a regional fishery management system to help the agency carry out its mission.
[12] Preston Pate and SRA-Touchstone Consulting Group, April 2011. *A Review of the New England Fishery Management Process.* Washington, D.C.: Touchstone Consulting Group.
[13] U.S. Department of Commerce, August 2011. *Plan for Retrospective Analysis of Existing Rules.* Washington, D.C.: Department of Commerce.
[14] Exec. Order No. 13563, 76 Fed. Reg. 3821 (Jan. 21, 2011).

Department and NOAA will continue to be challenged in balancing the competing interests of promoting fishing and preserving populations of fish and other marine life.

We are currently reviewing NOAA's controls and processes surrounding fisheries rulemaking as the first phase of our assessment of transparency and the role of fishery management councils in rulemaking. An effective regulatory environment requires a fair and transparent rulemaking process. Our review will consider the interactions among federal officials, fishing industry members, and nongovernment organizations in the development of fishing regulations.

Challenge 2:

Increase Oversight of Resources Entrusted by the Public and Invest for Long-Term Benefits

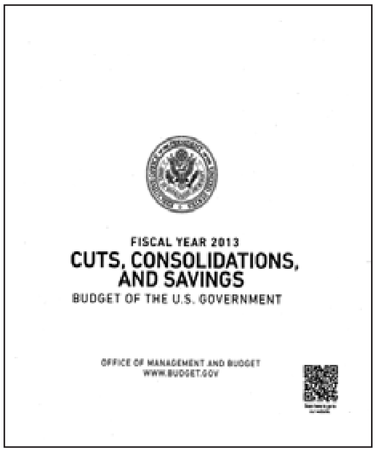
The Joint Select Committee on Deficit Reduction was tasked with seeking $1.5 trillion in government-wide savings over the next 10 years. The Committee did not agree on spending reductions, resulting in a potential sequestration that will trigger across-the-board budget cuts beginning in January 2013. Commerce programs will be deeply affected. As the Department prepares for this extended period of tighter budgets and decreased spending, it is more important than ever to understand the risks associated with making trade-offs in allocating resources between the implementation of programs and the oversight of those programs.

Also, after experiencing significant cost increases in the last decennial (from $8.2 billion to $12.8 billion between 2000 and 2010 decennials), the Census Bureau—a departmental component—has vowed to contain cost of the 2020 decennial by making critical design decisions by the end of FY 2014. However, it has already encountered significant challenges in achieving this goal. While the nation is facing significant financial hardship, the Department and Census Bureau simply cannot afford to repeat the cost growth experienced over prior decennials. We have identified three areas for management attention during a period of funding uncertainty:

- Increase internal controls and oversight of departmental operations under a constrained budget
- Invest for efficiencies and long-term benefits
- Implement bold design changes to contain 2020 decennial costs while maintaining enumeration quality

Increase Internal Controls and Oversight of Departmental Operations Under a Constrained Budget

Since FY 1999, the Department has received unqualified audit opinions on its financial statements. While this is a testimony of the health of departmental financial reporting systems, it is not an adequate benchmark for internal controls and management oversight of day-to-day operations, especially in today's constrained budget environment. In an era of constrained budgets, there is a greater risk that management will take shortcuts, loosen internal controls, and deemphasize oversight, in order to devote resources to other requirements.



Source: Office of Management and Budget

While management has increased departmental-level oversight in recent years, such as reviewing high-risk IT investments (challenge 3) and reducing use of high-risk contracts (challenge 4), more needs to be done. Recent concerns over conference spending and unauthorized reprogramming of funds have highlighted the importance of strong internal controls and the continued need for effective oversight.

National Weather Service Reprogramming

In June 2012, the Appropriations Subcommittee approved the Department's $35.6 million reprogramming request to support NOAA National Weather Service (NWS) operations. An internal inquiry report prepared by the Department highlighted mismanagement of budgetary resources and manipulation of accounting records deeply embedded in NWS. This highlights the need for increased oversight and transparency.

To its credit, the Department has issued directives requiring immediate and across-the-board corrective actions and expanded management's review of internal controls (per OMB Circular A-123[15]) in response to this incident. However, the 6-month-long investigation of this incident and subsequent development/implementation of corrective actions have diverted management attention/resources away from other critical functions. To get ahead of the curve, departmental management needs to instill an accountability culture enriched with increased transparency, readily available support, and independent validation.

Ethical Violations and Concerns of Mismanagement

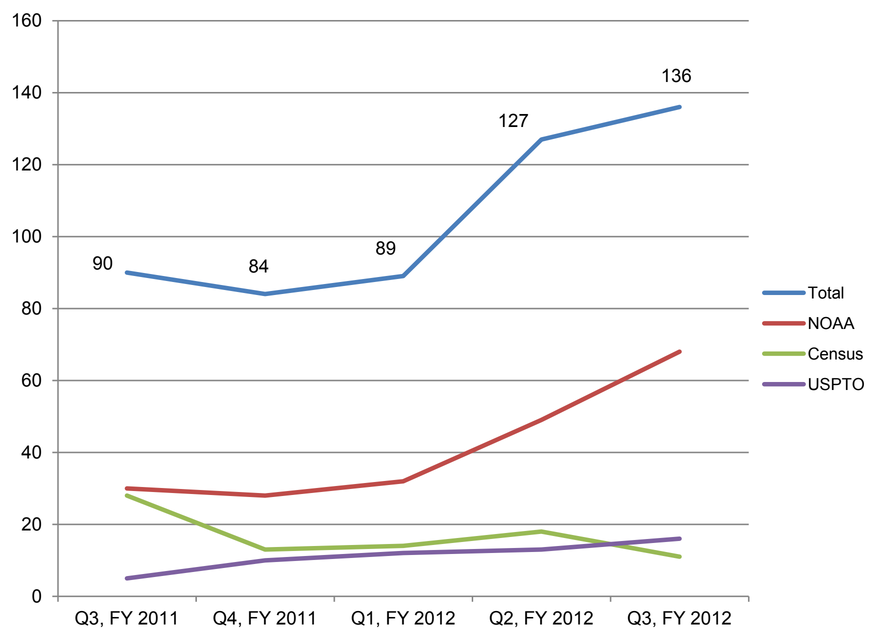
Loosened internal controls and relaxed oversight can increase the misuse of federal funds and lessen public confidence in the government. The following investigative case examples underscore the need for stronger controls and more vigilant oversight to prevent fraud, waste, and abuse within the Department and among its grant recipients and contractors:

- Former executive directors of a commission that received a NOAA grant misused $575,000 in grant funds and were indicted—and plead guilty—to charges of theft, bribery, and wire fraud.
- A NIST grantee diverted more than $100,000 from a $2 million NIST grant to a related company for non-grant-related expenses.
- Several recipients of Commerce funds committed price fixing, used defective merchandise, conducted money laundering, and made false statements.

[15] Office of Management and Budget, December 21, 2004. *Management's Responsibility for Internal Control,* OMB Circular A-123. Washington, D.C.: OMB.

Over the past several quarters, complaints made to the OIG Hotline have consistently increased, driven largely by growth in complaints related to NOAA (see figure 2). While some complaints may have been caused by misunderstanding or miscommunication, they all need to be reviewed individually. OIG provides complaints related to mismanagement and minor misconduct to the responsible bureaus for proper handling. However, many cases referred to bureaus for inquiries and actions have not been reviewed sufficiently or in a timely manner. To provide effective oversight, the Department must address complaints referred by OIG promptly and work to provide effective internal controls to help prevent issues before they occur. We will continue working with the Department to enhance handling of these complaints.

Figure 2. Complaints Received by Quarter for Agencies with Highest Complaint Volume, from Third Quarter, FY 2011, Through Third Quarter, FY 2012



Source: OIG

Oversight of Use of Federal Funds Awarded to Grantees

The Department has more than 70 programs authorized to award grants. Between FYs 2009 and 2011, these programs issued almost $10 billion in American Recovery and Reinvestment Act of 2009 (ARRA) and non-ARRA awards. Ensuring timely resolution of grant audit findings and corrective actions is an essential aspect of grant oversight. In June 2012, we reported to the Department that there were 25 unresolved audits, including 14 that were past due. More than half of those that were past due were at NIST, which was experiencing a staffing shortage in its Grants and Agreements Management Division. While we are aware that NIST has begun addressing the backlog, timely grant audit resolutions need to be a priority.

With approximately $3.8 billion in grant awards, the Broadband Technology Opportunities Program (BTOP), funded by ARRA, represents the most significant investment of federal funds in the Department. As of June 30, 2012, about 50 percent of BTOP funds remain to be disbursed. As these projects near their required 3-year completion dates (between November 2012 and September 30, 2013), the potential for fraud, waste, and abuse associated with such large-dollar-amount awards will increase as recipient spending increases. However, the uncertain funding for BTOP oversight in FY 2013 and beyond raises significant concerns about the Department's ability to adequately oversee the program in the future (e.g., closeout of projects and oversight of projects that received extensions). Management needs to remain committed to monitoring BTOP recipient compliance with grant award terms and achievement of intended benefits.

Invest for Efficiencies and Long-Term Benefits

Smart investment for long-term benefits, when combined with responsible spending, is key to success in today's constrained budget environment. The Department has endorsed several efforts to modernize its mission-support functions; for example, it has made good progress in modernizing/standardizing Human Resources–related operations by adopting a government-wide system solution offered by the Treasury Department. We have identified the following modernization efforts as requiring management attention.

Modernization of Financial Management Systems

The Department and its bureaus use multiple legacy financial management systems to support day-to-day operations, including a core accounting system developed with aging technology and augmented with in-house software that is increasingly more difficult to maintain. The multiple legacy financial systems cannot provide timely and accurate data for management decision making. In addition, interfaces, reports, and data warehouses are duplicated, leading to high maintenance costs. These limitations impede the Department's ability to oversee Department-wide financial activities.

The Department plans to replace all legacy financial systems—core financial accounting, financial management, grants management, acquisition management, and property management—with commercially available software between FYs 2014 and 2018. While modernizing legacy financial systems has to be a priority for the Department, the planned implementation represents significant challenges to the Department.

- The proposed implementation timetable is very aggressive for modernization projects of such size. However, as pointed out by the project team, this aggressive timetable is in compliance with OMB requirements of not exceeding 24 months when developing/implementing financial systems. To meet this aggressive schedule, the project team plans to significantly limit the amount of software customization. Bureaus are expected to adjust their financial/accounting/business operations based on the functionalities established in selected vendor software. With the diverse cultures in the Department, synchronizing bureau financial operations requires strong departmental governance.

- The Census Bureau is scheduled to be converted first by FY 2016. This timely conversion is critical to Census's 2020 decennial readiness. Any schedule slippage could complicate decennial planning and cost-containment efforts. Management needs to keep close oversight of this modernization effort.

Renovation of the Herbert C. Hoover Building

For the first time in its 79-year history, the Herbert C. Hoover Building (HCHB) was scheduled to undergo a comprehensive renovation between FYs 2008 and 2021. This project is led by the U.S. General Services Administration (GSA) with a projected cost of more than $900 million, and is to be completed in eight phases. However, this project is now at risk of not being funded beyond phase 3. As a result, the building will remain noncompliant with current fire and safety codes and regulations. If renovation is interrupted at phase 3, 62 percent of the building will still contain hazardous material, 75 percent of HCHB will not have permanent fire suppression systems, 55 percent of HCHB will lack blast window protection, and the majority of HCHB will not meet the American with Disabilities Act requirements. This places building occupants at risk. The Department needs to work with GSA and Congress to secure funding for continued safety improvement in the building.

Implement Bold Design Changes to Contain 2020 Decennial Costs While Maintaining Enumeration Quality

The Census Bureau has vowed to contain the costs of the 2020 decennial to an amount close to final costs of the 2010 census. To achieve cost savings, the bureau is exploring new and innovative design alternatives. While it seems that the 2010 decennial has just completed, the Bureau is in the initial stages of 2020 census research and testing and is already encountering challenges. In addition, the recent resignation of the director raises concerns. Because the Bureau operates on long planning cycles for the decennial census, it is difficult to maintain leadership with a consistent vision—and much easier to fall back on old ways and institutional habits. We identified the following issues requiring senior management attention.

U.S. Population Estimate from U.S. Census Bureau

Source: OIG

Planning Within Constrained Budgets

Like the rest of the federal government, the Census Bureau is operating in a constrained budget environment. As a result of a reduction in its budget request for FY 2012, the Bureau canceled 20 of 109 studies to measure its performance in the 2010 decennial. Another 25 studies, to be completed in FY 2013, are contingent on funding. Canceling these studies may jeopardize the identification of lessons learned, which is critical to planning the next decennial. The Bureau must be strategic in how it spends its available funding. Also, it must provide the Secretary and Congress reliable and transparent budget requests.

