

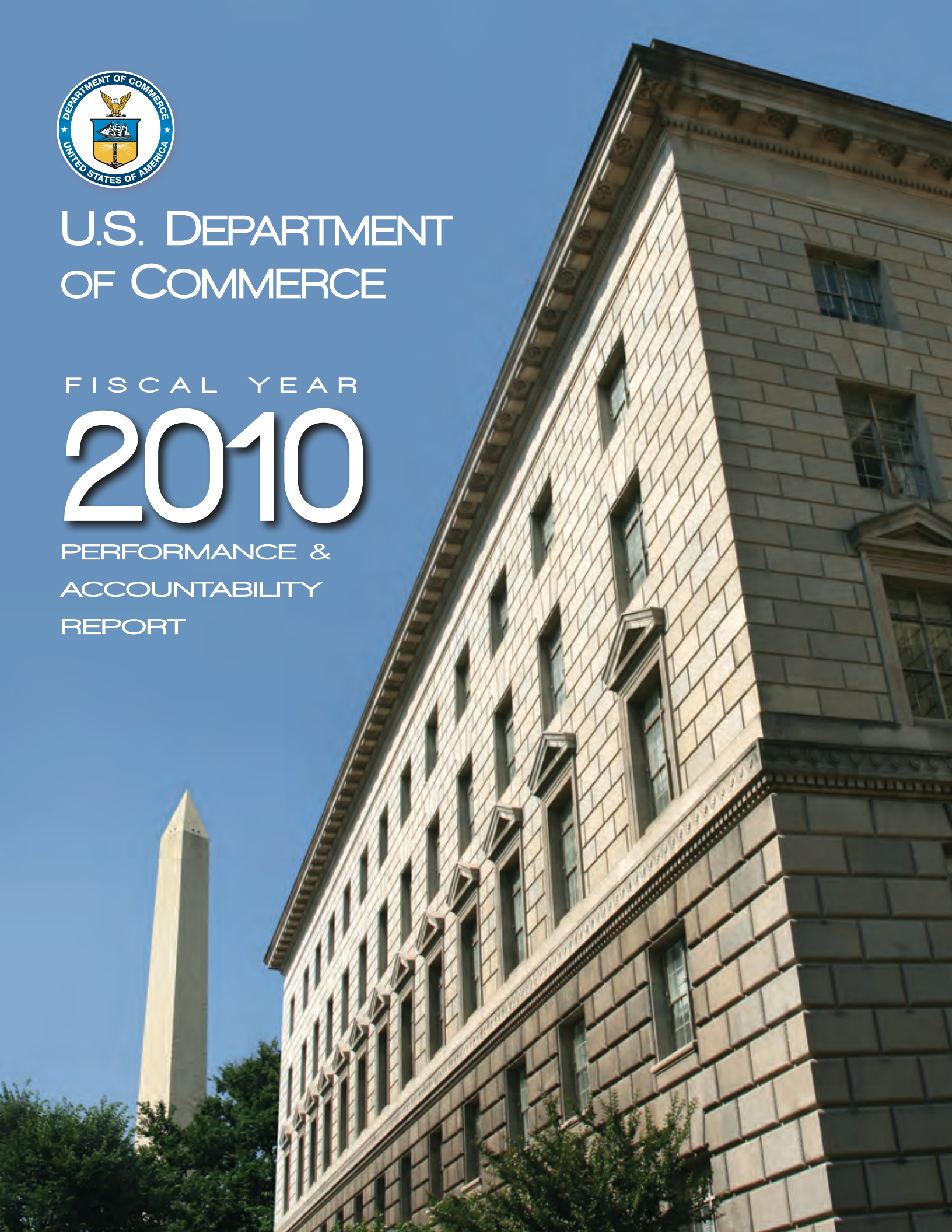


# U.S. DEPARTMENT OF COMMERCE

FISCAL YEAR

# 2010

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](http://www.osec.doc.gov/bmi/budget/budgetsub_perf_strategicplans.htm)

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

International Trade Administration Strategic Plan  
[http://trade.gov/pdfs/ITA\\_stratplan2007.pdf](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](http://bea.gov/about/pdf/strategic_plan_matrix_2010-2014.pdf)
- ◆ Release Dates for 2010  
<http://www.bea.gov/newsreleases/2010rd.htm>

National Institute of Standards and Technology

- ◆ NIST Performance Evaluation  
[http://www.nist.gov/director/planning/impact\\_assessment.cfm](http://www.nist.gov/director/planning/impact_assessment.cfm)
- ◆ NIST Technology Innovation Program  
<http://www.nist.gov/tip/>
- ◆ NIST Manufacturing Extension Partnership – MEP Impacts  
<http://www.nist.gov/mep/impacts-reports-research.cfm>

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

- ◆ Annual Report  
<http://www.ntis.gov/pdf/FinRpt2009.pdf>

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

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

National Telecommunications and Information Administration  
Annual Reports  
<http://www.ntia.doc.gov/>

National Oceanic and Atmospheric Administration  
Budget and Performance  
<http://www.noaa.gov/budget/>

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

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# U.S. DEPARTMENT OF COMMERCE

FISCAL YEAR  
**2010**

PERFORMANCE &  
ACCOUNTABILITY  
REPORT





## 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 GOALS

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

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

**Goal 3:** Promote environmental stewardship

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

### 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 70 countries worldwide.

### EMPLOYEES

During FY 2010, the Department expanded to over 120,000 employees to cover the Decennial Census. Apart from the Decennial Census, the Department has approximately 40,000 employees.

### FINANCIAL RESOURCES

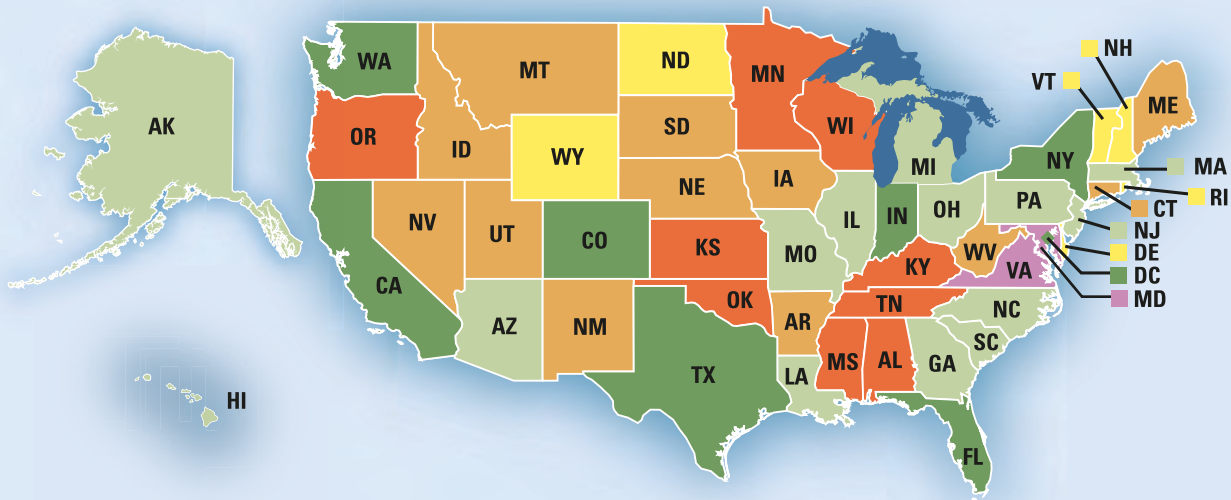
The Department’s FY 2009 and FY 2010 budgets were approximately \$25.7 billion and \$13.9 billion (budget authority), respectively.

### INTERNET

The Department’s Internet address is [www.commerce.gov](http://www.commerce.gov).



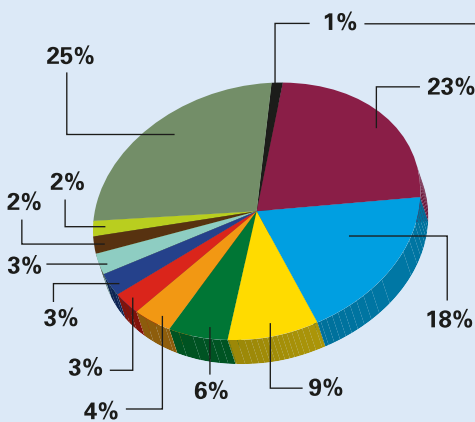
## DEPARTMENT OF COMMERCE EMPLOYEES



### NUMBER OF EMPLOYEES

< 100   100-200   200-400   400-1,000   1,000-5,000   >5,000

## DEPARTMENT OF COMMERCE EMPLOYEES BY LOCATION



Maryland	11,985	Colorado	1,420
Virginia	9,696	Texas	1,390
Indiana	4,676	Florida	1,298
District of Columbia	3,390	New York	1,096
California	2,045	Other States	13,312
Washington	1,739	Other Nations/Territories	414

### Other Nations/Territories in which Department of Commerce has Staff

Algeria	Guatemala	Portugal
American Samoa	Hong Kong	Puerto Rico
Argentina	Hungary	Qatar
Australia	India	Romania
Austria	Indonesia	Russia
Belgium	Iraq	Saudi Arabia
Brazil	Ireland	Senegal
Bulgaria	Israel	Serbia
Canada	Italy	Singapore
Chile	Japan	South Africa
China	Jordan	South Korea
Columbia	Kazakhstan	Slovakia
Costa Rica	Kenya	Spain
Croatia	Kuwait	Sweden
Czech Republic	Libya	Switzerland
Dominican Republic	Malaysia	Taiwan
Ecuador	Mexico	Thailand
Egypt	Morocco	Turkey
El Salvador	Netherlands	Tunisia
Finland	Nigeria	United Arab Emirates
France	Pakistan	United Kingdom
Germany	Panama	Ukraine
Ghana	Peru	Venezuela
Greece	Philippines	Vietnam
Guam	Poland	

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# STATEMENT FROM THE SECRETARY

I am pleased to present the Department of Commerce's fiscal year (FY) 2010 Performance and Accountability Report (PAR). The PAR describes our accomplishments and challenges in maximizing U.S. competitiveness, enabling economic growth, fostering U.S. leadership in science and technology, and promoting environmental stewardship. It also provides information on our financial management and performance.

## *Economic Growth*

On January 27, 2010, in his first State of the Union address, President Obama announced the creation of a new National Export Initiative (NEI). Since that time, the Department's Advocacy Center has assisted U.S. companies competing for export opportunities, supporting \$11.4 billion in exports and an estimated 70,000 jobs. The Department's Commercial Service officers stationed around the world have helped more than 2,000 companies generate \$3.8 billion worth of exports. Two recent trade agreements with China and Russia involving pork and poultry products are valued at more than \$1 billion. We have coordinated 18 trade missions to 24 countries that involved more than 160 companies. Lastly, the Department has continued to join forces with other agencies and organizations to further the NEI. For example, in July 2010, the Department and the U.S. Postal Service announced the launch of a new partnership to identify current U.S. Postal Service customers who are already exporting their goods and help them expand to additional international markets.



The Department, through the International Trade Administration (ITA), has made strong progress toward improving trade, particularly in the area of ensuring a level playing field. During FY 2009, 56 percent of market access and compliance cases, totaling over \$25 billion in value, were successfully resolved, compared with 39 percent in FY 2008. Similarly, 30 percent of industry-specific trade barriers addressed by ITA during FY 2009 were removed or prevented. We are focused on achieving further progress in trade and other critical economic growth outcomes for U.S. businesses and workers.

The Economics and Statistics Administration's (ESA) Bureau of Economic Analysis (BEA) and 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 successfully completed the field operations for the 2010 Decennial Census, the largest non-military activity undertaken by the U.S. government. The Census Bureau is now compiling the data to determine the final population counts of each state and the Nation. The Census Bureau will release this data no later than December 31, 2010. Population data from the Decennial Census, which is mandated by the Constitution, supports the reapportionment of Congress as well as state and local legislative bodies, and is also used to allocate over \$400 billion in annual federal program funds. The Census Bureau received \$1 billion in American Recovery and Reinvestment Act (ARRA) funding to hire new personnel for partnership and outreach efforts to minority communities and hard-to-reach populations, increase targeted media purchases, and conduct field operations. By focusing on effectively managing risk as the Decennial Census operations proceeded, the Census Bureau completed the 2010 Census more than \$1.7 billion under budget. This was largely due to exceeding the estimated mail-back response rate and higher worker productivity.

One of BEA's primary goals in 2010 was to maintain and improve the relevance and usefulness of its economic accounts. It continued to explore the development of new statistics such as quarterly gross domestic product (GDP) by industry, state personal consumption expenditures, and industry-level production accounts. It also began work to develop new estimation models for service sector statistics that will allow a quicker and more flexible response to current and future changes in the economy. At the same time, BEA continued its progress on satellite accounts, publishing an update of the account for research and development, and proceeding with research into prices and spending measures for the health satellite account.



The Department, through the Economic Development Administration (EDA), assists U.S. industries, communities, and workers through investments in public infrastructure and technology, which in turn attract private capital investment and create new jobs. As of FY 2010, EDA investments made in FY 2007, FY 2004, and FY 2001 generated nearly \$6.6 billion in private investment and created or retained 102,000 jobs. In addition, EDA funded 68 ARRA grants through its existing program structure in FY 2009 which are projected to create or retain 25,635 long-term jobs based on grantee estimates. Consistent with the intent of the ARRA, EDA's ARRA investments focused on infrastructure projects that will promote immediate job growth and retention. To help advance President Obama's innovation agenda, EDA successfully led two major, multi-department funding competitions in FY 2010: the Energy Regional Innovation Cluster (e-RIC) initiative, a pilot initiative to spur regional economic growth while developing innovative energy-efficient building technologies; and the i6 Challenge to accelerate the commercialization of university and federal research to take ideas from the lab to the marketplace, producing the small businesses that are the engine of job creation in the United States.

The Minority Business Development Agency (MBDA) promotes the ability of minority businesses to succeed in the local, national, and global economies by providing direct client services through a nationwide network of minority business centers. MBDA continued its upward trend of increasing the dollar value of contract and financial awards secured by minority firms, from \$2.0 billion in FY 2008 to \$3.0 billion in FY 2009 to \$3.3 billion in FY 2010. More than 5,800 new jobs were created in FY 2010 as a result of MBDA's work with minority-owned companies.

The Bureau of Industry and Security (BIS) administers and enforces the dual-use export control system, which regulates exports of sensitive goods and technology that have legitimate civilian uses, but could also have military or terrorism-related uses. In FY 2010, the Department took the first step in the President's effort to reform U.S. encryption controls by eliminating the review of readily available encryption items such as cell phones and household appliances. The United States will now be able to focus its resources on more sensitive encryption items. BIS was also heavily engaged with other agencies in developing plans to effectively implement the President's Export Control Reform Initiative.

Finally, the National Institute of Standards and Technology's (NIST) Hollings Manufacturing Extension Partnership (MEP) supported its clients, primarily small manufacturers, in generating an estimated \$2.1 billion in increased sales, \$1.6 billion in capital investment, and \$1.1 billion in cost savings during FY 2009 (MEP results have a one-year time lag).

Our new CommerceConnect office near Detroit, MI made significant strides in helping local businesses to access multiple federal programs from one location. CommerceConnect is a single stop shop to access the Department's 70+ programs, services, and partner resources. We plan on expanding the CommerceConnect program to the Gulf Coast using a regional approach and to 16 other cities using current Department facilities.

### *Science and Information*

A vigorous, flexible, and efficient intellectual property (IP) protection system is critical to encouraging investments that build our industries, businesses, and jobs. The Department is committed to ensuring that the United States has a first-class IP protection system to support innovation throughout the 21st century.

In FY 2010, the U.S. Patent and Trademark Office (USPTO) identified and implemented tools and policies that increased patent quality and timeliness. We are committed to further efforts to address the many challenges that remain to achieving significant sustainable reductions in patent pendency—now averaging over 25 months for first action and 35 months for total pendency—to levels that fully enable and reward entrepreneurship and innovation.

USPTO found efficiencies by redesigning systems and procedures, including the analysis of examiner workflow so that it could remove redundant processes. USPTO closely studied patent processing systems to determine where improvements would provide the greatest increase in efficiency or increase in examination capacity. USPTO introduced a multi-track application pathway that gives applicants control over prioritizing their applications and assists management in balancing workload. USPTO's improved processes will create a streamlined examination process to improve patent quality and timeliness.

The Patent Organization maintained a strong focus on quality in FY 2010, with a final rejection/allowance compliance rate of 96.3 percent. The final rejection/allowance compliance rate gives the percentage of utility, plant, reissue, and design allowances and final rejections reviewed that were found to be compliant with applicable rules and laws regarding final patentability determination.

Over the last five years, the Trademark Organization has met nearly all its performance targets. The examination quality of office actions in the Trademark Organization has met and exceeded goals, ranging above 95 percent accuracy in recent years. Approximately 97 percent of all first actions and final decisions (approvals and rejections) met statutory and compliance rates for quality of decision-making and writing. The Trademark organization's total pendency improved from 11.2 months in FY 2009 to 10.5 months in FY 2010.

NIST supports the Nation's innovative capacity and expands markets for new technological applications through its sound, science-based measurements and standards. For example, NIST is coordinating the development of interoperability standards for the Smart Grid and issued an initial set of cyber security guidelines and other elements of a Smart Grid Interoperability Standards Framework after significant stakeholder engagement. In the area of healthcare, NIST and the Department of Health and Human Services are working to develop a suite of software tools to support a health information technology (IT) testing infrastructure in close collaboration with a broad array of public and private stakeholders. NIST also continued to conduct innovative scientific measurement research as part of the President's Plan for Science and Innovation.

The NIST Technology Innovation Program (TIP) supports high-risk, high-reward innovative research in areas of critical national need at U.S. businesses, universities, national laboratories, and non-profit research institutions. TIP announced in January 2009 nine projects for award to address critical national needs in civil infrastructure, representing up to \$88.2 million in new research, \$42.5 million of it funded by TIP. In December 2009, TIP announced another 20 projects for award—12 that address manufacturing and eight in civil infrastructure—representing up to \$146 million in new research with up to \$71 million in TIP funding. Awarded projects demonstrate TIP's commitment to multi-disciplinary approaches and to encouraging teaming arrangements. Seventy-three participants are involved in 29 projects. Seventeen of the 29 projects are joint ventures. TIP offers a unique opportunity for funding collaborative cutting-edge research.

NIST has successfully obligated \$580 million in ARRA funds directed at projects intended to stimulate technological innovation and strengthen U.S. scientific and technological capabilities. Highlights of NIST ARRA efforts include \$180 million in cost-shared grants that are supporting the construction of 16 new research facilities at 15 universities and one non-profit research organization; \$34.5 million to support 27 cutting-edge research efforts at companies, universities, and non-profit research organizations across 18 states; and \$180 million in upgrades to NIST facilities that will enable new research capabilities (e.g., Structural Fire Resistance Laboratory) and improve the energy efficiency of NIST operations through extensive installation of solar panels across campus.

The National Telecommunications and Information Administration's (NTIA) responsibilities have increased considerably with the enactment of the ARRA. 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 awarded over \$4.2 billion in grants to expand the availability and adoption of broadband services. These projects will 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. Specifically, these projects will deploy broadband infrastructure, enhance capacity at public computing centers, and support projects to encourage non-users to subscribe to broadband services. The objectives of the Broadband Technology Opportunities Program (BTOP) include:

- Broadband access in unserved and underserved areas;
- Broadband education, awareness, training, access, equipment, and support;
- Broadband access and use by public safety agencies; and,
- Stimulation of broadband demand, economic growth, and job creation.



### *Environmental Stewardship*

The National Oceanic and Atmospheric Administration (NOAA) continued to improve the fish stock sustainability index (FSSI), its comprehensive measure for sustainability of 230 U.S. fish stocks selected for their importance to commercial and recreational fisheries. During FY 2010, NOAA rebuilt the following five fish stocks, important to commercial and recreational fisheries, to optimal population levels: North Atlantic swordfish, Georges Bank haddock, George's Bank/Gulf of Maine Pollock, Atlantic coast spiny dogfish, and St. Matthews Island blue king crab. These stocks had been under rebuilding plans due to low population levels caused by overfishing and other factors. To help rebuild fisheries and sustain fishermen, communities, vibrant working waterfronts, and culturally important fishing traditions, NOAA also released a national catch share policy to encourage the consideration and use of catch shares. Catch share programs, which include limited access privilege programs and individual fishing quotas, dedicate a secure share of fish to individual fishermen, cooperatives or fishing communities. Catch shares are used in 14 fisheries managed by six fishery management councils from Alaska to Florida and are being developed in additional fisheries. Both here and in other countries, catch shares are helping eliminate overfishing and achieve annual catch limits, improve fishermen's safety and profits, and reduce the negative biological and economic effects of the race for fish that develops with some traditional fishery management.

The Deepwater Horizon oil spill was one of the worst man-made environmental disasters our country has ever experienced. NOAA was integrally involved in the response and will continue to play a pivotal role in the months and years ahead, assessing and resolving restoration issues. NOAA scientific advice and management was critical to ensuring the safety of seafood and saving, assessing, and rehabilitating Gulf wildlife, including endangered sea turtles, and protecting critical habitat through response strategies and the publication of the Environmental Sensitivity Index. Aerial oil mapping teams fed detailed observations to NOAA modeling experts for daily publication of oil trajectories—forecasts of oil amount and movement—critical to responders and local communities. The modeling team generated the Loop Current Diagram that helped indicate the probability of longer term flow toward the Florida peninsula and/or East Coast, the Long Term Forecast that showed oil distribution probabilities, and 3D subsea models to help determine the fate of oil dispersed in the water column. These products have been vital decision-making tools for the federal on-scene coordinator, small businesses, state governments, local authorities, fisheries managers, responders, and homeowners. National Incident Command relied on and gave special praise to NOAA's Environmental Response Management Application (ERMA) that showed response assets and information as layers on a map, becoming the primary image for the Deepwater Horizon response.

Individuals, business leaders, and decisionmakers across widely diverse sectors—from agriculture to energy to transportation—are increasingly asking NOAA for information about climate variability and change in order to make the best choices for their families, communities, and businesses. The Department and NOAA unveiled a new Web site, [www.climate.gov](http://www.climate.gov), which serves as a single point of entry for NOAA's climate information, data, products, and services. The site is in response to growing user demand for useful climate information and will continue to develop based on user demand, comments, and feedback. One feature is the new Web-based climate science magazine, *ClimateWatch*, featuring videos, images, and articles of scientists in their own words, discussing their recent work in the field. Known as the NOAA Climate Services Portal, the site addresses the needs of four key audiences: educators, decisionmakers and policy leaders, scientists and applications-oriented data users, and business users and the public. NOAA also expanded its Regionally Integrated Science and Assessment (RISA) teams which play a critical role in both climate science and service development by providing integrated assessment in 11 different regions of the United States. RISAs are regional "centers of excellence" that work with users to co-develop climate science and services. In future years, the sustained regional capacity of RISAs can help NOAA address the Nation's priorities for climate service and adaptation.

On March 4, 2010, NOAA successfully launched Geostationary Operational Environmental Satellite Series P (GOES-P) from Cape Canaveral, FL. GOES-P, renamed GOES-15 once it reached final orbit, underwent a series of tests for approximately six months before completing its "check-out" phase. After check-out, GOES-15 was placed into orbital storage mode and remains ready for activation if one of the operational GOES fail. GOES-15 took its first infrared image of Earth on April 26, 2010. GOES-15 is the final spacecraft in the latest series of NOAA geostationary satellites. It joined three other NOAA operational GOES spacecraft that help the Agency's forecasters track life-threatening weather—from tornadoes, floods, and hurricanes to solar activity that can impact the satellite-based electronics and communications industry. GOES-15 will capture higher resolution images of weather patterns and atmospheric measurements than those provided by earlier satellites. The higher resolution imagery allows forecasters to pinpoint the location of

severe weather with greater accuracy. GOES-15 will also provide better data for space and solar weather thanks to its Solar X-Ray Imager (SXI). SXI data will improve forecasts and warnings for solar disturbances, protecting billions of dollars of commercial and government assets in space and on the ground. This vital information will also reduce the effect of power surges for the satellite-based electronics and communications industry.

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

The Department's financial data and performance results for FY 2010 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 12th 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 2010, the Department's system of internal controls, taken as a whole, is consistent with FMFIA. IT security certification and accreditation had been reported as a material weakness from FY 2001 through FY 2009. Based on progress that has been made in this area as well as a shift in emphasis toward IT security assessments, the Department considers the material weakness to be resolved. Although significant progress has resulted in the closure of the material weakness, we believe that IT security concerns are not fully resolved and that additional enhancements continue to be needed in the future.

To better manage its programs, in FY 2010 the Department incorporated 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. This approach focuses on themes that reflect the priorities of our Department. The Department also took a more integrated, crosscutting approach with regard to its programs. In the current Departmental Balanced Scorecard, bureaus tend to cross themes, goals, and objectives, giving a greater emphasis to our three programmatic themes of Economic Growth, Science and Information, and Environmental Stewardship, and our three management themes of Customer Service, Organizational Excellence, and Workforce along with a greater integration of programs. The Department plans on having its FY 2011 – FY 2016 strategic plan follow the structure of the Departmental balanced scorecard. Individual bureau scorecards follow the structure of the Departmental scorecard while providing greater detail about their programs.

### *In Conclusion*

Again, I am proud to submit this report on the FY 2010 performance of the Department, and hope it provides a useful summary of the results of the Department and its 47,000 employees.



Gary Locke  
Secretary of Commerce  
November 15, 2010



# HOW TO USE THIS REPORT

**T**his Performance and Accountability Report (PAR) for FY 2010 provides the Department of Commerce's financial and performance information, enabling the President, Congress, and the American people to assess the Department's performance as provided by the requirements of the:

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

The assessment of the Department's performance contained in this report compares performance results to the Department's strategic goals and performance goals. The Department's Strategic Plan, Performance Plan, and annual PARs are available on

the Department's Web site at [http://www.osec.doc.gov/bmi/budget/budgetsub\\_perf\\_strategicplans.htm](http://www.osec.doc.gov/bmi/budget/budgetsub_perf_strategicplans.htm). The Department welcomes feedback on the form and content of this report.

This report is organized into the following major components:

## **STATEMENT FROM THE SECRETARY OF COMMERCE**

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

This section provides an overview of the financial and performance information contained in the Performance Section, Financial Section, and Appendices. The MD&A includes an overview of the Department's organization, highlights of the Department's most important performance goals and results, current status of systems and internal control weaknesses, and Department programs under the American Recovery and Reinvestment Act (ARRA) of 2009.

## **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 2010. For each service and major office, the results are presented by each performance outcome or objective within the four Department strategic goals.

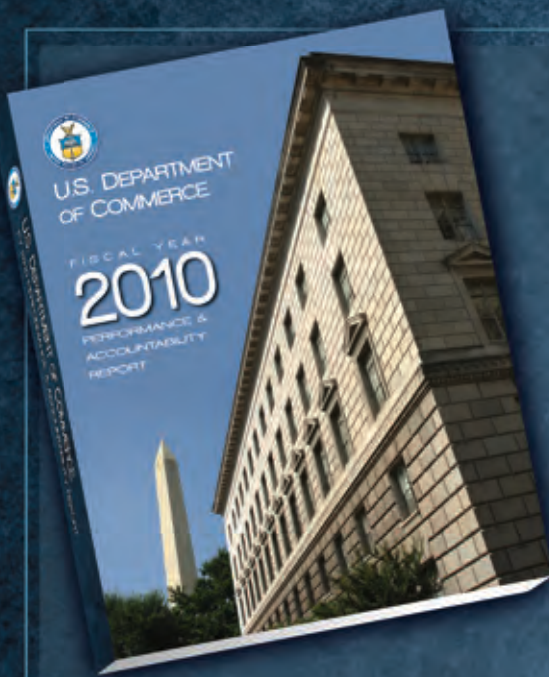
## **FINANCIAL SECTION**

This section contains the details of the Department's finances in FY 2010 including 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 key management challenges identified by the Office of Inspector General (OIG) including actions taken to address them, financial information, and a glossary of acronyms. A discussion of measure and outcome changes from the FY 2009 PAR, and of the 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/FY10PAR.html>.