Leadership Continuity and Departmental Oversight

Leadership continuity is essential to maintain momentum as planning progresses for the 2020 decennial. Absent stable, committed leadership, any organization tends to revert to its embedded culture. A leadership void on the top adds risk to the Bureau's management of critical issues (e.g., budget, operational design, and questionnaire content). Reverting to historical practices and limited design changes experienced in recent decennial censuses will result in unsupportable cost growth for the next census. To coordinate ongoing activities leading to a cost-effective design decision, which must be made by the end of FY 2014, the appointment of a new director must be a priority.

Departmental oversight should play a key role: early in the decennial development process, it can reveal whether the Census Bureau has considered all reasonable project alternatives or if it is assuming too much risk. In this way, the Department can work with the Bureau to address problems before unnecessary costs accumulate. For example, the Department Information Technology Review Board recently examined decennial IT planning efforts. It is critical that departmental management continues close oversight to help ensure decennial cost containment and quality.

Uncertainty Surrounding Funding for the American Community Survey

The American Community Survey (ACS) infrastructure allows for the creation and testing of enterprise-wide solutions to obstacles that face all survey and decennial operations. In our final 2010 Census report to Congress,[16] we suggested that the Census Bureau use ACS to explore areas such as questionnaire content and design, response options (such as the Internet), use of administrative records, and targeted field data collection procedures and methodologies. Census's preliminary 2020 decennial cost estimates were based on the assumption that the ACS program would continue. With Congress debating the elimination of funding for this survey, management needs to factor into 2020 decennial planning efforts the significant uncertainty this would create.

Ability to Use Administrative Records

Currently, one of the focal points of the 2020 Census research and testing agenda is to use administrative records to improve the address list and reduce the number of visits to housing units that do not return the questionnaire. The use of these records could potentially save billions of dollars over the life cycle of the next census. However, obtaining access to these records can be difficult because relevant statutes governing other federal agencies do not compel them to provide their records to the Bureau. In addition, as we recently reported,[17]

[16]U.S. Department of Commerce Office of Inspector General, June 27, 2011. *Census 2010: Final Report to Congress*, OIG-11-030-I. Washington, D.C.: Department of Commerce OIG.

[17]U.S. Department of Commerce Office of Inspector General, May 10, 2012. *High-Quality Maps and Accurate Addresses Are Needed to Achieve Census 2020 Cost-Saving Goals,* OIG-12-024-I. Washington, D.C.: Department of Commerce OIG.

although tribal, state, county, and local governments share address information with Census, Title 13 forbids Census from reciprocating with those partners and federal agencies—with a few, very narrow, exceptions, such as the once-a-decade address-updating program. According to the Bureau, it is trying to identify opportunities that will provide detailed feedback to local governments throughout the decade for address list improvements. However, to facilitate a wide-ranging use of administrative records—key to containing 2020 decennial costs—management needs to seek congressional guidance.

Challenge 3:

Strengthen Security and Investments in Information Technology

In FY 2012, the Department planned to invest $2.4 billion in IT. This is about 25 percent of its annual budget and one of the highest percentages devoted to IT among all civilian agencies. The Department and its constituent bureaus rely on IT to support major mission activities, such as producing the constitutionally mandated decennial census; releasing vital economic statistics (e.g., the gross domestic product and consumer spending); granting patents and trademarks; issuing severe weather alerts; and operating weather satellites. However, we have identified major concerns in the Department's IT security posture and fragmented IT governance. While the Department's Chief Information Officer (CIO) has taken steps to strengthen IT governance, we continue to find significant security vulnerabilities in bureau systems, which could lead, and already have led, to service disruptions and loss of sensitive information. We have identified four areas for management attention:

- Continue improving Commerce's IT security posture by addressing persistent security weaknesses
- Develop resilient incident response and recovery capabilities with increased monitoring of Internet traffic
- Manage Commerce's IT portfolio with enhanced governance structure
- Strengthen oversight of IT investments

Continue Improving Commerce's IT Security Posture by Addressing Persistent Security Weaknesses

Government agencies, Internet commerce, and vital business sectors are all affected by the rapid increase in the number of cyberattacks. The Department is under constant threat because of its reliance on Internet-based technologies, which interconnect its IT systems and facilitate business with the public. In fact, several of the Department's bureaus fell victim to significant cyber intrusions in recent years. For example, in January 2012, as a result of a malware infection, the Economic Development Administration (EDA) disconnected its systems from the Internet, greatly affecting its ability to maintain normal business operations. Also, hackers successfully penetrated two other bureaus' networks during FY 2012, resulting in exfiltration[18] of user account information. Hackers could have gained unauthorized access to the bureaus' sensitive information. These incidents resulted from a persistent lack of basic security controls.

We conducted security assessments on a targeted selection of 18 systems from six bureaus in FY 2010 and 10 systems from three bureaus in FY 2011. We also assessed the security posture

[18] Exfiltration, in the context of this report, refers to the unauthorized transfer of information from an organization to external entities.

of 15 Web application systems from eight bureaus. In FY 2012, we assessed the effectiveness of four bureaus' information security programs by evaluating key security measures in place to protect mission-critical information that is processed, stored, or transmitted by 17 information systems within these bureaus.

Over the years, we have repeatedly identified significant flaws in basic security measures protecting IT systems and information. We have continually called for greater attention and stronger commitment from the Department's senior management to the basic security practices, which, if properly implemented, can effectively minimize or stop cyberattacks before a serious compromise occurs. In response to our FYs 2010 and 2011 recommendations, the Department has updated its IT security policy for vulnerability scanning, secure configurations, and management of plans of action and milestones. However, the Department needs to enforce these polices because we continue to find similar security weaknesses in department-wide and bureau systems. For example, we reported the following persistent security weaknesses in FYs 2010, 2011, and 2012:[19]

- High-risk vulnerabilities
- Deficient patch management
- Inadequate secure configuration settings
- Ineffective vulnerability scanning
- Security weaknesses not tracked or remediated expeditiously

Last year, we reported that the Department had taken the significant step of including information security measures in the Deputy Secretary's quarterly balanced scorecard review with bureau heads, to help institutionalize good security practices. However, we found that those measures were inconsistently reported across the Department. For example, bureaus chose different security controls as their reporting measures. Such reporting makes it harder to assess overall performance of the Department's IT security program. To correct this inconsistency, the Office of the Chief Information Officer, after collaborating with the bureaus, issued guidance in July 2012 to help bureaus consistently and accurately report their IT security performance in future balanced scorecards. With this renewed focus on using consistent and accurate security measures for balanced scorecard review, the Department should require bureaus to demonstrate progress in correcting persistent security weaknesses.

[19] U.S. Department of Commerce Office of Inspector General, November 2010. *Federal Information Security Management Audit Identified Significant Issues Requiring Management Attention,* OIG-11-012-A. Washington, D.C.: Department of Commerce OIG; U.S. Department of Commerce Office of Inspector General, November 2011. *FY 2011 Federal Information Security Management Act Audit: More Work Needed to Strengthen IT Security Department-Wide,* OIG-12-007-A. Washington, D.C.: Department of Commerce OIG.

Develop Resilient Incident Response and Recovery Capabilities with Increased Monitoring of Internet Traffic

EDA (at the time of the cyber incident) and several other bureaus located in the main Commerce building rely on the Department's Computer Incident Response Team (DOC CIRT) to provide forensic analysis when a cyber event occurs. However, while investigating EDA's cyber incident, DOC CIRT faced technical challenges and had to depend heavily on several internal and external groups, such as NIST, the Department of Energy, and other federal agencies for assistance. The Department needs to strengthen its incident response capabilities to effectively deal with ever-increasing cyber events.

In addition, this cyber incident exposed a weakness in EDA's continuity of operations planning. For example, due to malware infection on its systems, which may have existed on the systems for several years, EDA could not assure that information stored on its electronic backup media was not contaminated. As a result, EDA had to "clean" the information before using it to reconstitute its systems, which significantly extended the reconstitution time. As a lesson learned from the EDA incident, the Department should ensure that bureaus consider the potential effects of corrupted information from cyberattacks when planning continuity of operations.

The Department should ensure that bureaus consider the potential effects of corrupted information from cyberattacks when planning continuity of operations.

The Department has made a concerted effort to implement OMB's Trusted Internet Connection (TIC) initiative, which should better monitor cyber threats from the Internet. All bureaus, except the Census Bureau and NOAA, will acquire TIC service by December 2012. NOAA is planning to be its own TIC access provider by 2014. However, the Census Bureau raised concern over TIC's inspection process, which could allow third parties, such as the Department of Homeland Security, to access sensitive information that must be protected against disclosure by Title 13 of the United States Code.[20] As a result, the Census Bureau has no definite timeline for TIC implementation but continues to work with the Department of Homeland Security to achieve a mutually acceptable solution. The Department needs to assign a high priority to helping Census resolve the concern about potential violation of Title 13 requirements.

Manage Commerce's IT Portfolio with Enhanced Governance Structure

We previously attributed the Department's long-standing information security weaknesses to its fragmented CIO governance. In addition to the Department's CIO, there have been 18 CIOs in Commerce's bureaus, including 7 within NOAA. The Department's CIO had little oversight of bureau budget submission and performance evaluation of key bureau IT management. This weak central governance resulted in stovepipes in IT investments and difficulties in fixing persistent security weaknesses.

[20] Title 13 is the law under which the Census Bureau operates. The law guarantees the confidentiality of census information and establishes penalties for disclosing this information.

In June 2012, the Acting Secretary issued the "Department IT Portfolio Management Strategy,"[21] which expanded the role of the Commerce CIO. Previously limited to policymaking and infrastructure maintenance, the Commerce CIO now implements Department-wide IT shared commodity services, approves bureaus' IT investments, and provides at least 25 percent of performance appraisals of individuals responsible for IT commodity services. Under the new strategy, there will be only one CIO per bureau for better accountability.

This new strategy is an important step. However, it is too early to judge its effectiveness for two reasons. First, historically, bureaus have functioned independently on IT matters with little departmental direction. Second, the new strategy focused on increasing the Department CIO's influence on "IT shared commodity services," such as networks, data centers, and e-mails, which account for only about 25 percent of the Department's total IT investments. Senior management should consider further enhancing the IT governance structure to help ensure the Department's success with several major IT investments on the horizon—supporting 2020 Decennial operations, implementing patent reform, modernizing weather-related information in Next Generation Air Traffic Control Systems, and replacing all departmental legacy financial systems. Further, to meet OMB's directive to reduce FY 2014 IT spending by 10 percent (a reduction of $226 million for the Department), the CIO needs to leverage newly enhanced authority to turn around at-risk projects and to eliminate duplicative IT assets, contracts, and services.

Strengthen Oversight of IT Investments

The Department's IT review board, led by the CIO and Chief Financial Officer (CFO), reviews major IT investments for status updates and requests for additional spending authority[22] and conducts TechStat reviews, which focus on putting troubled investments back on track. In calendar years 2011 and 2012, the IT review board has held 20 major IT investment reviews, seven TechStat reviews, and two special risk reviews on NOAA's satellite programs and the Bureau of Industry and Security's USXPORTS Exporter Support System. Also, as part of the budget process, agencies are required to submit IT capital asset summaries, which specify the cost, schedule, and performance baselines for major IT investments. The Office of the CIO collects this information, as well as monthly updates; evaluates investment risk; and submits this information to the OMB Federal IT dashboard.

The Department's CIO has taken steps to improve the IT investment review process, such as having bureaus submit project information to the CIO's subject matter experts for analysis before the review meeting. Such improvements, in conjunction with TechStat reviews and the increased visibility provided by the federal IT dashboard, have contributed to improving the likelihood of investment success. However, three of six troubled IT investments have remained at high risk for more than 12 months (see table 1), and according to information on the OMB Federal IT dashboard, about 25 percent of Commerce's major IT investments are 30 percent or more behind schedule.

[21] U.S. Department of Commerce, Acting Secretary. June 21, 2012. *Department IT Portfolio Management Strategy.* Washington, D.C.: Department of Commerce.
[22] Departmental officials also conduct reviews of non-IT acquisition projects. See challenge 4: Implement Framework for Acquisition Project Management and Improve Contract Oversight.

Table 1. High-Risk Commerce IT Investments

Bureau	Investment	Total FY 2012 Spending ($ Million)	Months at High Risk 2010 2012
Census	American Community Survey	39	2
	Decennial 2010 systems design, integration, and evaluation	24	9
	IT infrastructure	130	1
NOAA	Joint Polar Satellite System ground system	154	15
	National Weather Service telecommunication gateway	21	20
	Weather Radio Improvement Project	5	18

The CIO and CFO, in conjunction with bureau heads, need to ensure that program management is more aggressively addressing investments with a history of high risk. For example, bureaus should be required to bring in outside experts to quickly assess root causes and provide remedies for failing investments, as was done for the National Telecommunications and Information Administration's Federal Spectrum Management System. The CIO should terminate IT investments that cannot be turned around and find alternative approaches for acquiring needed services.

Challenge 4:

Implement Framework for Acquisition Project Management and Improve Contracts Oversight

In FY 2011, the Department obligated approximately $2.4 billion on contracts for goods and services, including satellite acquisitions, intellectual property protection, broadband technology opportunities, management of coastal and ocean resources, information technology, and construction and facilities management. Table 2 illustrates the dollar amounts that Commerce's operating units have obligated through contracts in recent years.

To maximize these funds, the Department needs to strengthen its acquisition and contract management practices. While it has made some progress—such as reorganizing the Office of Acquisition Management to more directly address major acquisition initiatives and implementing an Acquisition Center of Excellence, which will consolidate acquisition support for the Department's smaller bureaus, our audits continue to find weaknesses in how the Department plans, administers, and oversees its contracts and acquisition programs. We have identified four areas for management attention:

- Implement the planned framework for acquisition project management
- Oversee high-risk contracts
- Maintain an acquisition workforce that holds bureau officials accountable
- Implement an effective suspension and debarment program

Table 2. Dollar Amounts Obligated by Commerce's Operating Units

	FY 2009		FY 2010		FY 2011	
Commerce Acquisition Office	Contract Actions[23]	Dollars (in millions)	Contract Actions	Dollars (in millions)	Contract actions	Dollars (in millions)
NOAA	16,831	$1,159	16,087	$1,624	14,159	$1,160
Census	3,332	1,308	3,187	1,312	1,849	522
USPTO	1,776	384	1,619	431	2,134	388
NIST	4,768	286	4,992	505	5,224	253
Office of the Secretary	768	63	870	53	1,161	44
Total	27,475	$3,200	26,755	$3,925	24,527	$2,367

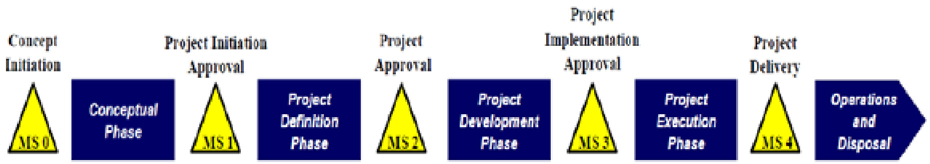
Source: Department of Commerce Office of Acquisition Management

[23] Contract actions include contracts, delivery orders, task orders, and contract modifications.

Implement the Planned Framework for Acquisition Project Management

The Office of Acquisition Management developed a framework, which described the minimum standard of processes required of high-profile projects, including capital investments such as satellites, information technology, facilities, and ships and aircraft.

Because of challenges the Department encountered in earlier acquisitions, in June 2010, the former secretary mandated a study be conducted on ways to improve the acquisition process. The resulting study identified several problems with the system—including requirements, cost analysis, and oversight of major projects. To address these concerns, the Office of Acquisition Management developed an Acquisition Project Management Framework/Guidebook (see figure 3), which described the minimum standard of processes and major milestone reviews required of high-profile projects—including capital investments such as satellites, information technology,[24] facilities, and ships and aircraft—throughout multiple acquisition phases: conceptual development, project definition, and project development (including procurement/contracting).[25] The framework also highlights the importance of independent reviews and reliable cost estimation, among other things. This is a significant improvement when compared with the previous departmental framework, which focused largely on procurement/contracting–related activities.



Note: MS = milestone.
Source: Department of Commerce Office of Acquisition Management.

The new framework, if implemented consistently, should increase the transparency of bureau acquisition programs and help mitigate risks of cost overruns, schedule delays, and performance shortfalls commonly experienced by major acquisitions. Based on dollar thresholds, risks, and specific designation, Departmental management has selected a group of current bureau acquisition programs for review, in accordance with the new framework. Through programs such as NOAA's acquisition of new and improved satellites and Census's preparations for the 2020 decennial census, the Department will have many opportunities to practice the framework.

However, incorporating the framework into the Department's acquisition policy will require management attention. The Department has not used such a detailed process to program, plan,

[24] See also challenge 3: Strengthen Security and Investments in Information Technology.
[25] The Department also drafted an interim policy for applying the framework pending for signature.

and budget for new acquisitions. In addition, bureaus such as NOAA question its need because they use their own detailed acquisition policies. The Department needs to ensure that the departmental policy requiring the use of the acquisition framework is issued and followed by all bureau officials to timely achieve its mission requirements.

Implementing the Acquisition Project Management Framework (when expanded to cover the asset disposal process) could also help the Department ensure timely replacement of aging equipment. For example, aircraft used to conduct hurricane surveillance are all nearing the end of their useful life, and more modern versions are needed. However, planning efforts to replace aged aircraft have not yet started despite the bureau's knowledge of the need.

Oversee High-Risk Contracts

In FY 2011, the Department reported progress in reducing dollar amounts of high-risk contract awards. Despite this progress, overseeing existing high-risk contracts remains a challenge to management. We continue to find weaknesses in the use of cost-plus-award-fee (CPAF) and cost-plus-award-term (CPAT) contracts, which put the Department's contract dollars at risk. CPAF and CPAT contracts can encourage excellence by providing financial incentives based on performance, but they require effective monitoring to ensure contract dollars are spent wisely and award fees and terms are justified. In May 2012, we reported that NOAA did not use measurable evaluation criteria or payment structures to motivate exceptional performance. Ultimately, NOAA consistently gave contractors high ratings and substantial award fees and contract extensions, despite lacking adequate support for their actual performance, as measured by evaluation criteria and required by the Office of Management and Budget. Based on our audit, we found that more than $40 million was paid in award fees or approved for contract extensions without proper justification. Effective implementation of NOAA measures will be critical to ensuring it does not pay improper award fees and extend contract terms.

More than $40 million was paid in award fees or approved for contract extensions without proper justification.

Poor data systems could also undermine the Department's efforts in managing its high-risk contracts. Our audits have found that Commerce acquisition information reported in the Federal Procurement Data System–Next Generation (FPDS-NG) is incomplete and inaccurate. For example, in May 2012, we reported that the complete picture of NOAA's use of CPAF and CPAT contracts was unclear. Data reported in FPDS-NG and records maintained by NOAA on the use of CPAF and CPAT contracts were also inaccurate and incomplete. NOAA is the largest of all of the Department's procurement offices, obligating approximately 49 percent of the funding in FY 2011.

Management needs to focus on developing reliable information, and data management systems will position the Department to conduct more strategic acquisitions. This focus should begin with the Department implementing our May 2012 recommendation to adhere to Commerce policy to validate data to more accurately reflect the contract types. [26]

Maintain an Acquisition Workforce That Holds Bureau Officials Accountable

In a March 2009 memorandum, the President acknowledged that the government needs to ensure that it has the workforce needed to carry out robust and thorough oversight of contracts to help program management achieve goals, avoid significant overcharges, and curb wasteful spending.[27] However, the capacity and the capability of Commerce's acquisition workforce to oversee and manage contracts face major challenges due to high turnover and employee retirement, coupled with a significantly reduced budget, gaps in key competency areas, and expanded workload. Like many federal agencies, the Department is faced with the major challenge of replacing existing talent because of a large number of retirements expected over the next several years. Of the approximately 200 contracting officers and specialists that Commerce employs, more than half can retire within 10 years. In addition, 14 percent of them are already eligible for immediate retirement. Replacing these employees represents a significant challenge since many possess unique skills and institutional knowledge that will be difficult to replace.

Additionally, 36 contracting officers and specialists left the Department in FY 2011—an attrition rate of 18 percent compared with the Department's overall attrition rate of 3 percent.[28] While the DOC has taken some actions to improve its ability to recruit qualified candidates, such as increasing the number of entry-level contracting job series from 24 in FY 2010 to 28 in FY 2011, improving recruiting activities will require a long-term commitment and focus. The Department needs to continue its recruitment efforts at the entry levels and focus on retention of that staff to maintain corporate knowledge about the respective bureau processes within the Department. This knowledge will provide a long-term assurance that the Department's future missions can be accomplished.

Also, our investigations have continuously identified the need for more vigilant oversight and stronger process controls to detect and prevent procurement fraud, waste, and abuse within the Department and among its fund recipients and contractors. The following examples of OIG investigative findings illustrate the need for Commerce's continued attention to procurement integrity issues:

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[26] U.S. Department of Commerce Office of Inspector General, May 2012. *NOAA's Cost-Plus-Award-Fee and Award-Term Processes Need to Support Fees and Extensions,* OIG-12-027-A. Washington, D.C.: Department of Commerce OIG.

[27] President's Memorandum, March 4, 2009. *Government Contracting.*

[28] According to Commerce Office of Acquisition Management, the attrition rate of 18 percent was calculated based on 36 positions, NOAA: 16, NIST: 9, OS: 6, Census: 4, USPTO: 1, divided by 200 positions onboard at the end of FY 2011. The 3 percent was calculated based on the total of employees in any series that separated from Commerce in FY 2011 (1,536) divided by the number on board at the end of FY 2011 (47,626).

- Misuse of government credit cards, including falsification of purchase card records
- Conflicts of interest due to personal relationships between grant awarding officials and grant recipients, to include familial, marital (in-law) and former employer/employee relationships
- Misuse of public position for private gain—for instance, Commerce employees acquiring property or services through the Department's funds under the premise of fulfilling a bureau function but then diverting the property or service for their personal use
- Misuse of items purchased with Commerce funds, such as a NOAA boat that was used recreationally by NOAA officials

Finally, in the light of the known issues concerning GSA's misuse of resources for agency conferences, we have seen an increase in attention related to spending on conferences. The Department has implemented new procedures to review conference spending. Bureau heads should now be more sensitive to the public perception of conference spending and inclined to make better spending decisions related to conferences.

Implement an Effective Suspension and Debarment Program

We previously reported on the challenges facing the Department in ensuring that it contracts with and provides funding assistance only to responsible parties.[29] Since finalizing its first suspension or debarment action in over 15 years, in April 2011, the Department has made progress toward establishing an efficient and durable suspension and debarment program. OIG has referred nine matters, including five since September 2011, to the Department's Suspending and Debarring Official (SDO). Based on these referrals, the SDO has taken 37 total actions and declined one referral.

The SDO continues efforts toward establishing a strong program, including regular attendance at monthly meetings of the Interagency Suspension and Debarment Committee; designation of a Suspension and Debarment Coordinator, who serves as a focal point for the program; preliminary planning for routine intradepartmental training on suspension and debarment; and establishment of regular meetings with the Office of General Counsel and OIG's Office of Counsel. However, certain issues present ongoing challenges. Although the SDO's office has begun drafting policy documents to institutionalize processes and procedures regarding the referral, review, and issuance of suspension and debarment matters, the adoption process needs to be finalized. Also, even though the SDO's processing efficiency has increased over the past year, there is room for improvement regarding the prompt review of referrals; and the program lacks a clear delineation of roles and responsibilities in such important areas as revising and adapting draft documents prepared by OIG for possible use in suspension and debarment actions and appropriately following up on actions once taken.

[29] U.S. Department of Commerce Office of Inspector General, October 2011. *Top Management Challenges Facing the Department of Commerce,* OIG-12-003. Washington, D.C.: Department of Commerce OIG.

Challenge 5:

Reduce Risks of Cost Overruns, Schedule Delays, and Coverage Gaps for NOAA's Satellite Programs

Managing risks in the acquisition and development of the next generation of environmental satellites is a continuing challenge for the Department. The two most prominent programs,[30] the Joint Polar Satellite System (JPSS) and the Geostationary Operational Environmental Satellite-R series (GOES-R), together account for one-third of NOAA's FY 2013 budget request. They are also the largest investments in the Department, comprising nearly 20 percent of the Commerce budget. The satellites will provide data and imagery for weather forecasting—including severe-storm tracking and alerting—and the study of climate change. Operating environmental satellites and weather forecasting are designated as primary mission-essential functions of the Department because they help lead and sustain the nation in the event of a catastrophe. Yet, because of cost overruns, schedule delays, and the aging of NOAA's current constellation of satellites, NOAA is confronting coverage gaps for these critical assets.