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](mailto:BTatter@doc.gov) or Steve Shapiro at [SShapiro@doc.gov](mailto:SShapiro@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

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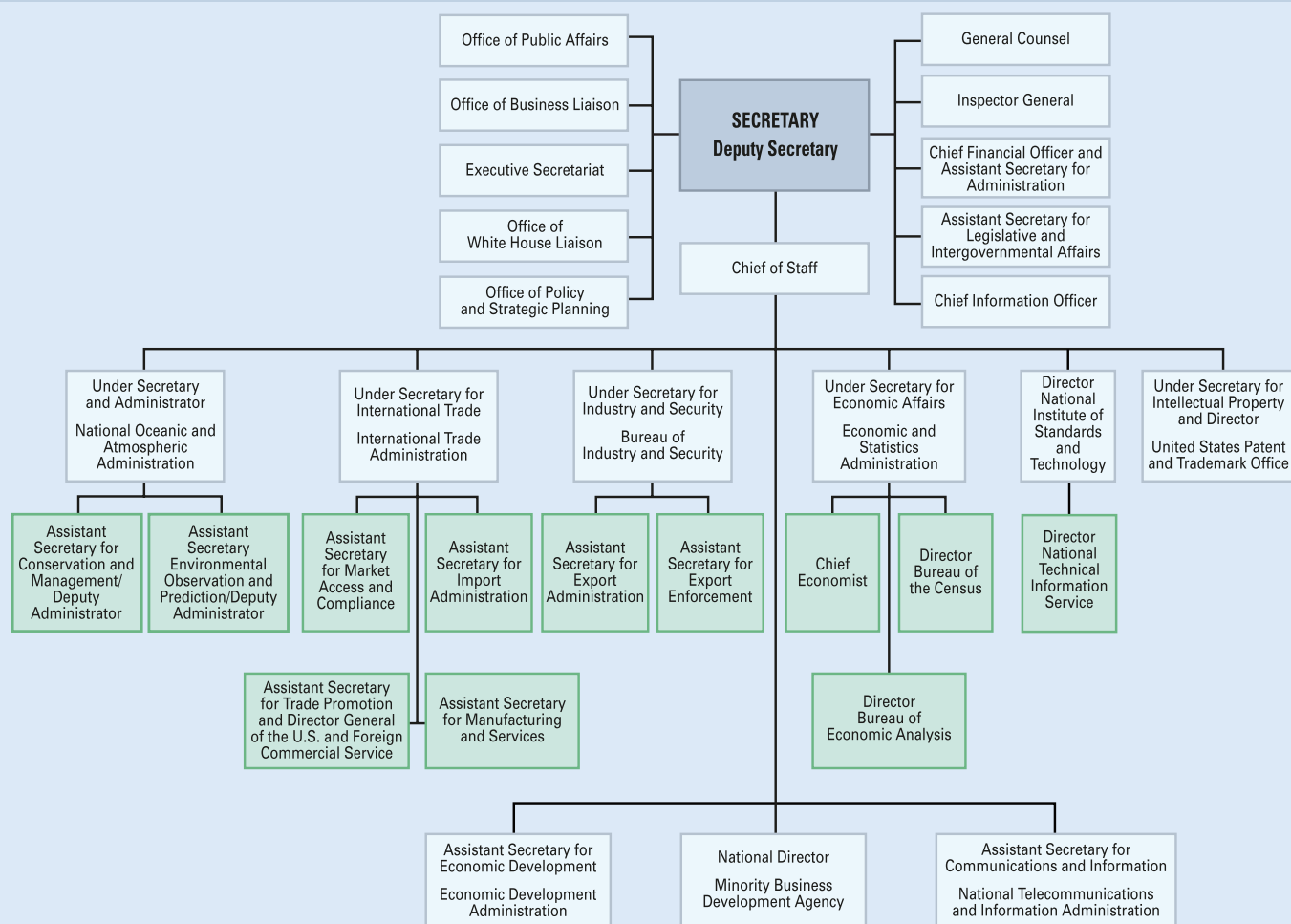


## MISSION AND ORGANIZATION

### 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



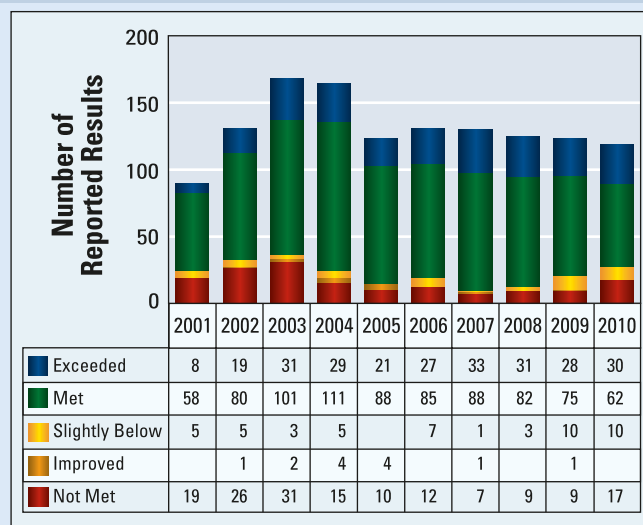
## FY 2010 PERFORMANCE AND FINANCIAL HIGHLIGHTS

## PERFORMANCE HIGHLIGHTS



Overall performance results for the Department show that of the 119 performance targets, 77 percent were at or above target, nine percent slightly below target, and 14 percent not on target. These results are slightly better than FY 2001 when the Department achieved 73 percent of its targets. To the right is a summary of Departmental performance dating back to FY 2001. Below are the funding and full-time equivalent (FTE) levels by strategic goal and financial highlights. It should be noted that FY 2010 was an unusual year in which the Department conducted the 2010 Decennial Census, resulting in a large increase in FTE and funding for FY 2010. Beginning on page 16 is a summary of the performance results by strategic goal. This summary provides a snapshot of the targeted achievements. Discussions and highlights of successes can be found in the performance discussions of each performance goal.

## PERFORMANCE RESULTS



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

(Dollars in Millions) <sup>1</sup>	Percentage Change	FY 2010	FY 2009
<b>For the Years Ended September 30, 2010 and 2009</b>			
<b>Obligations by Strategic Goal:</b>			
<i>Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers<sup>2</sup></i>	+57.8%	\$ 7,581.3	\$ 4,804.4
<i>Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness<sup>2</sup></i>	+87.5%	\$ 7,334.2	\$ 3,912.1
<i>Strategic Goal 3: Promote Environmental Stewardship</i>	+12.1%	\$ 5,781.7	\$ 5,158.0
<i>Management Integration Goal: Achieve Organizational and Management Excellence</i>	+16.2%	\$ 94.0	\$ 80.9
<b>TOTAL OBLIGATIONS</b>	<b>+49.0%</b>	<b>\$20,791.2</b>	<b>\$13,954.4</b>
<b>Full Time Equivalents (FTEs) by Strategic Goal:</b>			
<i>Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers<sup>2</sup></i>	+230.2%	96,720	29,294
<i>Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness<sup>2</sup></i>	-0.8%	12,664	12,768
<i>Strategic Goal 3: Promote environmental stewardship</i>	-2.7%	11,709	12,031
<i>Management Integration Goal: Achieve Organizational and Management Excellence</i>	+16.0%	341	294
<b>TOTAL FTEs</b>	<b>+123.3%</b>	<b>121,434</b>	<b>54,387</b>

**Total Obligations**

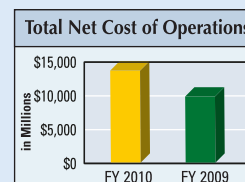
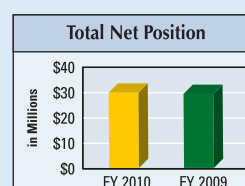
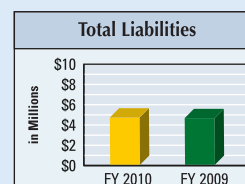
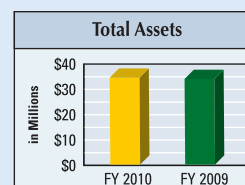
**Total FTEs**

<sup>1</sup>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., Hurricane Katrina) 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. An example of the difference is the NTIA Broadband Technology Opportunities Program where over \$4 billion was obligated in FY 2010, however the costs incurred was significantly less.

<sup>2</sup>For Strategic Goal 1, the funding and FTE rose significantly in FY 2010 as a result of the 2010 Decennial Census. For Strategic Goal 2, the funding and FTE rose significantly as a result of the NTIA Broadband Technology Opportunities Program.

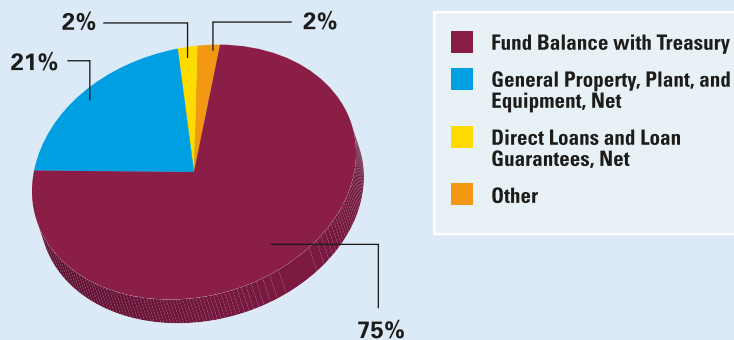
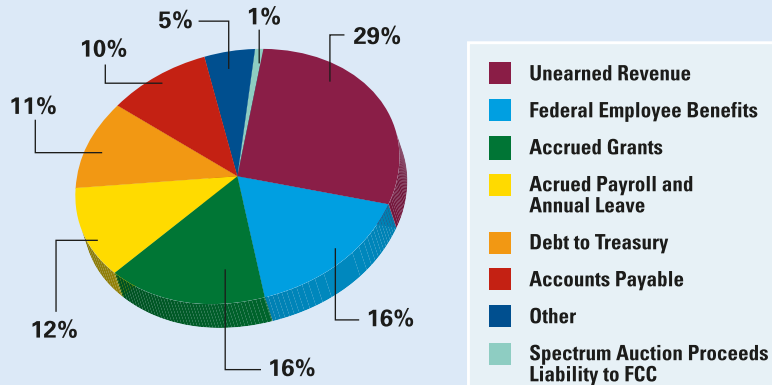
## FINANCIAL HIGHLIGHTS

(Dollars in Thousands)	Percentage Change	FY 2010	FY 2009
<b>As of September 30, 2010 and 2009</b>			
<b>Condensed Balance Sheets:</b>			
<b>ASSETS:</b>			
Fund Balance with Treasury	0%	\$ 25,785,547	\$ 25,671,762
General Property, Plant, and Equipment, Net	+9%	7,394,711	6,758,827
Direct Loans and Loan Guarantees, Net	+6%	540,147	511,092
Other	-30%	712,365	1,015,104
<b>TOTAL ASSETS</b>	<b>+1%</b>	<b>\$ 34,432,770</b>	<b>\$ 33,956,785</b>
<b>LIABILITIES:</b>			
Unearned Revenue	+2%	\$ 1,332,395	\$ 1,311,270
Spectrum Auction Proceeds Liability to Federal Communications Commission	-92%	33,838	400,451
Federal Employee Benefits	+12%	769,035	687,434
Accounts Payable	-9%	462,693	505,944
Accrued Grants	+72%	766,204	446,207
Debt to Treasury	+6%	517,930	487,275
Accrued Payroll and Annual Leave	+4%	561,154	540,082
Other	-2%	236,916	242,102
<b>TOTAL LIABILITIES</b>	<b>+1%</b>	<b>\$ 4,680,165</b>	<b>\$ 4,620,765</b>
<b>NET POSITION:</b>			
Unexpended Appropriations	-2%	\$ 12,882,192	\$ 13,136,522
Cumulative Results of Operations	+4%	16,870,413	16,199,498
<b>TOTAL NET POSITION</b>	<b>+1%</b>	<b>\$ 29,752,605</b>	<b>\$ 29,336,020</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>+1%</b>	<b>\$ 34,432,770</b>	<b>\$ 33,956,785</b>
<b>For the Years Ended September 30, 2010 and 2009</b>			
<b>Condensed Statements of Net Cost:</b>			
<i>Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers</i>	+108%	\$7,878,604	\$3,794,414
<i>Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness</i>	-33%	1,262,005	1,880,001
<i>Strategic Goal 3: Promote Environmental Stewardship</i>	+9%	4,523,471	4,152,324
<b>TOTAL NET COST OF OPERATIONS</b>	<b>+39%</b>	<b>\$13,664,080</b>	<b>\$9,826,739</b>
Total Gross Costs	+32%	\$16,527,409	\$12,540,517
Less: Total Earned Revenue	+6%	(2,863,329)	(2,713,778)
<b>Total Net Cost Of Operations</b>		<b>\$13,664,080</b>	<b>\$9,826,739</b>





## REVIEW OF FINANCIAL POSITION AND RESULTS

COMPOSITION OF THE DEPARTMENT'S  
FY 2010 ASSETSCOMPOSITION OF THE DEPARTMENT'S  
FY 2010 LIABILITIES

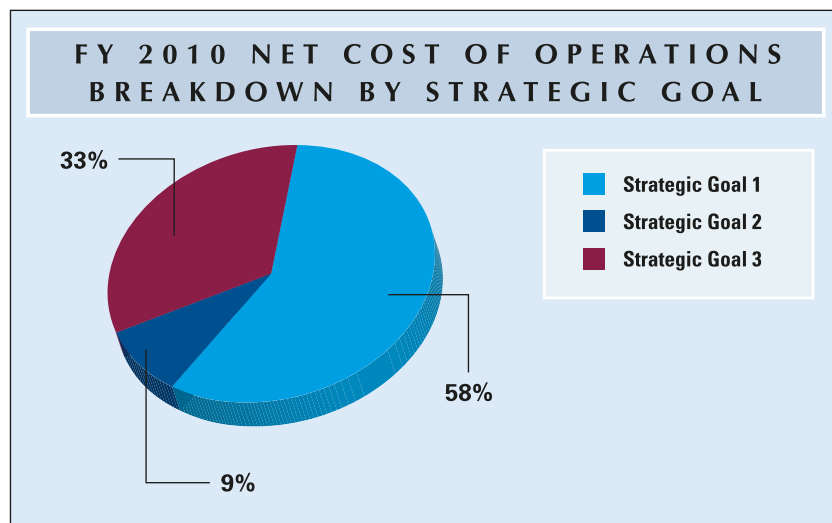
## ASSETS

The Department had total assets of \$34.4 billion as of September 30, 2010. This represents an increase of \$476 million or 1 percent over total assets of \$34.0 billion at September 30, 2009. General Property, Plant, and Equipment, Net increased \$636 million or 9 percent, mainly due to an increase in satellites/weather systems of \$558 million. Other Assets decreased by \$303 million or 30 percent, primarily due to a decrease of \$264 million in Advances and Prepayments to another federal agency for the National Telecommunications and Information Administration's (NTIA) Public Safety Interoperable Communications grant program.