Strong program management and close oversight of these programs are needed, to manage risks that inevitably lead to cost overruns, schedule delays, and coverage gaps for the critical capabilities these programs will provide. Based on our work with these programs, we have identified four areas for management attention:

- Communicate with stakeholders to define JPSS capabilities, schedule, and cost baselines
- Ensure adequate leadership and governance structure over JPSS development
- Develop a plan to support NOAA weather forecasting capabilities during coverage gaps
- Reduce program risks associated with GOES-R development

Communicate with Stakeholders to Define JPSS Capabilities, Schedule, and Cost Baselines

In our September 2011 audit report,[31] we recommended that NOAA develop a mechanism to provide executive and legislative decision makers, on a recurring basis, with complete, objective, and understandable information that illustrates the consequences of limiting satellite observational capabilities. This was driven, in part, from congressional concerns regarding NOAA's limited communication of plans for its satellite programs. Recently, the Senate Committee on Appropriations expressed frustration with NOAA's "inability to control

[30] Other satellite acquisitions include Jason-3, which will measure sea surface height, and Deep Space Climate Observatory, which will provide advance warnings of solar storms affecting earth.

[31] U.S. Department of Commerce, Office of Inspector General, September 30, 2011. *Audit of the Joint Polar Satellite System: Challenges Must Be Met to Minimize Gaps in Polar Environmental Satellite Data* (OIG-11-034-A). Washington, D.C.: Department of Commerce OIG.

procurement costs or articulate reliable funding profiles."[32] This resulted in the Senate Committee losing confidence in NOAA's ability to manage its portfolio of satellite acquisitions. The Committee's appropriations bill, if enacted, would transition NOAA's satellite acquisitions entirely to NASA. As such, it's clear that NOAA must do more to improve communication with stakeholders.

NOAA's JPSS program uses NASA as its acquisition agent, leveraging that agency's procurement and system engineering expertise—an arrangement based on previous partnerships between the two agencies. In its FY 2011 budget submission, NOAA reported that the two-satellite JPSS program, running through 2024, would cost $11.9 billion. Requirements changes and an extended life cycle through 2028 resulted in a revised cost estimate of $14.7 billion. In its FY 2013 budget submission, however, NOAA committed to capping the cost of the program at $12.9 billion and submitted a nearly flat-line annual budget estimate of $900 million, plus the cost of climate sensors previously budgeted under a different NOAA program, from FY 2013 to FY 2017. Although the program has since constructed a cost estimate to support the $12.9 billion cost cap, its high-level requirements were recently finalized in October 2012. Pending decisions on lower-level requirements, acquisition strategies, and system design—particularly for the ground system and "free-flyer" satellites (which will host search-and-rescue and data collection instruments, separate from the program's primary satellites)—could have ramifications for launch schedules and cost:

- The ground segment project recently completed its requirements review in August; it was originally scheduled to precede the program-level review in May. Program officials have told us that there is a need to rethink legacy requirements[33] in the light of current needs and technology options.

- There is a significant amount of uncertainty in requirements for free-flyer satellites. For the free flyers, information security requirements had to be analyzed and ground support options determined. This uncertainty in requirements translates to uncertainty in the program's life-cycle cost estimate.

During FY 2012, NOAA has made progress in prioritizing JPSS requirements to support its commitment to capping the life-cycle costs at $12.9 billion. While this approach shows serious management commitment, fitting requirements into a previously authorized budget increases the risk that requirements will be dropped or launches delayed in order to remain within the budget. NOAA needs to revisit the life-cycle cost estimates after finalizing JPSS requirements and work with the Department and congressional representatives in adjusting its budget estimates.

[32] Senate Report 112-158 (discussing Committee rationale for transfer to NASA); Commerce, Justice, Science, and Related Agencies Appropriations Act, 2013, S. 2323, 112th Cong. (2012).
[33] Requirements were transferred from JPSS' predecessor system, the tri-agency National Polar-orbiting Operational Environmental Satellite System, which undertook development of next-generation polar satellites from 1995 until early 2010, when the White House Office of Science and Technology Policy restructured it into separate military and civilian (JPSS) programs.

Ensure Adequate Leadership and Governance Structure over JPSS Development

More progress defining JPSS capabilities, schedule, and cost may have been possible if not for delays defining the program's governance structure and staffing key program and NOAA positions. NOAA and NASA finally agreed to a management control plan for JPSS in February 2012, nearly 2 years after the program was started. Further, NOAA and its JPSS program have had key staff in acting, rather than permanently filled, capacities for extended periods of time (see table 3). Only the Under Secretary of Commerce for Oceans and Atmosphere and the Assistant Administrator, National Environmental Satellite, Data, and Information Service (NESDIS), positions have been permanently filled since the program's inception.

Table 3. NOAA JPSS Program Authorities

Position	Status at Program Start (Feb 2010)	Current Status
Under Secretary of Commerce for Oceans and Atmosphere/ NOAA Administrator	Filled	Filled
Assistant Secretary for Environmental Observation and Prediction/Deputy Administrator	**Vacant**	Filled (May 2011)
Deputy Under Secretary for Operations	Filled	**Acting** (January–June 2012) Filled (July 2012)
Assistant Administrator, NESDIS	Filled	Filled
NESDIS Deputy Assistant Administrator for Systems	Filled	**Acting** (February 2010–May 2012) **Currently vacant**
JPSS Director	**Acting**	Filled (September 2011)

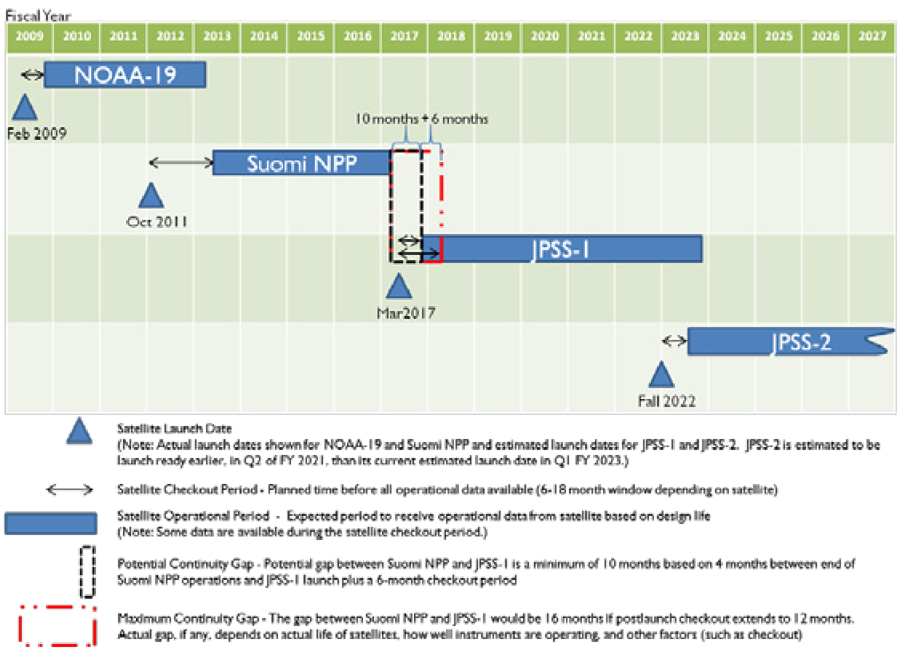
Source: OIG analysis of NOAA information

Qualified officials, who can make timely decisions and take management action, are essential to the success of JPSS development. For example, NOAA's Deputy Under Secretary for Operations is deemed the final authority for the program's high-level requirements, schedule, and budget submissions. The former official retired in January 2012 and was not permanently replaced until July 2012, even though the interim period included the FY 2013 President's Budget submission and other decisions on high-level requirements. Currently, the NESDIS Deputy Assistant Administrator for Systems position, which serves as NOAA's single source of programmatic direction and guidance to NASA for NOAA programs, is vacant. Previously, this position was staffed in an acting capacity. Detailed employees, in acting capacities, occupy several other key positions within NESDIS and the program. NOAA needs to fill open positions overseeing JPSS development and govern the program according to the management plan accepted by NASA.

Develop a Plan to Support NOAA Weather Forecasting Capabilities During Coverage Gaps

Over the course of the program to date, we have analyzed Suomi National Polar-orbiting Partnership (Suomi NPP, a recently launched, risk-reduction satellite that is flying the first versions of JPSS sensors) and JPSS schedules to assess expected gaps in weather forecast data. Currently, we project a 10–16-month gap between Suomi NPP's end of design life and when JPSS-1 data become available for operational use—a refinement from last year's estimate of 9–21 months (see figure 4). NOAA's medium-range weather forecasting (3–7 days) could still be significantly degraded during the period of time JPSS data are unavailable.

Figure 4. Potential Continuity Gaps for Polar-Satellite Operational Forecast Data



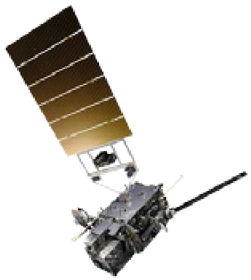
Source: OIG analysis of JPSS program data

In our September 2011 report, we reported on activities within NOAA to use other sources of data to mitigate gaps and recommended NOAA coordinate efforts from across its line offices to minimize the degradation of weather and climate forecasting. In response, NOAA indicated that it was looking at both foreign and commercial sources of data. However, NOAA has not fully developed a strategy for evaluating and selecting foreign data sources. Nor has it completed a comprehensive mitigation plan for polar satellite coverage gaps. Obtaining support from other reliable sources could be time consuming. NOAA needs to develop a timetable to measure its progress towards having a mitigation plan in place before Suomi NPP's end of design life: November 2016.

The risk of a near-term gap between NOAA-19 (NOAA's primary operational polar-orbiting satellite) and Suomi NPP has been largely mitigated. Suomi NPP launched October 28, 2011, and within 7 months, NOAA supercomputers began assimilating data from the Advanced Technology Microwave Sounder (ATMS) in numerical weather prediction models. Other issues will result in delaying the use of data from the Cross-track Infrared Sounder (CrIS), which complements those from ATMS, until December 2013—after NOAA-19's end of design life. However, NOAA forecast models currently use data from NASA's Aqua satellite, which are similar to CrIS data.[34]

Reduce Program Risks Associated with GOES-R Development

GOES-R (see figure 5) is also a NOAA/NASA partnership, with NOAA having overall program responsibility. Unlike JPSS, however, NOAA is solely managing the acquisition and development of the GOES-R ground system while NASA is primarily directing the flight segment (spacecraft, instruments, launch vehicle and services). The GOES-R series of satellites will provide uninterrupted short-range severe weather warning and "now-casting" capabilities through 2036. With four satellites (the GOES-R, -S, -T, and -U), the program is estimated to cost $10.9 billion over the course of its life cycle.



Source: NOAA

The GOES-R program recently held a key technical milestone review (critical design) in August 2012. Subsequently, the program downgraded, from green to yellow, its assessment of schedule and technical development because of various issues with the spacecraft and instruments and the need to aggressively manage dependencies with the ground project's development. The ground segment's schedule has become more incremental—which will increase schedule flexibility, as well as better align the delivery schedule for GOES-R spacecraft, instruments, and documentation. Despite progress made, there is less than a 50 percent chance the GOES-R satellite will be launched on schedule, in October 2015, based on the program's own models used to assess GOES-R development. NOAA must implement solid program management and system engineering principles to control costs, keep schedules on track, and maintain required technical performance.

The program's standing review board has also warned that should the program's request in the President's FY 2013 budget submission (an increase of nearly $200 million, or 30 percent, from FY 2012) not be realized, a launch delay is *nearly certain*, which could significantly limit NOAA's capability of providing short-range severe weather warning. NOAA's policy for its geostationary satellites is to have three satellites in orbit—two operational satellites with overlapping coverage and one spare for backup (see figure 6). As we reported last year, NOAA may not be able to meet its policy of having an on-orbit spare even without a GOES-R launch delay, because of retirement of current GOES series satellites. A launch delay beyond October 2015 increases the risk that just one geostationary imager will be on orbit, a scenario in which

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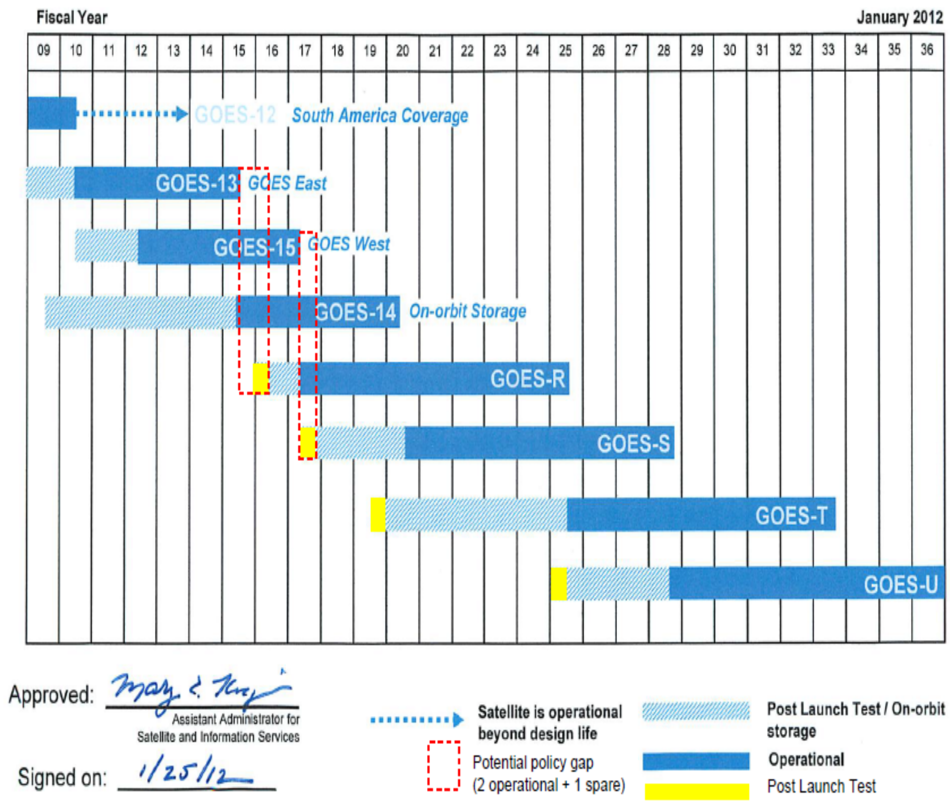
[34] Aqua is an aging satellite. Launched in 2002, its original mission life was 6 years.