## LIABILITIES

The Department had total liabilities of \$4.7 billion as of September 30, 2010. This represents an increase of \$59 million or 1 percent as compared to total liabilities of \$4.6 billion at September 30, 2009. Accrued grants increased by \$320 million or 72 percent, primarily resulting from the Economic Development Administra-

tion's (EDA) accrued grants increase of \$209 million which resulted from additional funding under the American Recovery and Reinvestment Act (ARRA) of 2009 and a FY 2010 supplemental appropriation for a major storms and flooding disaster that occurred in 2010. NTIA accrued grants also increased by \$90 million, primarily for the Broadband Technology Opportunities Program. Federal Employee Benefits increased by \$82 million or 12 percent, primarily from the effects of changes in economic and other assumptions on the actuarial valuation for the National Oceanic and Atmospheric Administration (NOAA) Corps Retirement System, and also from the effect of increased Decennial Census employees on the valuation of the Department's Actuarial FECA Liability. There was a large decrease of \$367 million or 92 percent in NTIA's Spectrum Auction Proceeds Liability to the Federal Communications Commission (FCC). This liability represents FCC auction proceeds for which licenses have not yet been granted by FCC. During FY 2010, the liability was primarily reduced by net auction proceeds for which licenses have been granted, and by FCC administrative fees.



## NET COST OF OPERATIONS

In FY 2010, Net Cost of Operations amounted to \$13.7 billion, which consists of Gross Costs of \$16.5 billion less Earned Revenue of \$2.8 billion. Strategic Goal 1 includes Gross Costs of \$8.1 billion related to maximizing U.S. competitiveness and enabling economic growth for U.S. industries, workers, and consumers. Strategic Goal 2 includes Gross Costs of \$3.6 billion related to promoting U.S. innovation and industrial competitiveness. Strategic Goal 3 includes Gross Costs of \$4.8 billion related to promoting environmental stewardship. The Strategic Goal 1 increase in FY 2010 Net Cost of Operations over FY 2009 of \$4.1 billion or 108 percent is primarily due to an increase in Gross Costs of \$3.6 billion for the Census Bureau's Decennial and Periodic Censuses major program. The Strategic Goal 2 decrease in FY 2010 Net Cost of Operations over FY 2009 of \$618 million or 33 percent is primarily due to a large decrease in Gross Costs for NTIA's Digital-to-Analog Converter Box Program, as the program was substantially completed by mid-November 2009. The Strategic Goal 3 increase in FY 2010 Net Cost of Operations over FY 2009 of \$371 million or 9 percent is primarily due to an increase in gross costs of \$205 million for NOAA's Operations, Research, and Facilities budget account, mainly due to increased depreciation expense for personal property and increased imputed costs from other federal agencies. The Strategic Goal 3 increase in Net Cost of Operations also results from increased NOAA gross costs of \$134 million from funding under ARRA, for its Operations, Research, and Facilities functions, and its Procurement, Acquisition, and Construction functions.

## THE DEPARTMENT OF COMMERCE PROCESS FOR STRATEGIC PLANNING AND PERFORMANCE REPORTING

### MANAGEMENT STRATEGIC FRAMEWORK, PERFORMANCE PLANNING AND REPORTING AT A GLANCE

The Department's Strategic Plan maps out the Department's Strategic Goals, Objectives, and Outcomes that constitute achievement of its Mission and Vision. It also provides performance measures used to gauge success toward the Outcomes. The plan explains the Department's strategies for success and identifies key challenges. The Department's Annual Performance Plans (APP) provide annual targets for these performance measures, the resources required to achieve them, and a summary of how these resources will be used to achieve results. FY 2010 and FY 2011 APPs can be found at <http://www.osec.doc.gov/bmi/budget/>. This Performance and Accountability Report (PAR) measures actual progress against the projected progress in the FY 2010 APP. The Department's current Strategic Plan covers FY 2007-FY 2012 and can be found at <http://www.osec.doc.gov/bmi/budget/Strategic07-12.htm>. The Department is currently updating its Strategic Plan, which it expects to issue prior to the FY 2012 Congressional Budget.



This PAR provides a public accounting of the Department's FY 2010 performance results and completes the Department's performance management process for the fiscal year. The Web address of the FY 2010 PAR is <http://www.osec.doc.gov/bmi/budget/FY10PAR.html>. Appendix A of the FY 2010 PAR provides historical results of the Department's performance, matching targets against actuals.

During FY 2010, the Department began implementation of a balanced scorecard approach to support management and planning activities. The scorecard incorporates the Department's programmatic goals as well as management goals that are critical to the long-term sustainability of its programs. The scorecard supplements the most significant outcome-oriented measures from the Strategic Plan and APP (i.e., the Department's Government Performance and Results Act (GPRA) measures) with leading indicators that closely linked (requisites) to these outcomes. In this manner, the Departmental and bureau scorecards serve as a meaningful tool supporting the Department's senior managers in executing their oversight and management responsibilities.

### SUMMARY DESCRIPTION OF BUREAUS

The following are summary descriptions of each bureau in budget appropriation order with applicable strategic goals and objectives 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. **MANAGEMENT INTEGRATION GOAL**

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. **MANAGEMENT INTEGRATION GOAL**

The *Economic Development Administration (EDA)* directly supports the Department's goal to maximize U.S. competitiveness and enable economic growth for U.S. industries, workers, and consumers with the objective to foster domestic economic development as well as export opportunities. To achieve this objective, EDA promotes a favorable business environment through strategic investments in public infrastructure. These investments help attract private capital investment and jobs that address problems of high unemployment, low per capita income, and sudden, severe economic challenges. **STRATEGIC GOAL 1,**

**OBJECTIVE 1.1**

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. **STRATEGIC GOAL 1,**

**OBJECTIVE 1.3**

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. **STRATEGIC GOAL 1, OBJECTIVE 1.3**

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. 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. **STRATEGIC GOAL 1, OBJECTIVES 1.1 AND 1.2**



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; (5) monitors the viability of the U.S. defense industrial base; (6) evaluates the effects on national security of foreign investments in U.S. companies; and (7) supports continued U.S. technology leadership in industries that are essential to national security. **STRATEGIC GOAL 1, OBJECTIVE 1.2**

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 businesses 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. **STRATEGIC GOAL 1, OBJECTIVE 1.1**

The **National Oceanic and Atmospheric Administration (NOAA)** promotes environmental stewardship. NOAA encompasses all of Strategic Goal 3. **STRATEGIC GOAL 3**

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, develops the converged polar-orbiting satellite series with the Department of Defense (DOD) and the National Aeronautics and Space Administration (NASA), 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. **STRATEGIC GOAL 2, OBJECTIVE 2.2**

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. **ALL OF NIST'S PROGRAMS APPLY TO STRATEGIC GOAL 2, OBJECTIVE 2.1, EXCEPT THE MEP PROGRAM WHICH APPLIES TO STRATEGIC GOAL 1, OBJECTIVE 1.4**

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. **STRATEGIC GOAL 2, OBJECTIVE 2.1**

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. **STRATEGIC GOAL 2, OBJECTIVE 2.3**

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

STRATEGIC GOAL	PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS <sup>3</sup>
<b>Strategic Goal 1:</b> Maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers	Private investment leveraged <sup>1</sup> (EDA)	\$2,410M	\$2,758M	Met
	Jobs created/retained <sup>1</sup> (EDA)	72,000	66,527	Not Met
	Commercial diplomacy success (cases) (annual) (ITA)	166	112	Not Met
	Annual cost savings resulting from the adoption of Manufacturing and Services (MAS) recommendations contained in MAS studies and analysis (ITA)	\$350M	\$647M	Exceeded
	Percent of industry-specific trade barriers addressed that were removed or prevented (ITA)	30%	35%	Met
	Dollar value of contract awards obtained (MBDA)	\$1.00B	\$1.50B	Exceeded
	Dollar value of financial awards obtained (MBDA)	\$0.60B	\$1.80B	Exceeded
	Percentage of market access and compliance cases resolved successfully (ITA)	50%	58%	Met
	Value of market access and compliance cases resolved successfully (ITA)	\$2.5B	\$21.4B	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	806	Slightly Below
	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 prep activities completed on time	At least 90% of key prep activities completed on time	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	Met percentages	Met
	Timeliness: Reliability of delivery of economic data (number of scheduled releases issued on time) (ESA/BEA)	55	61	Met
	Accuracy: Percent of GDP estimates correct (ESA/BEA)	> 85%	88%	Met
	Increased sales attributed to MEP centers receiving federal funding (NIST)	\$2,000M from FY 2009 funding	\$2,085M from FY 2009 funding <sup>2</sup>	Met
	Cost savings attributed to MEP centers receiving federal funding (NIST)	\$1,000M from FY 2009 funding	\$1,149M from FY 2009 funding <sup>2</sup>	Met
<b>Strategic Goal 2:</b> Promote U.S. innovation and industrial competitiveness	Qualitative assessment and review of technical quality and merit using peer review (NIST)	Complete annual peer review	Completed	Met
	Cumulative number of TIP projects funded (NIST)	25	29	Met
	Final rejection/allowance compliance rate (USPTO)	94.5%	96.3%	Met
	Patent average total pendency (months) (USPTO)	34.8	35.3	Slightly Below
	Trademark final compliance rate (USPTO)	97.0%	96.8%	Slightly Below
	Trademark average total pendency excluding suspended and inter partes proceedings (months) (USPTO)	13.0	10.5	Met
	Support new telecom and information technology by advocating Administration views in number of FCC docket filings, and Congressional and other proceedings (NTIA)	5 dockets and proceedings	17 dockets and proceedings	Exceeded

<sup>1</sup> EDA shows private investment leveraged and jobs created/retained at three, six, and nine year levels. The amounts shown here are for the nine year (long-term totals). Three and six year totals are available in Appendix A.

<sup>2</sup> Estimate.

<sup>3</sup> To be considered "Exceeded," an actual must have been at least 25 percent above the target. Met equaled 100-124 percent of target. Slightly Below equaled 95-99 percent of target.

(continued)

KEY PERFORMANCE MEASURES *(continued)*

STRATEGIC GOAL	PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS <sup>3</sup>
<b>Strategic Goal 3:</b> Promote environmental stewardship	Fish stock sustainability index (FSSI) (NOAA)	580	582.5	Met
	Percentage of living marine resources with adequate population assessments and forecasts (NOAA)	34.3%	34.7%	Met
	Number of habitat acres restored (annual/cumulative) (NOAA)	8,875/67,849	6,907/65,881	Not Met
	Annual number of coastal, marine, and Great Lakes habitat acres acquired or designated for long-term protection (NOAA)	2,000	2,000 <sup>2</sup>	Met
	Error in global measurement of sea surface temperature (NOAA)	0.53°C	0.50°C	Met
	Severe weather warnings for tornadoes (storm-based) – Lead time (minutes) (NOAA)	12	14 <sup>2</sup>	Met
	Severe weather warnings for tornadoes (storm-based) – Accuracy (%) (NOAA)	70%	74% <sup>2</sup>	Met
	Hurricane forecast track error (48 hours) (nautical miles) (NOAA)	107	70	Exceeded
	Hurricane forecast intensity error (48 hours) (difference in knots) (NOAA)	13	18	Not Met
	Reduce the hydrographic survey backlog within navigationally significant areas (square nautical miles surveyed per year) (NOAA)	5,160	4,395	Not Met
	Percentage of U.S. counties rated as fully enabled or substantially enabled with accurate positioning capacity (NOAA)	74.0%	79.0%	Met
<b>Management Integration Goal:</b> Achieve organizational and management excellence	Provide accurate and timely financial information and conform to federal standards, laws, and regulations governing accounting and financial management (DM)	<ul style="list-style-type: none"> <li>Eliminate any significant deficiency within 1 year of determination</li> <li>Complete FY 2010 A-123 assessment of internal controls</li> </ul>	<ul style="list-style-type: none"> <li>Significant deficiency not eliminated</li> <li>Completed FY 2010 A-123 assessment of internal controls</li> </ul>	Not Met
	Improve the management of information technology (DM)	<ul style="list-style-type: none"> <li>IT investments have cost/schedule overruns and performance shortfalls averaging less than 10%</li> </ul>	<ul style="list-style-type: none"> <li>For the year, IT investments have cost/schedule overruns and performance shortfalls averaging less than 10%</li> </ul>	Met
	Dollar value of financial benefits identified by the OIG (OIG)	\$38.0M	\$47.8M	Exceeded

<sup>2</sup> Estimate.<sup>3</sup> To be considered "Exceeded," an actual must have been at least 25 percent above the target. Met equaled 100-124 percent of target. Slightly Below equaled 95-99 percent of target.



## MOST IMPORTANT RESULTS

## STRATEGIC GOAL 1

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

## PERFORMANCE SUMMARY

In FY 2010, the Department met or exceeded 78 percent of the targets it had set for the year. As a general rule, the Department has increased slightly in terms of performance from FY 2001 through FY 2010, having met/exceeded 77 percent of the targets in 2001.