NOAA's capability to visualize and track severe weather events would be severely limited. NOAA needs to adequately communicate to decision makers its justification for the significant funding increase for FY 2013, citing such reasons as to order items that require long manufacturing lead times or to hire qualified engineers, technicians, and so on.

Figure 6. Continuity of Geostationary Operational Satellites



Source: OIG adapted from NOAA geostationary satellite schedules

Acronym List

ACS	American Community Survey
AMTech	Advanced Manufacturing Technology Consortia
ARRA	American Recovery and Reinvestment Act of 2009
ATMS	Advanced Technology Microwave Sounder
BIS	Bureau of Industry and Security
BTOP	Broadband Technology Opportunities Program
CFO	Chief Financial Officer
CIO	Chief Information Officer
CPAF	cost-plus-award-fee
CPAT	cost-plus-award-term
CrIS	Cross-track Infrared Sounder
DOC CIRT	Department's Computer Incident Response Team
EDA	Economic Development Administration
FirstNet	First Responder Network Authority
FPDS-NG	Federal Procurement Data System–Next Generation
FY	fiscal year
GAO	U.S. Government Accountability Office
GOES-R	Geostationary Operational Environmental Satellite-R series
GSA	U.S. General Services Administration
HCHB	Herbert C. Hoover Building
IT	information technology
ITA	International Trade Administration
JPSS	Joint Polar Satellite System
NEI	National Export Initiative
NESDIS	National Environmental Satellite, Data and Information Service
NIST	National Institute of Standards and Technology
NOAA	National Oceanic and Atmospheric Administration
NPP	National Polar-orbiting Partnership
NTIA	National Telecommunications and Information Administration

NWS	National Weather Service
OIG	Office of Inspector General
OMB	Office of Management and Budget
PSBN	Public Safety Broadband Network
SDO	Suspending and Debarring Official
TIC	Trusted Internet Connection
USPTO	U.S. Patent and Trademark Office

Appendix A: Related OIG Publications

This list presents OIG's past and current work related to FY 2013's top management challenges. These products can be viewed at www.oig.doc.gov. If the product contains information that cannot be released publicly, a redacted version or an abstract will be available on the website.

Challenge 1: Trade and Export Promotion

- USPTO's Other Backlog: Past Problems and Risks Ahead for the Board of Patent Appeals (OIG-12-032-A, August 10, 2012)
- More Action Needed to Improve Controls in Asset Forfeiture Fund (OIG-12-019-I, February 8, 2012)
- The Patent Hoteling Program Is Succeeding as a Business Strategy (OIG-12-018-A, February 1, 2012)
- Follow-up Review of NOAA Fisheries Enforcement Programs and Operations (OIG-12-017-I, January 31, 2012)
- Letters to Congress re: Status of NOAA's Implementation of OIG's Asset Forfeiture Fund Recommendations (OIG-11-012-M, December 12, 2011)
- Patent End-to-End Planning and Oversight Need to Be Strengthened to Reduce Development Risk (OIG-11-033-A, September 29, 2011)
- Status of USPTO Initiatives to Improve Patent Timeliness and Quality (OIG-11-032-I, September 29, 2011)

Challenge 2: Oversight of Resources and Investment for Long-Term Benefits

- IG's Testimony on Mismanagement of Funds at the National Weather Service and the Impact on the Future of Weather Forecasting (OIG-12-036-T, September 12, 2012)
- Review of NTIA's Oversight of the Booz Allen Hamilton Contract Supporting the Broadband Technology Opportunities Program (OIG-12-031-M, August 9, 2012)
- IG's Testimony on Planning for the 2020 Census: Senate Homeland Security and Governmental Affairs Committee (OIG-12-030-T, July 18, 2012)
- NTIA Needs Stronger Monitoring of BTOP Grant Recipients' Match (OIG-12-029-A, June 18, 2012)
- IG's Testimony on Broadband Loans and Grants: House Energy and Commerce Committee (OIG-12-026-T, May 16, 2012)

- High-Quality Maps and Accurate Addresses Are Needed to Achieve Census 2020 Cost-Savings Goals (OIG-12-024-I, May 10, 2012)
- 2020 Census Planning: Delays with 2010 Census Research Studies May Adversely Impact the 2020 Decennial Census (OIG-12-023-I, April 5, 2012)
- OIG-Census Letter to Law Enforcement Professionals Regarding Assaults on Census Workers (March 30, 2012)
- FY 2011 Compliance with Improper Payment Requirements (OIG-12-022-1, March 15, 2012)
- Oversight Activities of NIST's Recovery Act Construction Grant Awards Are Generally Effective but Need Improvements (OIG-12-020-A, February 14, 2012)
- Single Audit Results for the 12-Month Period Ending December 31, 2011 (OIG-12-021-M, February 13, 2012)
- Misrepresentations Regarding Project Readiness, Governance Structure Put at Risk the Success of the San Francisco Bay Area Wireless Enhanced Broadband (BayWEB) Project (OIG-12-016-M, January 10, 2012)
- IG's Testimony on Stimulus Oversight: House Committee on Science, Space, and Technology (OIG-12-012-T, November 30, 2011)
- NTIA Has an Established Foundation to Oversee BTOP Awards, but Better Execution Is Needed (OIG-12-013-A, November 17, 2011)

Challenge 3: IT Security

- Improvements Are Needed to Strengthen ITA's Information Technology Security Program (OIG-12-037-A, September27, 2012)
- Significant IT Security Program Improvements Are Needed to Adequately Security NTIA's Systems (OIG-12-035-A, September 7, 2012)
- FY 2011 Federal Information Security Management Act Audit: More Work Needed to Strengthen IT Security Department-Wide (OIG-12-007-A, November 10, 2011)
- Improvements Are Needed For Effective Web Security Management (OIG-12-002-A, October 21, 2011)
- Patent End-to-End Planning and Oversight Need to Be Strengthened to Reduce Development Risk (OIG-11-033-A, September 29, 2011)
- Federal Information Management Act Audit Identified Significant Issues Requiring Management Attention (OIG-11-012, November 15, 2010)
- Respondent Data Safeguards in the Decennial Response Integration System (DRIS) (OAE-19888, September 24, 2010)

- FY 2009 FISMA Assessment of the Environmental Satellite Processing Center (OAE-19730, January 11, 2010)
- FY 2009 FISMA Assessment of the Enterprise UNIX Services System (OAE-19729, November 20, 2009)
- FY 2009 FISMA Assessment of the Field Data Collection Automation System (OAE-19728, November 20, 2009)
- FY 2009 FISMA Assessment of the Patent Cooperation Treaty Search Recordation System (OAE-19731, November 20, 2009)

Challenge 4: Contracts and Acquisitions

- Quarterly Conference Reporting Processes Need Improvement (OIG-13-001-I, October 17, 2012)
- Oversight Activities of NIST's Recovery Act Construction Contracts Need Improvement (OIG-12-28-A, June 1, 2012)
- NOAA's Cost-Plus-Award-Fee and Award-Term Processes Need to Support Fees and Extensions (OIG-12-027-A, May 18, 2012)
- Further Actions Needed to Enhance Commerce's Acquisition Human Capital Plan (OIG-12-15-A, December 21, 2011)
- Commerce's Office of Acquisition Management Must Continue to Improve Its Ongoing Oversight of Acquisition Savings Initiatives (OIG-12-001-A, October 6, 2011)

Challenge 5: Satellites

- Audit of the Joint Polar Satellite System: Continuing Progress in Establishing Capabilities, Schedules, and Costs Is Needed to Mitigate Data Gaps (OIG-12-038-A, September 27, 2012)
- IG's Testimony on Need for Continued Innovation in Weather Forecasting and Prediction: Senate Committee on Commerce, Science, and Transportation (OIG-12-011-T, November 16, 2011)
- Audit of the Joint Polar Satellite System: Challenges Must Be Met to Minimize Gaps in Polar Environmental Satellite Data (OIG-11-034-A, September 30, 2011)
- Memorandum to the Under Secretary of Commerce for Oceans and Atmosphere and NOAA Administrator: NOAA's Joint Polar Satellite System Audit Observations (OIG-11-029-M, June 10, 2011)

Appendix B: Comparison Between FY 2012 and FY 2013 Challenges

FY 2013	FY 2012
Stimulate economic growth in key industries, increase exports, and enhance stewardship of marine fisheries: • *Growth in manufacturing, intellectual property, and wireless industries* • *Export promotion and regulation* • *Protection and promotion of marine fisheries*	Effectively promote exports, stimulate economic growth, and create jobs: • *Effective interagency partnerships* • *Enhancement of Commerce unit operations* • *Trade enforcement* • *Regulatory review improvement*
Increase oversight of resources entrusted by the public and invest for long-term benefits: • *Internal controls and oversight* • *Investment for long-term benefits* • *Design changes to contain 2020 decennial costs*	Reduce costs and improve operations to optimize resources for a decade of constrained budgets: • *Operational efficiency* • *Oversight of improper payments* • *Reduction of risks of misuse, abuse, or waste of federal grant funds awarded to grantees* • *Oversight of the Broadband Technology Opportunities Program* • *Application of lessons learned from 2010 decennial* • *Headquarters renovation costs and schedule*
Strengthen security and investments in information technology (IT): • *Addressing persistent IT security weaknesses* • *Incident response and recovery capabilities* • *IT governance for portfolio management* • *Oversight of IT investments*	Strengthen department-wide information security to protect critical information systems and data: • *Reduce ongoing security weaknesses* • *Implement security policy*
Implement framework for acquisition project management and improve contract oversight: • *Planned framework for acquisition management* • *Oversight of high-risk contracts* • *Acquisition workforce maintenance* • *Implementation of suspension and debarment program*	Manage acquisition and contract operations more effectively to obtain quality goods and services in a manner most beneficial to taxpayers • *Qualified acquisition workforce* • *Ethical standards in procurement practices* • *Use of high-risk contracts and maximizing competition* • *Tracking of contract savings* • *Delivery of major IT investments*
Reduce risks of cost overruns, schedule delays, and coverage gaps for NOAA's satellite programs: • *JPSS capabilities, schedule, and costs* • *Leadership and governance structure over JPSS* • *Weather forecasting during JPSS coverage gaps* • *Risks associated with GOES-R development*	Manage the development and acquisition of NOAA's environmental satellite systems to avoid launch delays and coverage gaps: • *Avoid near-term polar satellite coverage gaps* • *Manage polar satellites* • *Manage geostationary satellites*

Appendix C: Management Response to OIG Draft Report

UNITED STATES DEPARTMENT OF COMMERCE
The Secretary of Commerce
Washington, D.C. 20230

November 9, 2012

MEMORANDUM FOR: Todd J. Zinser
Inspector General

FROM: Rebecca M. Blank
Acting Secretary of Commerce

SUBJECT: Response to the FY 2013 OIG Report on Top Management Challenges

Thank you for the opportunity to review the Office of Inspector General's report "Top Management Challenges Facing the Department of Commerce." Every day the Department of Commerce's (Department) bureaus work with American businesses, communities, and private citizens to promote innovation, entrepreneurship, competitiveness, and stewardship—and we want to do that in the most effective and efficient way possible.

The Department is integrating key management functions to strengthen the alignment of resources to strategic objectives, mission priorities, risk management, internal controls, and acquisition management. For example, the Acquisition Improvement Framework, which I signed on November 6, 2012, addresses issues associated with Department acquisition management and oversight. The Department has also preserved resources for program delivery and stewardship by reducing administrative expenses. I have also directed a balanced scorecard approach to establish and maintain focus on the Department's top priorities, to develop data-driven metrics of success, and to emphasize that customer service in addition to organizational and workforce excellence are prerequisites to the achievement of the Department's programmatic goals.

We are aware that we have challenges in all of the areas discussed in your report, and we realize that these areas require continued oversight, planning, and work. In this budget-constrained environment, which is likely to continue, it is imperative that we continue improving our oversight processes and internal controls. I am focused on appropriate oversight at both the bureau and Department levels on those programs, projects, and management areas that either had issues brought to light in fiscal year 2012 or are critically vital to the success or failure of our mission goals.

We look forward to working with you to address the challenges mentioned in the report and will report progress made in our Performance and Accountability Report for fiscal year 2013.

IMPROPER PAYMENTS INFORMATION ACT (IPIA) OF 2002, AS AMENDED, REPORTING DETAILS

IPIA of 2002, as amended by the Improper Payments Elimination and Recovery Act (IPERA) of 2010, requires agencies to periodically review all programs and activities and identify programs and activities that may be susceptible to significant improper payments, take multiple actions when programs and activities are identified as susceptible to significant improper payments, and annually report information on their improper payments monitoring and minimization efforts. Office of Management and Budget (OMB) Circular A-123, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments,* provides guidance to agencies to comply with IPIA, as amended, and for agency improper payments efforts. The Department has not identified any programs or activities susceptible to significant improper payments nor any significant problems with improper payments; however, the Department recognizes the importance of maintaining adequate internal controls to ensure proper payments, and the Department's commitment to continuous improvement in the overall disbursement management process remains very strong. Each of the Department's payment offices has implemented procedures to detect and prevent improper payments. For FY 2013 and beyond, the Department will continue its efforts to ensure the integrity of its disbursements.

I. Risk Assessment. Briefly describe the risk assessment(s) performed (including the risk factors examined, if appropriate) subsequent to completing a full program inventory. List the risk-susceptible programs (i.e., programs that have a significant risk of improper payments based on OMB guidance thresholds) identified by the agency risk assessments. Include any programs previously identified in the former Section 57 of OMB Circular A-11, *Preparation, Submission, and Execution of the Budget* (now located in OMB Circular A-123, Appendix C. Highlight any changes to the risk assessment methodology or results that occurred since the last report.

The Department annually conducts an assessment of the effectiveness of internal control over financial reporting, in compliance with OMB Circular A-123, *Management's Responsibility for Internal Control.* Furthermore, every three years, the assessment includes a review of internal controls over disbursement processes. The most recent review performed indicated that internal controls over disbursement processes were sound.

Each of the Department's bureaus/reporting entities periodically completes or updates, over a one to three-year period (depending on the size of the entity), improper payments risk assessments covering all of its programs/activities as required by OMB Circular A-123, Appendix C. These improper payments risk assessments of the entity's programs/activities also include assessments of the control, procurement, and grants management environments. The improper payments program/activity risk assessments performed thus far revealed no program or activity susceptible to significant improper payments.

The results of Departmental assessments revealed no risk-susceptible programs/activities, and demonstrated that, overall, the Department has strong internal controls over disbursement processes, the amount of improper payments by the Department is immaterial, and the risk of significant improper payments is low.

II. Statistical Sampling. Any agency that has programs or activities that are susceptible to significant improper payments shall briefly describe the statistical sampling process conducted to estimate the improper payment rate for each program identified with a significant risk of improper payments. Please highlight any changes to the statistical sampling process that have occurred since the last report.

Not applicable, as the Department does not have any risk-susceptible programs/activities.

III. Corrective Actions. Any agency that has programs or activities that are susceptible to significant improper payments shall describe the corrective action plans for:

a. **Reducing the estimated improper payment rate and amount for each type of root cause identified. Agencies shall report root cause information (including error rate and error amount) based on the following three categories: Administrative and Documentation errors; Authentication and Medical Necessity errors; and Verification errors. This discussion must include the corrective action(s), planned or taken, most likely to significantly reduce future improper payments due to each type of error an agency identifies, the planned or actual completion date of these actions, and the results of the actions taken to address these root causes. If efforts are ongoing, it is appropriate to include that information in this section, and to highlight current efforts, including key milestones. Agencies may also report root cause information based on additional categories, or sub-categories of the three categories listed above, if available.**

b. **Grant-making agencies with risk-susceptible grant programs shall briefly discuss what the agency has accomplished in the area of funds stewardship past the primary recipient. Discussion shall include the status of projects and results of any reviews.**

Not applicable, as the Department does not have any risk-susceptible programs/activities. While the Department does not have a need for corrective actions for improper payments, the Department has, nevertheless, further enhanced its processes and is actively working with each of the Department's payment offices to identify and implement additional procedures to prevent and detect improper payments. In FY 2012, the Department continued with the bureaus' quarterly reporting of any improper payments to the Deputy Chief Financial Officer (CFO), along with identifying the nature and magnitude of any improper payments and identifying any necessary control enhancements. The Department has additionally reviewed all financial statement audit findings/comments, and results of any other payment reviews, for indications of breaches of disbursement controls. None of these audit findings/comments or reviews have uncovered any significant problems with improper payments or the internal controls that surround disbursements.

In FY 2012, the Department conducted a sampling process to draw and review random samples of disbursements from a Department-wide universe of disbursements. Grants and other cooperative agreements, travel payments, bankcards/purchase cards, all procurement vehicles with other federal agencies, government bills of lading, and gifts and bequests were excluded from review. Each selected sample item was then subjected to a review of invoices and supporting documentation to determine that the disbursement was accurate, made only once, and that the correct vendor was compensated. The results of the Department's review did not reveal any improper payments. The same results were achieved following a similar review in FY 2011.

IV. Recapture of Improper Payments Reporting.

a. **An agency shall discuss payment recapture audit efforts, if applicable. The discussion should describe: the agency's payment recapture audit program; the actions and methods used by the agency to recoup overpayments; a justification of any overpayments that have been determined not to be collectable; and any conditions giving rise to improper payments and how those conditions are being resolved (e.g., the business process changes and internal controls instituted and/or strengthened to prevent further occurrences). If the agency has excluded any programs or activities from review under its payment recapture auditing program (including any programs or activities where the agency has determined a payment recapture audit program is not cost-effective), the agency should list those programs and activities excluded from the review, as well as and the justification for doing so (i.e., a discussion of the analysis conducted to determine that a payment recapture audit program would not be cost-effective). Include in your discussion the dollar amount of cumulative payment recaptures collected beginning with FY 2004.**

In conformity with IPIA of 2002, the Department has been performing, since 2005, payment recapture audits of closed contracts/obligations for many of the Department's bureaus/reporting entities, on a rotational basis. The payment recapture audits were performed by a contractor or by the Department's Office of Financial Management. Payment recapture audits of contracts/obligations on a rotational basis will continue to be performed. Since 2005, cumulative recapture of improper payments is $96 thousand. Effective FY 2012, the scope of payment recapture audits of contracts/obligations has been expanded to additionally include contracts/obligations for which the period of performance ended and last payment was made, but for which the closeout process has not yet been completed.

As a result of the Department's implementation of additional requirements under IPERA of 2010, payment recapture auditing is additionally performed, effective FY 2011, for the Department's grants and other cooperative agreements (i.e. financial assistance). Per OMB's IPERA implementation guidance, intragovernmental transactions, and payments to employees, are not required to be reviewed. With regard to loan disbursements, the National Oceanic and Atmospheric Administration (NOAA) is currently the only bureau with loan disbursements. As part of NOAA's internally-conducted reviews and testing processes, NOAA loan disbursements are significantly tested every three years for both internal controls and improper payments, and the disbursements testing for improper payments is considered to be essentially equivalent to a payment recapture audit. With regard to the NOAA Corps Retirement System and the NOAA Corps Health Benefits benefit programs, these programs are cross-serviced for disbursements by the Department of Defense, and therefore are not subject to payment recapture auditing by the Department.

For payment recapture audits of contracts/obligations, and of grants and other cooperative agreements, the auditor analyzes the reasons why any payment errors occurred, and develops, presents, and documents any recommendations for cost-effective controls to prevent improper payments in the future; and, for enhancing the applicable bureau processes.

In November 2012, payment recapture audits of contracts/obligations were completed by an independent contractor for the Minority Business Development Agency (MBDA), Office of Inspector General (OIG), and U.S. Patent and Trademark Office (USPTO). Contracts/obligations greater than $100 thousand which were closed out, or for which the period of performance ended and last payment was made but for which the closeout process has not yet been completed, after September 30, 2009 and through April 30, 2012, were reviewed. Intragovernmental transactions, and payments to employees, were excluded from review in conformity with OMB's IPERA implementation guidance. Travel payments, bankcards/purchase cards, government bills of lading, and gifts and bequests were also excluded from review. The Department determined that, for these categories of transactions, the Department's costs for the payment recapture audit activities would likely exceed the benefits of a payment recapture audit. As part of the payment recapture audit, vendor inquiries were performed for a sample of vendors to determine if the reporting entities had any open credits or debts with those vendors. Of the $27.7 million reviewed, no amounts were identified for payment recapture.

Payment recapture audits of contracts/obligations by an independent contractor for the Census Bureau and the Franchise Fund were still in progress as of November 15, 2012.

In November 2012, a payment recapture audit of Department-wide grants and other cooperative agreements was completed by an independent contractor. The applicable bureaus/entities are: Departmental Management, Economic Development Administration (EDA), International Trade Administration (ITA), MBDA, National Institute of Standards and Technology (NIST), NOAA, and National Telecommunications and Information Administration (NTIA). The audit consisted of two different populations: a) sustained disallowed costs of $10 thousand or more for grants and other cooperative agreements per Single Audit Act audit reports, grant/cooperative agreement-specific audits, and OIG audits or reviews, issued after May 1, 2011 and through April 30, 2012; and b) grants and other cooperative agreements for which the period of performance expired during the timeframe of May 1, 2011 through January 31, 2012, and greater than $100 thousand, and which were not subjected to any of the types of audits or reviews indicated in item a) above. Of the $321.2 million reviewed, no amounts were identified for payment recapture.

b. Payment Recapture Audits Reporting Data.

The following table presents a summary of the results of the Department's current fiscal year (CY) and prior fiscal years (PYs) payment recapture audits.

(In Thousands)

Reporting Entity(s)	Amount Subject to Review for CY Reporting	Actual Amount Reviewed for CY Reporting	Amounts Identified for Payment Recapture for CY Reporting	Amounts Recaptured for CY Reporting	Amounts Identified for Recapture in PYs Reporting	Amounts Recaptured in PYs Reporting	Cumulative Amounts Identified for Recapture (CY and PYs Reporting)	Cumulative Amounts Recaptured (CY and PYs Reporting)
Payment Recapture Audits of Department-wide Grants and Other Cooperative Agreements:								
Department-wide 2012 Audit	$1,821,557	$ 321,249	$ –	$ N/A	N/A	N/A	N/A	N/A
Department-wide 2011 Audit	N/A	N/A	N/A	N/A	$ –	N/A	$ –	N/A
Payment Recapture Audits of Contracts/Obligations:								
USPTO	$ 578,153	$ 27,327	$ –	N/A	N/A	N/A	N/A	N/A
MBDA, and OIG	$ 868	$ 323	$ –	N/A	N/A	N/A	N/A	N/A
NTIA	N/A	N/A	N/A	N/A	$ –	N/A	$ –	N/A
BIS, and NTIS	N/A	N/A	N/A	N/A	$ 6	$ –	$ 6	$ –
EDA/S&E, and ITA	N/A	N/A	N/A	N/A	$ –	N/A	$ –	N/A
DM/S&E, DM/WCF, and ESA/BEA	N/A	N/A	N/A	N/A	$ –	N/A	$ –	N/A
Census Bureau, NIST, NOAA, and USPTO	N/A	N/A	N/A	N/A	$ 96	$ 96	$ 96	$ 96

c. Payment Recapture Audit Targets. If an agency has a payment recapture audit program in place, then the agency is required to establish annual targets to drive their annual performance. The targets shall be based on the rate of recapture.

The Department's target recapture rate is 100 percent of amounts identified for recapture. Since 2005, the Department has recaptured $96 thousand of the $102 thousand identified for recapture, and continues to pursue overpayments not yet recaptured.

d. Aging of Outstanding Overpayments. In addition, agencies shall report the following information on their payment recapture audit programs, if applicable: An aging schedule of the amount of overpayments identified through the payment recapture audit program that are outstanding (i.e., overpayments that have been identified but not recaptured).