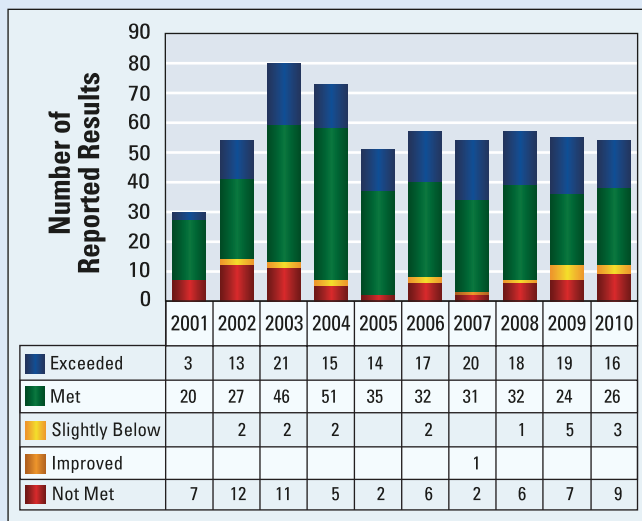
## ACCOMPLISHMENTS AND BENEFITS

Some of the significant accomplishments, impacts and benefits that the Department had on the U.S. public include the following:

Through programs within the Economic Development Administration (EDA), the Department has helped generate, by FY 2010, approximately \$2.8 billion in private investment and 66,527 jobs as a result of approximately \$411 million in investments made in FY 2001, a 7-to-1 benefit-to-cost ratio. EDA data indicate that investments made in FY 2007, FY 2004, and FY 2001 (three, six, and nine years prior to FY 2010) have helped generate \$6.6 billion in private investment and have helped create or retain 102,000 jobs. EDA anticipates that FY 2010 investments of approximately \$212 million will help generate \$261 million, and then continue to increase to \$652 million by FY 2016, and \$1,303 million by FY 2019. EDA expects that those same investments will help create or retain 6,523 jobs by FY 2013, 16,308 jobs by FY 2016, and 32,616 jobs by FY 2019.

To help advance President Obama's innovation agenda, EDA successfully led two major, multi-department funding competitions in FY 2010: EDA helped to lead the Energy Regional Innovation Cluster (e-RIC) initiative, a pilot initiative to spur regional economic growth while developing innovative, energy-efficient building technologies; and the i6 Challenge to accelerate the commercialization of university and federal research to take ideas from the lab to the marketplace, producing the small businesses that are the engine of job creation in the United States.

Further, EDA led efforts to assist regional economies that have been greatly impacted by transformations in major U.S. industries as well as devastating man-made and natural disasters. EDA spearheaded the effort to implement President Obama's \$100 million, multi-agency initiative to assist communities affected by changes in the space industry; collaborated with the White House Council on Auto Communities and Workers to promote innovative strategies that attract national and global investment

STRATEGIC GOAL 1  
PERFORMANCE RESULTS

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

to auto-impacted communities; and played a pivotal role in federal efforts to advance recovery efforts in the Gulf Coast region following the BP oil spill.

Additionally, EDA participated in the White House Cities in Transition Initiative and led the creation of a Cities in Transition Challenge grant competition to support the development of economic recovery strategies for chronically distressed communities across the Nation.

Likewise, in FY 2010, operations funded by the Minority Business Development Agency (MBDA) supported clients who obtained \$3.3 billion in contract and financial awards.

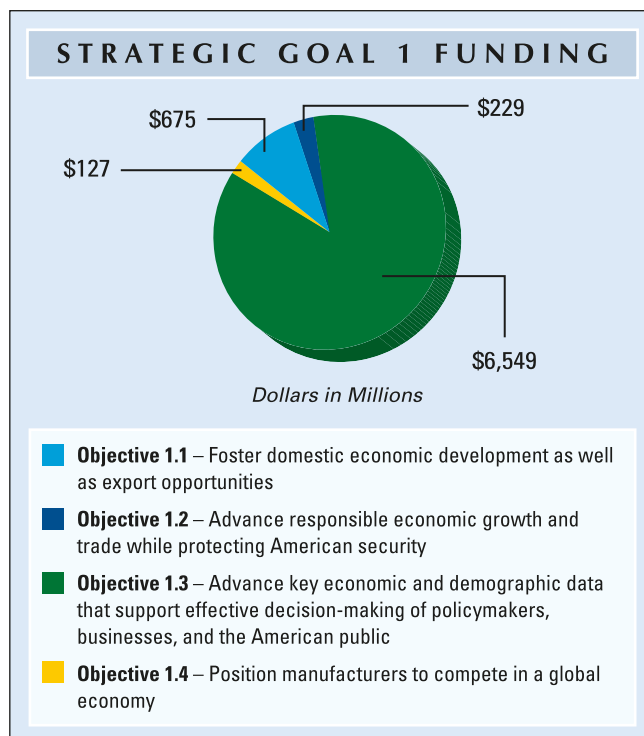
In February 2010, Secretary of Commerce Gary Locke unveiled the details of the Department's efforts to support President Obama's National Export Initiative (NEI) designed to reach President Obama's goal of doubling exports over the next five years and to support two million jobs in the United States. The NEI represents the first time the United States will have a government-wide export-promotion strategy with focused attention from the President and his Cabinet.

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 small and medium-sized enterprises (SME); (2) improving access to credit with a focus on small and medium-sized businesses 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. In addition to improving efforts in those areas, the NEI creates an Export Promotion Cabinet reporting to the President that will consist of top leaders from agencies that can contribute to this effort.

Since President Obama announced the NEI, the Department's Advocacy Center has assisted U.S. companies competing for export opportunities, supporting \$11.4 billion in exports and an estimated 70,000 jobs. The Department's Commercial Service officers stationed around the world have helped more than 2,000 companies generate \$3.8 billion worth of exports. To date, the Department has coordinated 18 trade missions with over 160 companies to 24 countries.

The International Trade Administration (ITA) continued to lower trade barriers through free trade agreements (FTA) during FY 2010. Although countries that the United States has FTAs with only represent 9.4 percent of world gross domestic product (GDP), they represent 41 percent of U.S. trade. These FTAs are helping strengthen the U.S. manufacturing sector. ITA has also maintained a concerted effort to open up large developing markets like China and India.

Often companies encounter difficult hurdles when trying to do business in other countries. ITA has measured itself by "export successes" tied to specific export transactions of client companies. Overseas posts also devote time and resources to "commercial diplomacy," i.e., working behind the scenes to resolve problems, reduce trade barriers, and



cut red tape. Commercial diplomacy benefits not only current ITA clients, but also all U.S. exporters by opening doors and creating paths to success for other exporters to follow.

While the Department seeks to encourage trade, this desire is balanced by the need to control exports, specifically those dual-use exports which have both civilian and military applications.

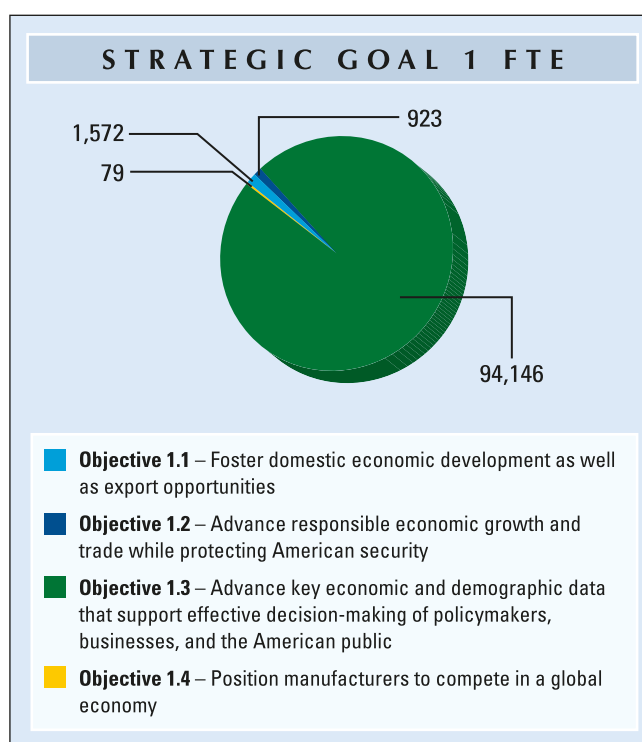
The Department announced a revision to its rules regarding the export of most mass market electronic products that contain encryption functions and other encryption products.

This revised rule enhances U.S. national security and cuts red tape by eliminating the review of readily available encryption items, like cell phones and household appliances, and allows the government to focus its resources on more sensitive encryption items. This new rule ends the U.S. government's 30-day technical review requirement to export most mass market and other types of encryption products. "Mass market" electronic products containing encryption include cell phones, laptops, and disk drives. Exporters and manufacturers of the encryption products may now self-classify the products and then export them without a license if they register online with the Bureau of Industry and Security (BIS). BIS also requires that they submit an annual self-classification report. This rule is expected to decrease technical reviews by approximately 70 percent and semi-annual reporting by up to 85 percent.

The rule also extends the scope of License Exception ENC authorizations to most encryption technology exports, following a technical review. In addition, it adds a decontrol note for items that perform "ancillary" cryptography, which covers items such as games, robotics, business process automation, and other products that contain encryption capabilities but do not have communication, computing, networking, or information security as a primary function.

This rule is the first step in the President's effort to fundamentally reform U.S. encryption export controls and the administration will continue to review the encryption rules to further enhance national security and ensure the continued competitiveness of U.S. encryption products.

Through the Census Bureau and the Bureau of Economic Analysis (BEA), the Department provides vital statistical information on the economy and the demographics of the Nation. Statistics affect all aspects of public and private sectors, including the distribution of funds to various geographic districts. The Economics and Statistics Administration (ESA) provides timely and accurate economic insight to the Secretary and his chief policy advisors through a biweekly economic briefing and during FY 2010 released three major reports this year: "Middle Class in America," "Measuring the Green Economy," and "CO2 Emissions and Intensities Over





Time." The findings in these reports have been used across the Administration, including by the White House Office of Public Engagement and the Vice President's Middle Class Task Force.

In FY 2010, the Census Bureau conducted the 2010 Decennial Census, the largest non-military activity undertaken by the U.S. government. The decennial census affects the reapportionment of Congressional seats among the states and the corresponding redistricting within the states. It forms the basis for many political, economic, and social decisions that are made throughout the United States, including the distribution of more than \$400 billion of federal funding among states, cities, and other local communities.

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

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. BEA's national, industry, regional, and international economic accounts present valuable information on key issues such as U.S. economic growth, regional economic development, inter-industry relationships, and the Nation's position in the world economy.

In 2010, BEA continued to produce its critical statistics, including GDP, personal income and outlays, corporate profits, GDP by state and by metropolitan area, balance of payments, and GDP by industry. These statistics are used by federal, state, and local governments for budget development and tax projections; by the Federal Reserve for monetary policy; by the business sector for planning and investment; and by the U.S. public to follow and understand the performance of the Nation's economy. BEA helps the world to understand these and other economic measures produced by the federal statistical system through its publication, *The Survey of Current Business*, as well as through its Web site, [www.bea.gov](http://www.bea.gov). As businesses, governments, and households are provided with better, easier-to-understand economic data, their ability to make key investment decisions that move the U.S. economy forward are significantly improved.

One of BEA's primary goals in 2010 was to maintain and improve the relevance and usefulness of its economic accounts. It continued to explore the development of new statistics such as quarterly GDP by industry, state personal consumption expenditures, and industry-level production accounts. It also began work to develop new estimation models for service sector statistics that will allow a quicker and more flexible response to current and future changes in the economy. At the same time, BEA continued its progress on satellite accounts, publishing an update of the account for research and development and proceeding with research into prices and spending measures for the health satellite account.

The National Institute of Standards and Technology's (NIST) Hollings Manufacturing Extension Partnership (MEP) provides tools and services to keep manufacturers competing and thriving in today's global marketplace. In FY 2010, MEP's nationwide network of field staff continued to serve as trusted business advisors focused on solving manufacturers' challenges and identifying opportunities for growth. MEP provides the services that reduce manufacturers' bottom-line expenses and increase efficiency while offering tools to improve manufacturers' top-line growth with the development of new sales, new markets, and new products.

## SUMMARY OF PERFORMANCE RESULTS

STRATEGIC OBJECTIVE	PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
<b>Strategic Objective 1.1:</b> Foster domestic economic development as well as export opportunities	Promote private investment and job creation in economically distressed communities (EDA)	5 of 6
	Improve community capacity to achieve and sustain economic growth (EDA)	3 of 6
	Increase access to the marketplace and financing for minority-owned businesses (MBDA)	5 of 5
	Strengthen U.S. competitiveness in domestic and international markets (ITA)	4 of 4
	Broaden and deepen U.S. exporter base (ITA)	2 of 6
<b>Strategic Objective 1.2:</b> Advance responsible economic growth and trade while protecting American security	Identify and resolve unfair trade practices (ITA)	5 of 5
	Maintain and strengthen an adaptable and effective U.S. export control and treaty compliance system (BIS)	5 of 7
	Integrate non-U.S. actors to create a more effective global export control and treaty compliance system (BIS)	0 of 1
	Ensure continued U.S. technology leadership in industries that are essential to national security (BIS)	1 of 1
<b>Strategic Objective 1.3:</b> Advance key economic and demographic data that support effective decision-making of policymakers, businesses, and the American public	Provide benchmark measures of the U.S. population, economy, and governments (ESA/CENSUS)	2 of 3
	Provide current measures of the U.S. population, economy, and governments (ESA/CENSUS)	2 of 2
	Provide timely, relevant, and accurate economic statistics (ESA/BEA)	4 of 4
<b>Strategic Objective 1.4:</b> Position manufacturers to compete in a global economy	Increase the productivity, profitability, and competitiveness of manufacturers (NIST)	4 of 4

For Strategic Goal 1, in terms of performance, not only did the Department provide significant benefits to the U.S. public, it also met nearly all of its targets in FY 2010. EDA met or exceeded five of six targets for increasing private investment and creation of jobs for programs that were funded either in 2001, 2004, or 2007 (EDA tracks progress on a three, six, and nine-year basis). These programs focused on economically distressed communities. EDA met half of the targets it set for the second outcome. For its outcome, "Increase access to the marketplace and financing for minority-owned businesses," MBDA met all of its targets. Furthermore, historically, the targets appear to be stable or aggressive.

ITA had three performance outcomes that applied to Strategic Goal 1: "Strengthen U.S. competitiveness in domestic and international markets," "Broaden and deepen the U.S. exporter base," and "Identify and resolve unfair trade practices." ITA missed four of 15 targets for its three outcomes.