The Department currently has $6 thousand of identified overpayments that have not yet been recaptured, resulting from the NTIS payment recapture audit of contracts/obligations completed in October 2010.

e. Disposition of Recaptured Funds. A summary of how recaptured amounts have been disposed of.

There has not yet been any recapture of overpayments that fall under the new IPERA requirements for disposition of recaptured funds.

f. Overpayments Recaptured Outside of Payment Recapture Audits. As applicable, agencies should also report on improper payments identified and recaptured through sources other than payment recapture audits. For example, agencies could report on improper payments identified through: statistical samples conducted under IPIA; agency post-payment reviews or audits; OIG reviews; Single Audit reports; self-reported overpayments; or reports from the public. Specific information on additional required reporting for contracts is included in Section 7 of OMB Memorandum M-11-04, issued in November 2010.

The Department has extensive improper payments monitoring and minimization efforts in place beyond payment recapture audits, including the identification of improper payments through bureau post-payment reviews, OIG audits or reviews, Single Audit Act audits of grants/cooperative agreements, other grants/cooperative agreements audits, contract closeout reviews, grants/cooperative agreements closeout reviews, other audits or reviews, and Departmental annual sampling of disbursements.

The following table summarizes the Department's overpayments identified and overpayments recaptured through sources other than payment recapture audits for the current fiscal year (CY) and prior fiscal years (PYs). PYs amounts represent amounts reported for FY 2011, the first fiscal year for this reporting requirement. The Department is also currently researching possible improper payments totalling 7.4 million under a vendor contract.

(In Thousands)

Source of Overpayments	Amounts Identified for CY Reporting	Amounts Recaptured for CY Reporting	Amounts Identified in PYs Reporting	Amounts Recaptured in PYs Reporting	Cumulative Amounts Identified (CY and PYs Reporting)	Cumulative Amounts Recaptured (CY and PYs Reporting)
Post-payment Reviews	$ 332	$ 172	$ 2,184	$ 2,079	$ 2,516	$ 2,251
Contract Closeout Reviews	102	102	–	–	102	102
Grant Closeout Reviews	–	–	509	509	509	509
Audits and Other Reviews	–	–	141	141	141	141
Reported by Vendor	742	742	–	–	742	742
Settlement with Contractor	–	–	600	600	600	600
Other	–	–	100	100	100	100
Total	$ 1,176	$ 1,016	$ 3,534	$ 3,429	$ 4,710	$ 4,445

V. Accountability. Any agency that has programs or activities that are susceptible to significant improper payments shall describe the steps the agency has taken and plans to take (including timeline) to ensure that agency managers, accountable officers (including the agency head), programs, and States and localities (where appropriate), are held accountable for reducing and recapturing improper payments. Specifically, they should be held accountable for meeting applicable improper payments reduction targets and establishing and maintaining sufficient internal controls (including an appropriate control environment) that effectively prevents improper payments from being made and promptly detects and recaptures any improper payments that are made.

The Department has not identified any significant problems with improper payments; however, the Department recognizes the importance of maintaining adequate internal controls to ensure proper payments, and its commitment to continuous improvement in disbursement management processes remains very strong. The Department's CFO has responsibility for establishing policies and procedures for assessing Departmental and program risks of improper payments, taking actions to reduce those payments, and reporting the results of the actions to Departmental management for oversight and other actions as deemed appropriate. The CFO has designated the Deputy CFO to oversee initiatives related to reducing improper payments within the Department, and to work closely with the bureau CFOs in this area.

In FY 2012, the Department continued its reporting procedures that required quarterly reporting to the Department by its bureaus on any improper payments, identifying the nature and magnitude of any improper payments along with any necessary control enhancements to prevent further occurrences of the types of improper payments identified. The Department's analysis of the data collected from the bureaus shows that Department-wide improper payments were below one-tenth of one percent in FY 2012 and FY 2011. The bureau CFOs are accountable for internal controls over improper payments, and for monitoring and minimizing improper payments.

For FY 2013 and beyond, the Department will continue its efforts to ensure the integrity of its disbursements.

VI. Agency Information Systems and Other Infrastructure.

a. **Describe whether the agency has the internal controls, human capital, and information systems and other infrastructure it needs to reduce improper payments to the levels the agency has targeted.**

b. **If the agency does not have such internal controls, human capital, and information systems and other infrastructure, describe the resources the agency requested in its most recent budget submission to Congress to establish and maintain the necessary internal controls, human capital, and information systems and other infrastructure.**

The Department has ensured that internal controls, manual, as well as financial system, relating to payments are in place throughout the Department, and has reviewed all financial statement audit findings/comments and results of any other payment reviews for indications of breaches of disbursement controls. None of these audit findings/comments or reviews have uncovered any significant problems with improper payments or the internal controls that surround disbursements.

VII. Barriers. Describe any statutory or regulatory barriers which may limit agency corrective actions in reducing improper payments and actions taken by the agency to mitigate the barriers' effects.

The Department has not identified any significant barriers to-date, but will notify OMB and Congress of any barriers that inhibit actions to reduce improper payments if they occur.

VIII. Additional Comments. Discuss any additional comments on overall agency efforts, specific programs, best practices, or common challenges identified, as a result of IPIA implementation

The Department's Disbursement Best Practices. The following are some examples of internal control procedures used by the Department's payment offices:

- Limited/controlled access to vendor files—access to basic vendor information (e.g., name, address, business size, etc.) is available to financial system users; access to banking information, however, is strictly limited by system security to certain Office of Finance staff.
- Controlled access to financial system accounts payable screens—authority to create, edit, approve, process, and amend payment records is limited to certain Office of Finance financial system users. Also, authority to add or revise records in the vendor database is limited to separate Office of Finance system users.
- Segregation of duties for financial system data entry and review prior to transmitting disbursement files to Treasury—data entry duties are assigned to technicians in the Office of Finance who do not have authority to review and process payments. Authority to approve and process payments is assigned to accountants in the Office of Finance. Both data entry and approval/processing of payments are separate functions from transmitting disbursement files to Treasury.
- Financial system edit reports highlight potential items that may result in improper payments (e.g., invoice amount and accrual amount are not the same). There is a daily Invoice Workload Report that displays open amounts (not closed by a payment) on all invoices. This report is reviewed and action is taken to resolve partially open invoices. Furthermore, system settings prevent a payment in excess of the amount of the invoice.
- Daily pre-payment audit of invoices for accuracy, and corrective actions prior to disbursement, thereby preventing improper payments from occurring.
- Financial system edit checks if the vendor's name on the payment does not agree with that on the obligation, or if the payment amount is greater than the obligation or accrual amount.
- The monthly vendor statement for purchase cards is interfaced into the financial system, thereby reducing data entry error.
- An accountant or supervisor reviews individual payments before releasing for payment, to help ensure that the correct banking information or payment addresses are used, and that the correct amount will be paid.
- Monthly post-payment random sample audits are performed for detection purposes.
- Contracts include a clause requiring the contractor to notify the contracting officer if the government overpays when making an invoice payment or a contract financing payment.

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Presented below is a summary of financial statement audit and management assurances for FY 2012. Table 1 relates to the Department's FY 2012 financial statement audit, which resulted in an unqualified opinion with one material weakness. Table 2 presents the number of material weaknesses reported by the Department under Section 2 of the Federal Managers' Financial Integrity Act (FMFIA)—either with regard to internal controls over operations or financial reporting—and Section 4, which relates to internal controls over financial management systems; as well as the Department's compliance with the Federal Financial Management Improvement Act (FFMIA).

Table 1. Summary of Financial Statement Audit

- **Audit Opinion:** Unqualified
- **Restatement:** No

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
NOAA Financial Management Oversight	0	1	0	0	1
Total Material Weaknesses	0	1	0	0	1

Table 2. Summary of Management Assurances

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA § 2)						
Statement of Assurance:	Qualified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
NOAA Financial Management Oversight	0	1	0	0	0	1
Total Material Weaknesses	0	1	0	0	0	1
EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS (FMFIA § 2)						
Statement of Assurance:	Unqualified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
No Material Weaknesses	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS (FMFIA § 4)						
Statement of Assurance:	Systems conform with financial management system requirements					
Non-Conformances	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
No Non-Conformance Issues	0	0	0	0	0	0
Total Non-Conformances	0	0	0	0	0	0

COMPLIANCE WITH FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)		
	Agency	**Auditor**
Overall Substantial Compliance	Yes	Yes
1. System Requirements	Yes	
2. Accounting Standards	Yes	
3. USSGL at Transaction Level	Yes	

UNDISBURSED BALANCES IN EXPIRED GRANT ACCOUNTS

Undisbursed balances in expired grant accounts include budget authority that is no longer available for new obligations but is still available for disbursement. The period of disbursement lasts for five years after the last unexpired year unless the expiration period has been lengthened by legislation. Specifically, one may not incur new obligations against expired budget authority, but one may liquidate existing obligations by making disbursements.(Section 20.4(c) of the Office of Management and Budget (OMB) Circular A-11, *Preparation, Submission and Execution of the Budget*) For FY 2012, the following information is required to be reported in this FY 2012 Performance and Accountability Report as well as the annual performance plans/budgets:

1. Details on future action the Department/bureau will take to resolve the undisbursed balances in expired grant accounts;
2. The method the Department/bureau uses to track undisbursed balances in expired grant accounts;
3. Identification of undisbursed balances in expired grant accounts that may be returned to the Treasury of the United States; and
4. In the preceding three fiscal years, details on the total number of expired grant accounts with undisbursed balances (on the first day of each fiscal year) for the Department/bureau and the total finances that have not been obligated to a specific project remaining in the accounts.

Six bureaus report information under this guidance: the Economic Development Administration (EDA), the International Trade Administration (ITA), the Minority Business Development Agency (MBDA), the National Oceanic and Atmospheric Administration (NOAA), the National Institute of Standards and Technology (NIST), and the National Telecommunications Administration (NTIA).

The EDA Budget and Finance Division will send a monthly report identifying undisbursed balances to EDA's regional offices, and request the status of these grants on a quarterly basis. The Assistant Secretary has, and will continue, to discuss the importance of monitoring and closing these grants in a timely manner in various EDA meetings.

The EDA Budget and Finance Division prepares a monthly Open Grants report using data in the NOAA Commerce Financial System Data Warehouse and distributes it to appropriate staff on a monthly basis. The report will be monitored slightly to more easily identify grants in expired grant accounts.

The NOAA Grants Management Division (GMD) has an Oversight and Compliance team that is responsible for reviewing, closing out, and deobligation of un-disbursed balances identified. On a monthly basis, the expired awards report will be reviewed for unobligated balances of funds based on data downloads from the Commerce Business System (CBS). GMD will initiate contact (email, phone calls, etc.) with those indentified recipients to inform them that based on either their final financial status report submission or the CBS data warehouse information, that there are funds to be returned to NOAA or deobligated from CBS by NOAA Finance. If the recipient does not request an extension to the closeout period within 14 days of notification, GMD will take action to request deobligation of the remaining funds.

On a monthly basis, the Grants Online Production Unit provides a report which identities the recipient, award number, and the amount of unobligated balances.

The NIST Grants and Agreements Management Division had created an in-house report that combines the data from its Grants Management system with the Core Financial System so they will have the most accurate information on the undisbursed funds under these grants. In order to tackle the deobligations of these funds, NIST will be running this report on a monthly basis and deobligate the largest balances first in order to have the largest effect on the total undisbursed NIST grant funds. These same actions apply to NTIA as well.

Below is a table summarizing the Department's bureaus, accounts, appropriate fiscal year, undisbursed balances, and amounts available to the Treasury.