For the "Broaden and deepen the U.S. exporter base" outcome, ITA missed the targets for the following four measures:

- US&FCS SME new-to-export (NTE)/total change in SME exporters (CS SME NTE effectiveness)
- Number of SME new-to-market (NTM) firms/number of SME firms exporting to two to nine foreign markets (NTM effectiveness)
- Commercial diplomacy successes (cases) (annual)
- Percentage of advocacy bids won

ITA missed the target for the first measure because of a shift in focus from assisting NTE SMEs to NTM firms in support of the President's NEI goals of doubling U.S. exports and supporting two million jobs. While ITA missed the target for the second measure, the results did increase by 50 percent in quarter four over quarter three. ITA helped nearly 2,800 SMEs achieve 4,560 export successes to a new market in FY 2010, which is over 500 more export successes than in FY 2009. While ITA did not achieve the target for the third measure noted, the U.S. export dollar value of commercial diplomacy successes increased by 79 percent from \$974 million in FY 2009 to \$4.56 billion in FY 2010. For the last measure noted, U.S. and Foreign Commercial Service (US&FCS) did not achieve this target; however, US&FCS did achieve 92 percent more advocacy wins in FY 2010 (50) than in FY 2009 (26) and worked on 418 advocacy cases in FY 2010 or 2 percent more than FY 2009.

One of BIS's key tasks is to either prevent illegal exports or to charge export violators. To that end, a key performance measure for BIS is the "number of actions that results in a deterrence or prevention of a violation and cases which result in a criminal and/or administrative charge." While in FY 2010, BIS was slightly below the target for this measure, BIS has consistently met its targets while raising the targets from year to year. BIS has also consistently maintained an effective export control system, a key to which is the processing of export licenses and the timely issuance of regulations regarding export activity. BIS has consistently met its targets in these areas.

Both the Census Bureau and BEA consistently provide relevant and accurate statistical data to the U.S. public in a timely manner. As a measure of customer satisfaction, the Census Bureau strives to meet or exceed the aggregate federal score on the American Customer Satisfaction Index (ACSI). Since 1999, the Bureau has been below the aggregate score only three times (2000 and 2001, and 2010). Components of the ACSI score include navigation of site, content, transparency, and future participation. The Census Bureau did not achieve the target in FY 2010 as a result of a low score of 60 percent in the area of navigation, thus having a negative impact on the overall ACSI score, which is driven by a high rate of first time users. Future participation, which includes trust in information provided by the Census Bureau, recommended use of the Internet site to others, and reoccurring use of the site, realized an average score of 83 percent. The average ACSI score for the years FY 2004 – FY 2009 was 72.7. BEA released all of its 2010 statistics on schedule, and has developed the GDP statistics with over 85 percent accuracy for each of the past 10 years. For a more detailed description of this accuracy measure see [www.osec.doc.gov/bmi/budget/08CJB/esa.pdf](http://www.osec.doc.gov/bmi/budget/08CJB/esa.pdf). Each year BEA conducts a customer satisfaction survey with a goal of achieving greater than a 4.0 (on a five-point scale). BEA has consistently exceeded that goal, most recently achieving a 4.4 score.

As a catalyst for strengthening U.S. manufacturing, MEP provides services to manufacturers focused on everything from process improvements to strategies for growth to green manufacturing. MEP also works with state and federal partners to accelerate manufacturing's ongoing transformation into a more efficient and powerful engine of innovation that drives economic growth and job creation. Through a framework focused on five critical areas—technology acceleration, supplier development, sustainability, workforce, as well as continuous improvement—MEP is positioning manufacturers to develop new customers, expand into new markets and create new products with the end goal of increasing profitability and competitiveness. MEP offers manufacturers a wealth of unique and effective resources. As a result, MEP clients achieve higher profits, save time and money, invest in physical and human capital, and create and retain thousands of jobs.

## STRATEGIC GOAL 2

*Promote U.S. innovation and industrial competitiveness*

## PERFORMANCE SUMMARY

In FY 2010, the Department met or exceeded 82 percent of the targets it had set for the year. For this strategic goal, the Department has significantly improved its performance since FY 2001, having met or exceeded 55 percent of its targets in 2001.

## ACCOMPLISHMENTS AND BENEFITS

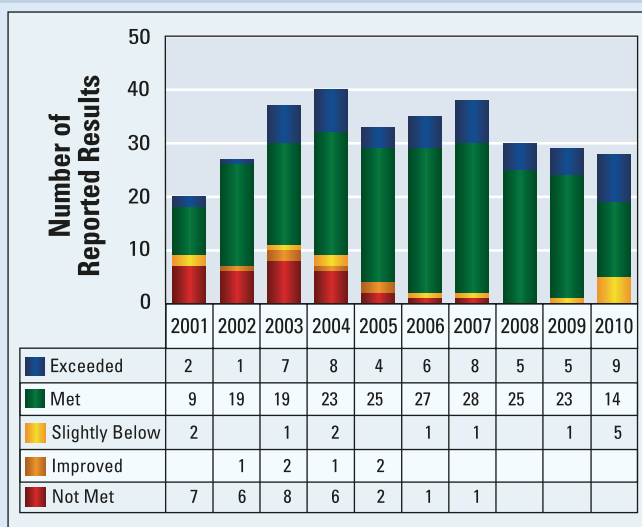
Some of the significant accomplishments, impacts, and benefits that the Department had on the U.S. public include the following:

NIST's programs are recognized as critical to promoting U.S. innovation and competitiveness. With a focus on measurement science, standards, and technology, NIST's laboratories and programs provide the tools and infrastructure critical to enable the innovation, development, and deployment of advanced technologies. NIST's services and products are critical to every manufacturing and service industry, and government

institution.. Examples of NIST's most important results in support of U.S. innovation and competitiveness during FY 2010 cover Standard Reference Materials (SRM), Smart Grid standards, building codes and standards, health care information technology (IT), selected American Recovery and Reinvestment Act (ARRA) of 2009 grants, and the award of new high-risk innovative projects.

In January 2010, NIST issued an initial set of cyber security guidelines and other elements of a framework to support transforming the Nation's aging electric power system into an interoperable Smart Grid. This key component of the Obama administration's energy plan and its strategy for U.S. innovation will integrate digital computing and communication technologies and services with the power-delivery infrastructure. The Smart Grid will enable two-way flows of energy and communication and control capabilities, allowing advances such as real-time consumer control over energy usage and significantly increased reliance on solar and other sources of clean renewable energy. These new capabilities will greatly improve the reliability, flexibility, and efficiency of the entire grid. The NIST-led Smart Grid Interoperability Panel has more than 600 member organizations.

NIST SRMs are among the most widely distributed and used products from NIST. The Agency prepares, analyzes, and distributes more than 1,300 different materials that are used throughout the world to check the accuracy of instruments and test procedures used in manufacturing, clinical chemistry, environmental monitoring, electronics, criminal forensics, and dozens of other fields.

STRATEGIC GOAL 2  
PERFORMANCE RESULTS

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



NIST and the Department of Health and Human Services are working to develop a suite of software tools to support a health IT testing infrastructure. The tools are intended to help vendors test their health IT products and ensure basic functionality, such as the calculation of body mass index or proper formatting of common electronic health records. Fully incorporating modern IT into the health care system promises many benefits, including better quality care, less paperwork, and fewer medical errors while reducing unnecessary costs. To ensure that the new technology functions as expected, NIST has been working with a broad array of public and private stakeholders, and has released the first of four installments of a new health IT test method and related software.

In January 2010, NIST awarded more than \$123 million in ARRA grants to 11 universities and one non-profit research organization to provide cost-shared support for the construction of new scientific research facilities. The 12 projects will launch more than \$250 million in new laboratory construction projects beginning in early 2010.

NIST also awarded approximately \$34 million in one-time ARRA grants for 27 research projects in measurement science and engineering to fund projects lasting up to three years at higher-education, commercial, and non-profit organizations in 18 states. The NIST Measurement Science and Engineering Research Grants Program, funded under ARRA supports research to advance measurement science in six areas of critical national importance, including energy, manufacturing, physical infrastructure, environment and climate change, bioscience and health care, and IT and cyber security. By leveraging the Nation's brightest minds in measurement science in important national needs, these grants will increase U.S. ability to innovate, compete, and solve scientific and technological problems.

NIST's Technology Innovation Program (TIP) funded a total of 29 new high-risk, innovative projects since the program's inception in the critical national need areas of inspecting and repairing the Nation's civil infrastructure and accelerating advanced materials in manufacturing processes. The unique multi-disciplinary approaches and teaming efforts of the 73 recipient organizations involved in these projects will help to achieve a transformational impact in both areas of national need.



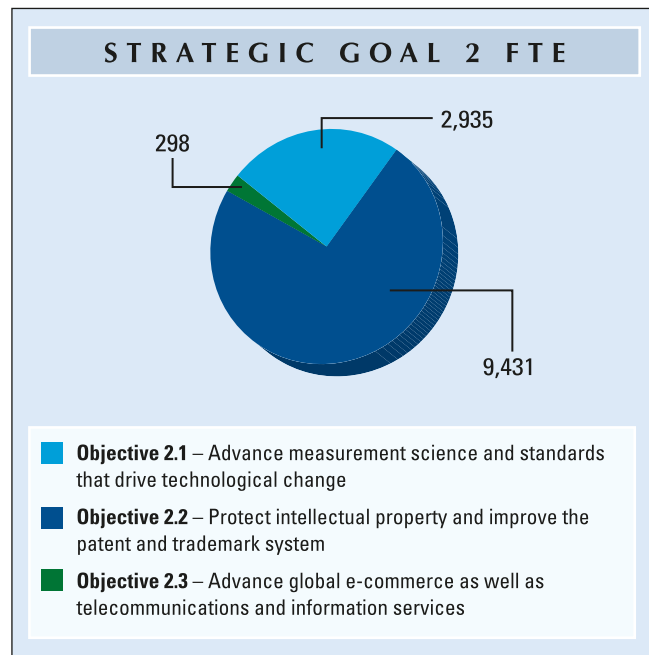
People worldwide benefit from innovations, both directly on a personal level, and indirectly through economic growth fueled by innovation. Continual development of a vigorous, flexible, and efficient intellectual property (IP) system protects individual rights, encourages investment in innovation, and fosters entrepreneurial spirit. The Department promotes the IP system through the protection of inventions or creations via patent, trademark, trade secret, and copyright laws. Under this system of protection, industry in the United States has flourished, creating employment opportunities for millions of Americans.

Through the U.S. Patent and Trademark Office (USPTO), the Department provides IP protection in the form of patents and trademarks thus plays a key role in fostering the innovation that drives job creation, investment in new technology and economic recovery, and in promoting and supporting the Administration's priorities. By issuing patents, the Department provides incentives to invent

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

In FY 2010, USPTO successfully launched new and innovative projects to meet its strategic goals. USPTO identified and implemented tools and policies that increased patent quality and timeliness. USPTO found efficiencies by redesigning systems and procedures so that it could remove redundant processes. USPTO's improved processes created a streamlined examination process that improves patent quality and timeliness. USPTO made improvements to the existing patent processes through the analysis of examiner workflow while incorporating applicant needs. USPTO closely studied patent processing systems to determine where the improvements would provide the greatest increase in efficiency or increase in examination capacity. A proposal for three-track application pathway gives applicants control over prioritizing their applications, and assists patents management in balancing their workload. This approach is efficient for both the applicant and the patents management since it can now identify areas where increased examination capacity may be required.

Over the last five years, the Trademark organization has met nearly all its performance targets. The examination quality of office actions in the Trademark organization has met and exceeded goals, ranging above 95 percent accuracy in recent years. Approximately 97 percent of all first actions and final decisions (approvals and rejections) met statutory and compliance rates for quality of decision-making and writing. To sustain these high quality levels, the Trademark organization continues to emphasize and improve training, to promote electronic filing and processing, and to make greater use of online tools and enhanced processes. Trademark pendency has improved as electronic processing and filing have become the primary means of conducting business within the Trademark organization. Increased use of electronic forms, particularly Trademark Electronic Application System (TEAS) Plus filings, which represent more than 33 percent of new application filings and more than 31 percent of first action approvals, has improved the efficiency and timeliness of examination. For the fourth consecutive year, USPTO consistently maintained trademark first action pendency within the optimum range of 2.5 to 3.5 months. Average total pendency shows sustained improvement as well, with disposal or registration occurring within 11 months of filing.



The Trademark organization continuously monitors and improves quality. This year, a new comprehensive excellence quality measure was implemented, which expands upon the existing first and final action standards for correct decision-making. The new measure seeks to identify the percentage of Trademark organization actions that are excellent in all respects. The new standard measures the quality of the search, evidence, writing, and decision-making, as well as the percentage of issues that are settled or clarified through a phone call to the applicant or its attorney. The Trademark organization has used feedback from user groups to ensure that the standards of excellence it applies reflects users' perception of excellence as well.

Telecommunications plays a key role in U.S. society as the economy expands into the digital age. The Department, through the National Telecommunications and Information Administration (NTIA), is at the forefront of this expansion. In addition to

developing policy for the Administration on key issues, NTIA has important operational roles to manage the use of radio spectrum by the federal government, to perform cutting-edge communications research and engineering for many federal agencies, to privatize the Internet Domain Name System (DNS) and manage key Internet functions, and to administer grant programs to support the expanded deployment of communications and IT. Collectively, NTIA's work promotes the development of an advanced communication and information infrastructure that efficiently meets the needs of consumers, creates jobs, and enhances the Nation's competitiveness in the global marketplace. As such, NTIA makes an important contribution to the Department's overall mission to foster, serve, and promote the Nation's economic development and technological advancement.

NTIA utilized approximately \$4 billion of ARRA funding for the Broadband Technology Opportunities Program (BTOP), which provided grants to support the deployment of broadband infrastructure, enhance and expand public computer centers, and encourage sustainable adoption of broadband service. The 233 BTOP projects will:

- Fund the installation or upgrade of approximately 120,000 miles of broadband networks, including fiber optics, wireless, microwave, and other technologies. Of this amount, approximately 70,000 miles involve construction of new broadband facilities.
- Provide broadband access to approximately 24,000 community anchor institutions, including schools, libraries, government offices, health care facilities, and public safety entities.
- Deploy middle mile infrastructure in areas with nearly 40 million households and four million businesses, many of which will benefit from new or improved broadband service provided by last-mile providers that are able to utilize the new, open infrastructure to extend or upgrade their service for consumer and business customers.
- Invest in more than 3,500 new or upgraded public computer centers in libraries, schools, community centers, and other public locations.
- Invest in more than 35,000 new or upgraded public computer workstations.
- Make public computer center workstations and training available to more than one million new users.

These anticipated benefits will be realized over the life of each project, which must be substantially complete within two years and fully complete within three years.

One of NTIA's principal operational responsibilities is to manage the radio communications spectrum used by the federal government. Wireless technologies and services support the missions of 69 federal departments and agencies, which use over 40 radio services for national and homeland security, critical infrastructure protection, transportation, and law enforcement, among others. NTIA has been working with the Federal Communications Commission (FCC) to improve the efficient use of spectrum. In addition, NTIA supported the Administration's efforts to foster new wireless broadband technologies by making new spectrum available. NTIA is collaborating with the FCC to develop a plan to make available 500 MHz of spectrum suitable for both mobile and fixed wireless broadband use over the next 10 years. The plan focuses on making spectrum available for exclusive use by commercial broadband providers or technologies, or for dynamic, shared access by commercial and government users. For example, the joint Spectrum Sharing Innovation Test Bed is examining various technical issues involved in the sharing of spectrum between federal and non-federal users. This initiative is providing an important opportunity for federal agencies to work cooperatively with industry, researchers, and academia to objectively evaluate new technologies to manage the Nation's airwaves. NTIA recognizes the potential widespread benefits of more widely expanded wireless broadband, and it is committed to doing its part to help turn that potential into reality.

Enhancing telecommunications services is a key to advancing technology in the Nation. The radio frequency spectrum is used in a variety of ways, including transportation control and law enforcement. NTIA satisfies the frequency assignment needs of the 63

federal agencies allowing them to operate radio communications that provide the public with national and homeland security, law enforcement, transportation control, natural resource management, and other public safety services during peacetime and emergencies. A key to this is making the assignments available as soon as possible after an agency requests a frequency. In FY 2005, NTIA sought to reduce this time to 12 business days or less. By 2010, NTIA reduced this time to nine business days or fewer. NTIA's long-term goal is to improve spectrum management processes throughout the federal government so that time for spectrum assignments can be reduced from more than 15 days to three days or fewer, supporting long-term goals for efficiency and effectiveness of spectrum use. NTIA has also promoted new sources of advanced telecommunications services.

## SUMMARY OF PERFORMANCE RESULTS

STRATEGIC OBJECTIVE	PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
<b>Strategic Objective 2.1:</b> Advance measurement science and standards that drive technological change	Promote innovation, facilitate trade, and ensure public safety and security by strengthening the Nation's measurements and standards infrastructure (NIST)	5 of 6
	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 and innovation in the United States (NIST)	1 of 1
	Increase public access to worldwide scientific and technical information through improved acquisition and dissemination activities (NTIS)	3 of 3
<b>Strategic Objective 2.2:</b> Protect intellectual property and improve the patent and trademark system	Optimize patent quality and timeliness (USPTO)	2 of 5
	Optimize trademark quality and timeliness (USPTO)	4 of 5
	Provide domestic and global leadership to improve intellectual property policy, protection and enforcement worldwide (USPTO)	1 of 1
<b>Strategic Objective 2.3:</b> Advance global e-commerce as well as telecommunications and information services	Ensure that the allocation of radio spectrum provides the greatest benefit to all people (NTIA)	5 of 5
	Promote the availability, and support new sources, of advanced telecommunications and information services (NTIA)	2 of 2

For Strategic Goal 2, the Department met 82 percent of its targets (23 of 28). However, the actuals of the measures that were missed were all slightly below the target (within five percent). NIST narrowly missed one target, that being for "Peer-reviewed technical publications produced" (target = 1,300, actual = 1,243). NIST has consistently met this target in the past. As in previous years, NIST did well in the National Research Council assessment, performing up to the past standards it has set. SRMs, publications, datasets, and calibrations are a few of the knowledge transfer mechanisms that provide the technical infrastructure in support of the President's Plan for Science and Innovation. NIST met all of its targets for the measures reflecting these mechanisms.



In addition, NIST met the TIP target for funding a total of 29 projects during FY 2010 for high-risk, high-reward innovative research in critical national need areas of inspecting and repairing civil infrastructure and accelerating advanced materials in manufacturing processes. These projects involve 73 recipient organizations, including industry, universities, and public sector entities.

One other area of technological innovation involves the distribution of scientific and technical information. The National Technical Information Service (NTIS) serves as a clearinghouse for this information to the public, private, and non-profit sectors. NTIS exceeded all of its 2010 targets, making more than 969,000 updated items available, and disseminating more than 50 million information products.

One way that the Department advances technology and business is through the issuance of patents and trademarks thereby protecting IP that serves as a motive to innovate. In this regard, compliance rates (quality) and pendency (timeliness) play a key role in evaluating performance. USPTO made its targets related to patent compliance rates, however, it was slightly below the targets for "Patent average first action pendency"; "Patent average total pendency"; and, "Patent applications filed electronically." For trademarks, USPTO met its targets for "Pendency compliance" and "Applications processed electronically." However, it was slightly below its target for "Trademark final compliance rate" though it did meet its target for "First action compliance rate." Finally, for its "Provide domestic and global leadership to improve intellectual property policy, protection, and enforcement worldwide" goal, USPTO sought to have 50 percent of prioritized countries having implemented at least 75 percent of action steps in country-specific action plans. USPTO achieved a rate of 75 percent of those prioritized countries.

## STRATEGIC GOAL 3

*Promote environmental stewardship*

## PERFORMANCE SUMMARY

In FY 2010, the Department met or exceeded 77 percent of the targets it had set for the year. For this strategic goal, the Department has remained stable since FY 2001, having met or exceeded 77 percent of its targets in 2001.

## ACCOMPLISHMENTS AND BENEFITS

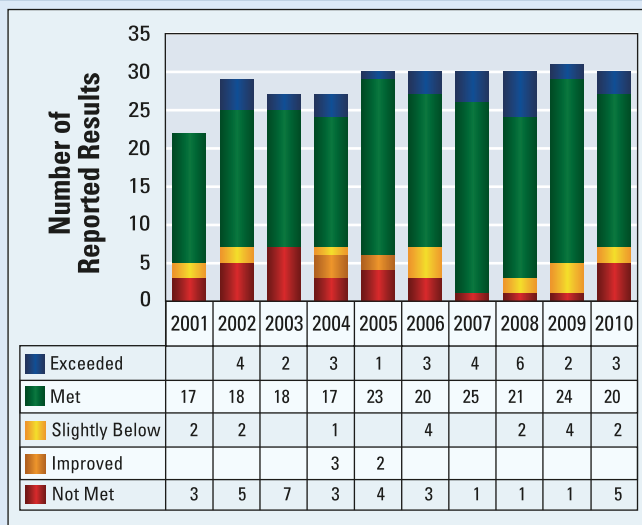
Through the National Oceanic and Atmospheric Administration (NOAA), the Department impacts the entire Nation. From the development and protection of fisheries to the prediction of severe storms such as hurricanes and tornadoes, all of the United States depends on NOAA programs. Some of the significant accomplishments, impacts, and benefits that NOAA had on the U.S. public include the following:

Even before the Deepwater Horizon sank and precipitated the worst environmental disaster in the Nation's history, NOAA had staff on the scene. Thus, NOAA became integrally involved in the response and will continue to play a pivotal role in the months and years ahead, sorting out (assessing) the worst environmental disaster in the Nation's history.

Expert advice from NOAA was integral to saving, assessing and rehabilitating Gulf wildlife including endangered sea turtles, and protecting critical habitat through response strategies. Aerial oil mapping teams fed detailed observations to NOAA modeling experts for daily publication of oil trajectories—forecasts of oil amount and movement—critical to responders and local communities. The modeling team generated the loop current diagram which helped indicate the probability of longer term flow toward the Florida peninsula and/or East Coast, the long-term forecast which shows oil distribution probabilities, and 3D subsea models to help determine the fate of oil dispersed in the water column. These products are vital decision making tools for the federal on-scene coordinator, small businesses, state governments, local authorities, fisheries managers, responders, and homeowners.

The National Incident Command relied on and gave special praise to NOAA's Environmental Response Management Application (ERMA) that showed response assets and information as layers on a map, becoming the primary image for the Deepwater Horizon response. GeoPlatform.gov, ERMA version for public use, recorded 269,637,028 hits in four months—enabling increased government transparency.

NOAA conducted daily ramp and shore fishing counts and economic studies to ensure accurate compensation for lost use of resources. Deepwater Horizon was the first oil spill where Integrated Ocean Observing Systems (IOOS) and partners used underwater, unmanned gliders and coastal high frequency radar stations to daily track oil flows in the water column and on the surface. IOOS measured

STRATEGIC GOAL 3  
PERFORMANCE RESULTS

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

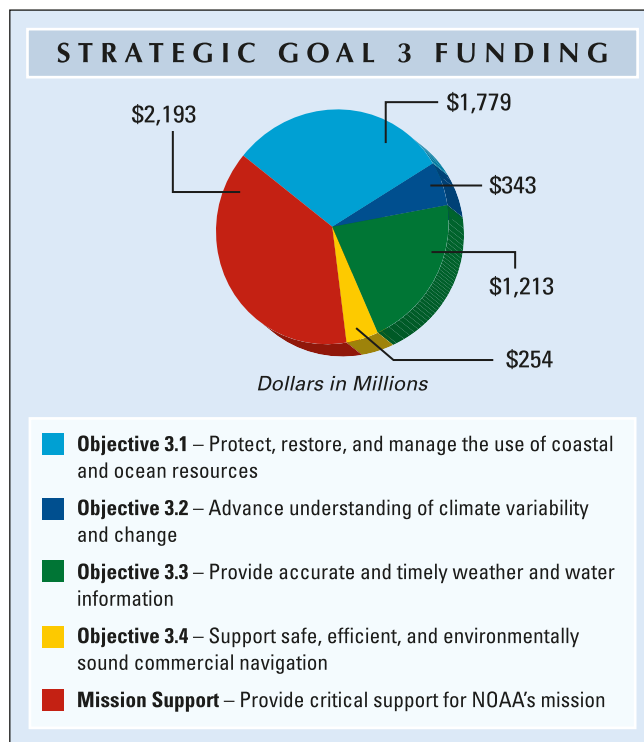
surface current speed and direction in near real time in trajectory models that NOAA provided to coastal communities to prepare for impacts of oil coming ashore. The Office of Coast Survey produced nautical charts that displayed oil spill zone forecasts based on NOAA spill projections to help vessels avoid spill areas. The Center for Operational Oceanographic Products and Services (CO-OPS) modified existing products to display real-time data and predictions in the Gulf of Mexico. CO-OPS displayed Physical Oceanographic Real-Time System (PORTS®) data from Gulfport, Pascagoula, and Mobile Bay PORTS®, and used MyPORTS, a customizable PORTS® application, to show ocean current speeds and directions and weather observations in the spill region. A high-resolution northern Gulf of Mexico hydrodynamic model system produced three-day forecasts of water levels and 3D currents from the Florida Panhandle to the Rio Grande River. The Office of Coast Survey product called NowCOAST, a map-based online gateway to ocean and weather observations and forecasts, displayed real-time observations on interactive maps accessible from a smart phone or background maps like Google® Maps.

NOAA's Scientific Support Teams remain on-site at incident command posts, the Unified Area Command, and the National Incident Command, and provide expert advice to the interagency solutions group, joint advisory group, governors, parish presidents, regional response teams, and the national response team. As the lead agency for the Shoreline Cleanup and Assessment Technique—a systematic approach to analyzing and cleaning impacted coastline to agreed upon standards—NOAA ensures federal oversight to this crucial phase. NOAA will lead the Natural Resource Damage Assessment, an ongoing legally-mandated, and legally-binding assessment of the damage to natural resources and "human use" resulting from the spill.

To help rebuild fisheries and sustain fishermen, communities, vibrant working waterfronts, and culturally important fishing traditions, NOAA also released a national catch share policy to encourage the consideration and use of catch shares. Catch share programs, which include limited access privilege programs and individual fishing quotas, dedicate a secure share of fish to individual fishermen, cooperatives or fishing communities. Catch shares are used in 14 fisheries managed by six fishery management councils from Alaska to Florida and are being developed in additional fisheries. Both here and in other countries, catch shares are helping eliminate overfishing and achieve annual catch limits, improve fishermen's safety and profits, and reduce the negative biological and economic effects of the race for fish that develops with some traditional fishery management.

During FY 2010, NOAA rebuilt the following four fish stocks, important to commercial and recreational fisheries, to optimal population levels: North Atlantic swordfish, Georges Bank haddock, Atlantic coast spiny dogfish, and St. Matthews Island blue king crab. These stocks had been under rebuilding plans due to low population levels caused by overfishing and other factors.

NOAA worked with the Gulf of Mexico and South Atlantic Fishery Management Councils to design difficult but necessary measures to end overfishing of red snapper in the Gulf of Mexico and South Atlantic. A recent stock assessment indicates the Gulf measures have successfully ended decades of overfishing. In response, fishery managers could increase the Gulf red snapper total allowable catch quota from 5.0 to 6.95 million pounds in 2010. Although that stock has not yet fully recovered, Gulf fishermen report encountering more and larger red snapper than they have seen in years, and catching



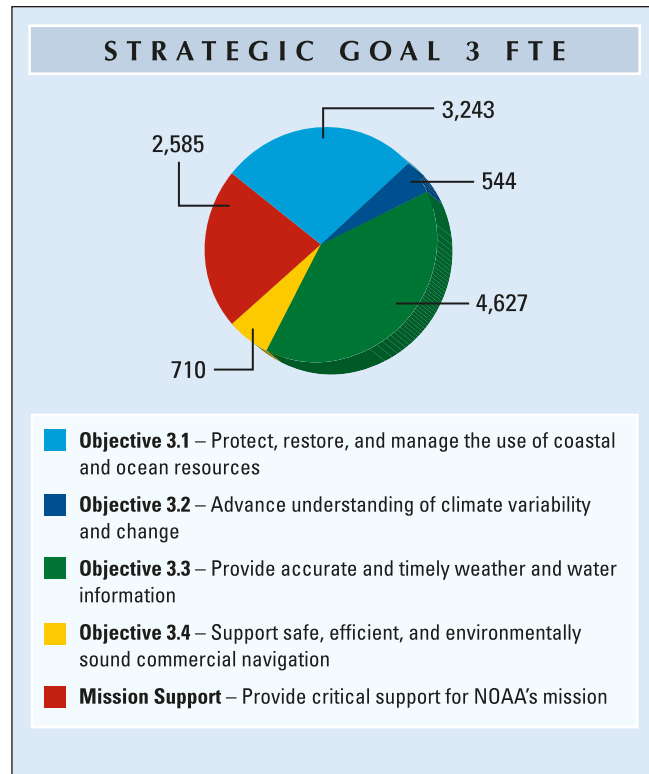
red snapper in areas where they have not been encountered in many years.