Bureau	Account	Fiscal Year	Undisbursed Balance	Amount Available to Treasury
EDA	ARRA	2009	$37,497,333	$0
	Trade Adjustment Assistance for Communities (CTAA)	2010	$29,996,220	$0
MBDA	Minority Business Development	2007	$4,145	$0
		2008	$69,156	$0
		2010	$65,671	$0
NIST	Scientific and Technical Research and Services	2012	$74,109	$74,109
		2011	$241,252	$241,252
		2010	$144,341	$144,341
		2009	$1,101,022	$1,101,022
		2008	$24,373	$24,373
		2007	$992,977	$992,977
		2006	$36,610	$36,610
	Industrial Technology Services	2011	$843,653	$843,653
		2010	$3,173,904	$3,173,904
		2009	$81,851	$81,851
		2008	$211,159	$211,159
		2007	$1,911,241	$1,911,241
		2006	$8,073	$8,073
	ARRA	2010	$77,972	$77,972
NTIA	LPTV Upgrade	2012	$32,003	$32,003
	Public Telecommunications Facilities, Planning and Construction	2011	$738,480	$738,480
		2010	$198,841	$198,841
		2009	$94,081	$94,081
NOAA	Operations, Research and Facilities	2012	$551,369	$551,369
		2011	$299,676	$299,676
		2010	$299,267	$299,267
		2009	$1,561,574	$1,561,574
		2008	$1,220,736	$1,220,736
		2007	$647,688	$647,688
	Procurement, Acquisition and Construction	2012	$4,507	$4,507
		2009	$2,975,150	$2,975,150
		2008	$1,987,800	$1,987,800
	Pacific Coastal Salmon Recovery Fund	2008	$2,761	$2,761
		2007	$12,523	$12,523
	Promote and Develop Fishery Products	2012	$199,528	$199,528
		2011	$1	$1
		2010	$1	$1
		2009	$124,728	$124,728
		2008	$124,728	$124,728
		2007	$2,275	$2,275
	Coastal Impact Assistance Fund	2009	$579,902	$579,902
		2008	$669,357	$669,357
		2007	$186	$186
	Coastal Zone Management Fund	2008	$25,910	$25,910
		2007	$6,296	$6,296
	Limited Access System Administration Fund	2008	$18,278	$18,278
		2007	$18,278	$18,278

GLOSSARY OF KEY ACRONYMS

Abbreviation	Title
A	
ACS	American Community Survey
ACSI	American Customer Satisfaction Index
AD	Antidumping
ADP	Automated Data Processing
AHS	American Housing Survey
AIA	Leahy-Smith America Invents Act (PL 112-29)
AML	Advanced Measurement Laboratory (NIST)
APP	Annual Performance Plan
ARRA	American Recovery and Reinvestment Act of 2009
ASAP	Automated Standard Application for Payments
ATP	Advanced Technology Program (NIST)
ATS	Annual Trade Survey
AWIPS	Advanced Weather Interactive Processing System
B	
BAS	Boundary and Annexation Survey
BDC	Business Development Center (MBDA)
BEA	Bureau of Economic Analysis
BEES	Building for Environmental and Economic Sustainability
BIS	Bureau of Industry and Security
BLS	Bureau of Labor Statistics
BNQP	Baldrige National Quality Program
BRL	Biometrics Research Lab
BTOP	Broadband Technology Opportunities Program

Abbreviation	Title
C	
CAMS	Commerce Administrative Management System
CBP	U.S. Customs and Border Protection
CCSPS	Climate Change Science Program Strategic Plan
CEDS	Comprehensive Economic Development Strategies
CEIP	Coastal Energy Impact Program (NOAA)
CFO	Chief Financial Officer
CFO/ASA	Chief Financial Officer and Assistant Secretary for Administration (OS)
CIO	Chief Information Officer
CIRT	Computer Incident Response Team
CNST	Center for Nanoscale Science and Technology (NIST)
COOL	Commerce Opportunities Online
COOP	Continuity of Operations Plan
COTR	Contracting Officer Technical Representative
CPD	Coastal Programs Division
CPI	Consumer Price Index
CPS	Current Population Survey
CRADA	Cooperative Research and Development Agreements
CSRS	Civil Service Retirement System
CSTL	Chemical Science and Technology Laboratory (NIST)
CVD	Countervailing Duty
CWC	Chemical Weapons Convention

ABBREVIATION	TITLE
CWCIA	CWC Implementation Act
CZM	Coastal Zone Management (NOAA)
CZMA	CZM Act
CZMP	CZM Program

D

ABBREVIATION	TITLE
DFI	Digital Freedom Initiative
DHS	U.S. Department of Homeland Security
DM	Departmental Management
DOI	U.S. Department of Interior
DOJ	U.S. Department of Justice
DOL	U.S. Department of Labor
DOL/OLMS	DOL Online Labor Management System
DPAS	Defense Priorities and Allocations System
DSSR	Demographic Surveys Sample Redesign

E

ABBREVIATION	TITLE
EAA	Export Administration Act
EAR	Export Administration Regulations
ECASS	Export Control Automated Support System
EDA	Economic Development Administration
EDD	Economic Development District
EEEL	Electronics and Electrical Engineering Laboratory (NIST)
EFT	Electronic Funds Transfer
ELGP	Emergency Oil and Gas and Steel Loan Guarantee Program
ENC	Electronic Navigational Chart
ENSO	El Niño/Southern Oscillation
EPO	European Patent Office
ESA	Economics and Statistics Administration
ESA	Endangered Species Act
E3	Economy, Energy, and Environment

F

ABBREVIATION	TITLE
FAIR	Federal Activities Inventory Reform
FAR	False Alarm Rate
FCC	Federal Communications Commission
FECA	Federal Employees Compensation Act
FEGLI	Federal Employees Group Life Insurance Program
FEHB	Federal Employees Health Benefit Program
FEMA	Federal Emergency Management Agency
FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Improvement Act of 1996
FICA	Federal Insurance Contributions Act
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act of 1982
FMP	Fishery Management Plan
FR	Field Representative
FTA	Free Trade Agreement
FTAA	Free Trade Area of the Americas
FTE	Full-Time Equivalent
FVOG	Fishing Vessel Obligation Guarantee Program (NOAA)
FWC	Future Workers' Compensation
FY	Fiscal Year

ABBREVIATION	TITLE
G	
G&B	Gifts and Bequests (a fund that is part of DM)
GAAP	Generally Accepted Accounting Principles
GAO	U.S. Government Accountability Office
GDP	Gross Domestic Product
GFDL	Geophysical Fluid Dynamics Laboratory (NOAA)
GLERL	Great Lakes Environmental Research Laboratory
GPRA	Government Performance and Results Act of 1993
GPS	Global Positioning System
GSA	U.S. General Services Administration
GSN	Green Suppliers Network
GSP	Gross State Product
GSS	Geographic Support System
H	
HHS	U.S. Department of Health and Human Services
HR	Human Resources
HSS	Heidke Skill Scores
I	
IA	Import Administration (ITA)
ICANN	Internet Corporation for Assigned Names and Numbers
ICEP	International Catalog Exhibition Program (ITA)
ICT	Information and Communication Technology
IDS	Intrusion Detection Software
IFQ	Individual Fishing Quota Direct Loans (NOAA)
IFW	Image File Wrapper

ABBREVIATION	TITLE
IP	Intellectual Property
IP	Internet Protocol
IRAC	Interdepartmental Radio Advisory Committee
IRC	Investment Review Committees
IRS	Internal Revenue Service
ISI	Institute for Scientific Information
IT	Information Technology
ITA	International Trade Administration
ITL	Information Technology Laboratory (NIST)
ITS	Institute for Telecommunication Sciences (NTIA)
ITU	International Telecommunication Union
K	
KSA	Knowledge, Skills, and Abilities
L	
LEED	Leadership in Energy and Environmental Design
LMS	Learning Management System
M	
MAC	Market Access and Compliance
MAF	Master Address File
MAMTC	Mod-America Manufacturing Technology Center
MAS	Manufacturing and Services
MBDA	Minority Business Development Agency
MBEC	Minority Business Enterprise Center (MBDA)
MBE	Minority Business Enterprise
MBOC	Minority Business Opportunity Center (MBDA)

Abbreviation	Title
MDCP	Market Development Cooperator Program (ITA)
MED	Minority Enterprise Development
MEP	Manufacturing Extension Partnership (NIST)
MMPA	Marine Mammal Protection Act
MOU	Memorandum of Understanding
MSA	Magnuson-Stevens Act
MTS	U.S. Marine Transportation System
N **NABEC**	Native American Business Enterprise Center (MBDA)
NAICS	North American Industry Classification System
NAO	North Atlantic Oscillation
NAPA	National Academy of Public Administration
NASA	National Aeronautics and Space Administration
NBS	National Bureau of Standards (former name of NIST)
NCDC	National Climatic Data Center (NOAA)
NCNR	NIST Center for Neutron Research (NIST)
NERR	National Estuarine Research Reserve
NIH	National Institutes for Health
NIPA	National Income and Product Accounts
NIPC	National Intellectual Property Law Enforcement Coordination Council
NIST	National Institute of Standards and Technology
NM	Nautical Miles
NMFS	National Marine Fisheries Service (NOAA)

Abbreviation	Title
NOAA	National Oceanic and Atmospheric Administration
NOS	National Ocean Service (NOAA)
NPV	Net Present Value
NRC	National Research Council
NSRS	National Spatial Reference System
NTIA	National Telecommunications and Information Administration
NTIS	National Technical Information Service
NTTAA	National Technology Transfer Advancement Act
NWLON	National Water Level Observation Network
NWS	National Weather Service
O **OA**	Office of Audits (OIG)
OAM	Office of Acquisition Management (OS)
OCAD	Office of Compliance and Administration (OIG)
OCS	Office of Computer Services (Franchise Fund)
OECD	Organization for Economic Cooperation and Development
OFM	Office of Financial Management (OS)
OFPP	Office of Federal Procurement Policy
OHRM	Office of Human Resources Management (OS)
OI	Office of Investigations (OIG)
OIG	Office of Inspector General (DM)
OIPE	Office of Inspections and Program Evaluations (OIG)
OMB	Office of Management and Budget

Abbreviation	Title
OPEM	Office of Planning, Evaluation and Management (BIS)
OPM	U.S. Office of Personnel Management
OS	Office of the Secretary (DM)
OSDBU	Office of Small and Disadvantaged Business Utilization (OS)
OSE	Office of Systems Evaluation (OIG)
OSM	Office of Spectrum Management (NTIA)
OSY	Office of Security (OS)
OTE	Office of Technology Evaluation
P	
PALM	Patent Application Location and Monitoring System
PAR	Performance and Accountability Report
PART	Program Assessment Rating Tool
PBSA	Performance-based Service Acquisitions
PBSC	Performance-based Service Contracting
PBViews	Panorama Business Views
PKI	Public Key Infrastructure
PMA	President's Management Agenda
PNA	Pacific North America
PORTS®	Physical Oceanographic Real-time System
PP&E	Property, Plant, and Equipment, Net
PRT	Program Review Team (NOAA)
PSV	Post-shipment Verification
PTFP	Public Telecommunications Facilities Program (NTIA)

Abbreviation	Title
Q	
QFR	Quarterly Financial Report
QPF	Quantitative Precipitation Forecasts
QSS	Quarterly Services Survey
R	
R&D	Research and Development
RLF	Revolving Loan Fund (EDA)
ROP	Reserve's Operations Plan (NOAA)
S	
S&E	Salaries and Expenses
S&T	Science and Technology
SAS	Services Annual Survey
SAV	Site Assistance Visits
SBA	U.S. Small Business Administration
SBR	Combined Statement of Budgetary Resources
SCNP	Consolidated Statement of Changes in Net Position
SDDS	Special Data Dissemination Standards
SES	Senior Executive Service
SIPP	Survey of Income and Program Participation
SME	Small and Medium-sized Enterprise
SNM	Square Nautical Miles
SPD	Survey of Program Dynamics
SRD	Standard Reference Data
SRM	Standard Reference Materials
STEP	Standard for the Exchange of Product Model Data
STRS	Scientific and Technical Research and Services

	Abbreviation	Title
T	3G	Third Generation
	TAA	Trade Adjustment Assistance Program (EDA)
	TAAC	Trade Adjustment Assistance Center
	TABD	Trans-Atlantic Business Dialogue
	TCC	Trade Compliance Center (ITA)
	TECI	Transshipment Country Export Control Initiative
	TIC	Trade Information Center (ITA)
	TIGER	Topologically Integrated Geographic Encoding and Referencing System
	TIP	Technology Innovation Program (NIST)
	TIS	Trademark Information System
	TPA	Trade Promotion Authority
	TPCC	Trade Promotion Coordinating Committee
	TRAM	Trademark Reporting and Monitoring System
	Treasury	U.S. Department of the Treasury
	TROR	Treasury Report on Receivables
	TRP	Take Reduction Plan
	TRT	Take Reduction Team
	TSP	Thrift Savings Plan
	TVA	Tennessee Valley Authority

	Abbreviation	Title
U	UAE	United Arab Emirates
	UC	University Center
	US&FCS	U.S. and Foreign Commercial Service
	USCRN	U.S. Climate Reference Network
	USDA	U.S. Department of Agriculture
	USPTO	U.S. Patent and Trademark Office
	USTR	Office of the U.S. Trade Representative
	USWRP	U.S. Weather Research Program
	UWB	Ultra-wideband
V	VCAT	Visiting Committee on Advanced Technology
	VoIP	Voice over Internet Protocol
W	WCF	Working Capital Fund (DM)
	WMD	Weapons of Mass Destruction
	WTO	World Trade Organization

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