On July 28, 2010, NOAA's National Climatic Data Center issued the *State of the Climate in 2009* report. The report is a result of the contributions of more than 300 scientists from 160 research groups in 48 countries and is the first comprehensive report of observations from the upper atmosphere to the depths of the ocean. The report emphasizes that human society has developed for thousands of years under one climatic state, and now a new set of climatic conditions are taking shape. These conditions are consistently warmer, and some areas are likely to see more extreme events like severe drought, torrential rain, and violent storms. Based on comprehensive data from multiple sources, the report defines 10 measurable planet-wide features used to gauge global temperature changes. The relative movement of each of these 10 key climate indicators proves consistent with a warming world. Seven indicators are rising: humidity, sea level, ocean heat, sea-surface temperature, air temperature over land, air temperature over oceans, and tropospheric temperature in the "active-weather" layer of the atmosphere closest to the Earth's surface. Three indicators are declining: glaciers, arctic sea ice, and spring snow cover in the Northern hemisphere.

National Climatic Data Center's *State of the Climate* is published as a special supplement to the Bulletin of the American Meteorological Society. To help keep citizens and businesses informed about climate, NOAA created the Climate Portal at <http://www.climate.gov>. The portal features a short video that summarizes some of the highlights of the State of the Climate report.

During a five-day period in early February 2010, two snowstorms of historic proportions struck the Mid-Atlantic region. The first storm hit February 5-6 and produced record crippling snowfalls in excess of 20 inches at two of the Washington, DC area airports (Baltimore-Washington International and Washington Dulles International). It was the second all-time snowfall record at Philadelphia, PA (Philadelphia International) airport and fourth at the Pittsburgh, PA airport (Pittsburgh International). NOAA issued accurate outlooks for the storms three days in advance with an unprecedented forecast of 20-30 inches before the first flakes were observed. NOAA forecast the average winter storm watch lead time to be 42 hours, which provided local emergency managers almost two days of preparation time. NOAA issued winter storm warnings an average of 30 hours ahead of the first flakes—again, nearly double NOAA's national goal (16 hours) for winter storms. Three days later, a second blizzard struck the same region with an additional foot and a half to three feet of snow, which brought the total snow accumulation on the ground to three to five feet in places. NOAA accurately foretold this second storm four days in advance, with an average winter storm watch lead time of 47 hours and an average winter storm warning lead time of 32 hours. NOAA's Weather Forecast Office staff provided heroic service during the consecutive, extreme events even as the back-to-back events brought the region to a complete stop as governments, schools, businesses, roads, and airlines shut down.

On March 4, 2010, NOAA successfully launched Geostationary Operational Environmental Satellite Series P (GOES-P) from Cape Canaveral, FL. GOES-P, renamed GOES-15 once it reached final orbit, underwent a series of tests for approximately six months before completing its "check-out" phase. After check-out, GOES-15 was placed into orbital storage mode and remains ready for activation if one of the operational GOES fail. GOES-15 took its first infrared image of Earth on April 26, 2010. GOES-15 is the final





spacecraft in the latest series of NOAA geostationary satellites. It joined three other NOAA operational GOES spacecraft that help the Agency's forecasters more accurately track life-threatening weather—from tornadoes, floods, and hurricanes to solar activity that can impact the satellite-based electronics and communications industry. GOES-15 will capture higher resolution images of weather patterns and atmospheric measurements than those provided by earlier satellites. The higher resolution imagery allows forecasters to pinpoint the location of severe weather with greater accuracy. GOES-15 will also provide better data for space and solar weather thanks to its Solar X-Ray Imager (SXI). SXI data will improve forecasts and warnings for solar disturbances, protecting billions of dollars of commercial and government assets in space and on the ground. This vital information will also reduce the effect of power surges for the satellite-based electronics and communications industry.

## SUMMARY OF PERFORMANCE RESULTS

STRATEGIC OBJECTIVE	PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
<b>Strategic Objective 3.1:</b> Protect, restore, and manage the use of coastal and ocean resources (NOAA)	Does not apply	6 of 8
<b>Strategic Objective 3.2:</b> Advance understanding of climate variability and change (NOAA)	Does not apply	3 of 5
<b>Strategic Objective 3.3:</b> Provide accurate and timely weather and water information (NOAA)	Does not apply	9 of 11
<b>Strategic Objective 3.4:</b> Support safe, efficient, and environmentally sound commercial navigation (NOAA)	Does not apply	5 of 6
<b>Mission Support:</b> Provide critical support for NOAA's mission (NOAA)	Does not apply	N/A

For Strategic Goal 3, based upon the key benefits the Department provides to the U.S. public, and with meeting its performance targets, NOAA did well. Of the 30 performance measures for this strategic goal, NOAA missed seven targets. For two of the targets missed— "Annual number of coastal, marine, and Great Lakes ecological characterizations that meet management needs," and "False alarm rate for tornadoes," the actual was within five percent of the target.

## MANAGEMENT INTEGRATION GOAL

*Achieve organizational and management excellence*

### PERFORMANCE SUMMARY

In FY 2010, the Department met or exceeded 57 percent of the targets it had set for the year. For this goal, performance declined from FY 2009, having met or exceeded 75 percent of its targets in FY 2009.

### ACCOMPLISHMENTS AND BENEFITS

Two organizations are involved in the Management Integration goal: Departmental Management (DM) and the Office of Inspector General (OIG). Key areas this goal addresses include financial management, contracting, competitive sourcing, and human resource (HR) management.

DM provided proactive and timely guidance and oversight to the acquisition and grants community in the Department to ensure smooth implementation and execution of the ARRA, and has been recognized for the superior performance of its oversight of recipient reporting.

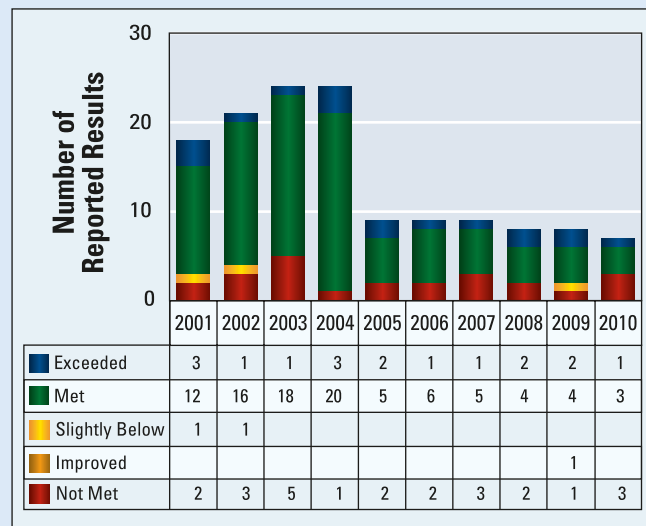
DM exceeded the government-wide average for positive responses on 69 out of 77 eligible items on the 2010 Federal Employee Viewpoint Survey, administered by the Office of Personnel Management (OPM) to gauge employee perceptions on critical work-life areas which drive employee satisfaction, commitment, and retention. No Department averages for positive responses were "notably" (i.e., five percentage points or more) below the government-wide averages for any items.

In February 2010, the Department received a green score from the Office of Management and Budget (OMB), the highest level, for both progress and status in energy and environmental management. For transportation management, the Department received a green in progress and a yellow for status, a significant improvement from its prior scorecard. As a result, the Department ranked second overall in the federal government.

DM reinstituted the Department IT Investment Review Board to ensure that Department major IT investments utilize sound project management practices and exhibit risk-based approaches. The reinvigorated board will ensure that Department investments are well-managed and of value to the taxpayer. As part of the Department's transparency efforts, DM evaluated and submitted 51 business cases to the federal IT Dashboard, demonstrating to the public the sound management of Department IT investments. On average, DM achieved within five percent of its cost, schedule, and performance targets for the major IT investments undergoing development and enhancement. DM developed solid business cases for major IT investments with the business cases ensuring that DM managed and wisely invested those IT funds.

Finally, the Department received an unqualified audit opinion for the 11th consecutive year.

### MANAGEMENT INTEGRATION GOAL PERFORMANCE RESULTS



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

## SUMMARY OF PERFORMANCE RESULTS

STRATEGIC OBJECTIVE	PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
<b>Management Integration Goal:</b> Achieve organizational and management excellence	Ensure effective resource stewardship in support of the Department's programs (DM)	0 of 2
	Ensure retention of highly qualified staff in mission-critical positions (DM)	1 of 1
	Acquire and manage the technology resources to support program goals (DM)	1 of 1
	Promote improvements to Department programs and operations by identifying and completing work that (1) promotes integrity, efficiency, and effectiveness; and (2) prevents and detects fraud, waste, and abuse (OIG)	2 of 3

For the Management Integration goal, the primary goal/target was to eliminate the significant deficiency in IT controls, which impacted the Financial Management measure. While progress was made, the significant deficiency in IT controls remained in 2010. DM did complete all of its A-123 assessments, the second part of this measure. DM also did not meet the target for the percent of performance-based contracts. The OIG exceeded the target of \$38 million for "Dollar value of financial benefits identified by the OIG." by having an actual of \$47.8 million.

## MANAGEMENT CONTROLS

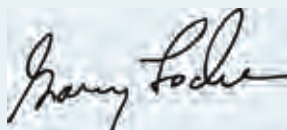
The Department's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). The Department is able to provide an unqualified statement of assurance that its internal controls and financial management systems meet the objectives of FMFIA.

During FY 2010, 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*. Based on the results, the Department determined that information technology (IT) security, and certification and accreditation processes and documentation for non-financial IT systems no longer constitute a material weakness under FMFIA. This aspect of IT security has been reported as a material weakness since FY 2001 and has been the subject of significant coordinated effort across the Agency to address. While the importance of IT security, both within the Department and across government, makes this an area that merits continuing focused attention and internal monitoring, it no longer represents a material weakness.

Supplemental funding received under the American Recovery and Reinvestment Act (ARRA) of 2009 continued to receive comprehensive programmatic and administrative attention throughout the Department in order to achieve the legislative goals attributable to it. Funds were awarded or otherwise 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 is being performed clearly, transparently, and comprehensively. Monitoring has been and will continue to be conducted to ensure the recipient is meeting goals as stated in its application and as incorporated into award documents, and will also focus on the effects funding has had and will prospectively have on economic indicators.

In addition, the Department assessed the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, the Department can provide reasonable assurance that its internal control over financial reporting as of June 30, 2010, was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting. Further, no material weaknesses related to internal control over financial reporting were identified between July 1, 2010 and September 30, 2010.

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



Gary Locke  
Secretary of Commerce  
November 15, 2010



**FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA) OF 1982**

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

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

**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 the Government Accountability Office (GAO) and the Office of Inspector General (OIG), and specifically requested studies.

The diverse reviews that took place during FY 2010 relative to non-financial controls provide assurance that Department systems and management controls comply with standards established under FMFIA. One material weakness involving IT security issues and the quality of certification and accreditation (C&A) processes and documentation for non-financial IT systems, which had been reported from FY 2001 through FY 2009, has been appropriately addressed and is no longer applicable as of September 30, 2010. As discussed below, the action plan jointly developed by the Office of the Chief Information Officer (OCIO) and the OIG has significantly strengthened IT security throughout the Department and resolved its status as a material weakness. However, IT security is and will remain an important focal point for the Department.

The following table reflects the number of material weaknesses reported under Section 2 of FMFIA in recent years by the Department. It shows one material weakness, i.e., non-financial system IT security, for the time span identified and its elimination as of FY 2010.

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 2007	1	0	0	1
FY 2008	1	0	0	1
FY 2009	1	0	0	1
FY 2010	1	1	0	0

### *Focus on Information Technology (IT) Security Continues*

The 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.

To strengthen IT security throughout the Department and resolve its material weakness in IT security, the OCIO and the OIG had developed a comprehensive strategy to improve C&A processes and documentation, which incorporated realistic milestones, identified measurable steps, and established consistent and repeatable C&A practices. The most significant impact of this strategy was to leverage a tracking tool for security reporting and monitoring to improve the quality of C&A processes. Some of the Department's efforts to address the IT material weakness also included developing a Cyber Security Strategic Plan with input from the operating units, implementing a Cyber Security Development Program, establishing a role-based, Department-wide training program, and establishing an IT Audit Working Group, which is a joint effort between the OCIO and the Office of Financial Management to resolve prior year findings and design enterprise-wide solutions.

While more work remains to be done to establish and maintain a strong IT security posture, C&A processes and documentation no longer represent a material weakness. The OCIO and the OIG have agreed that additional effort is needed to enhance IT security control deficiencies in the areas of routine monitoring, corrective action management, and contingency plan testing, which are a result of a combination of management, process, and resource issues. The CIO will continue to coordinate enhancements in these areas, and to monitor progress made through these efforts as a reportable condition under FMFIA.

### *FY 2010 Accomplishments*

To ensure that the Department effectively manages IT security concerns, the OCIO, in collaboration with the operating units, is developing a Cyber Security Strategic Plan to strengthen its IT security profile and operations. Additionally, the OCIO continues to conduct rigorous IT security compliance reviews based on FISMA requirements, OMB policy, National Institute of Standards and Technology (NIST) standards and guidelines, and OIG recommendations.

The following include highlights of IT security accomplishments for FY 2010:

**Commerce IT Review Board (CITRB).** The Department enhanced the CITRB to ensure that its major IT investments utilize sound project management practices and demonstrate risk-based management. The reinvigorated CITRB works to make certain that investments are well-managed and of value to the taxpayer.

**IT Business Cases.** For major IT investments undergoing development or enhancement, the Department achieved cost, schedule, and performance, on average, within five percent of target. It also developed and relied on solid business cases to support major IT investments, and to ensure that IT funds are managed and invested wisely.

**Web Advisory Council (WAC).** The WAC was established to ensure that the Department's Web presence reflects the appropriate use of social media and Web 2.0 technologies while adequately considering risks and maintaining the privacy of its Web users.

**Data Center Consolidation.** In the support of the Department's enterprise architecture, a Data Center Consolidation Plan was developed to consolidate or decommission data centers and server rooms when possible, e.g., following the completion of the Decennial Census. Additionally, cloud computing activities moved forward through the use of an Akamai content delivery network

for the Decennial Census Web site and the transfer of the Electronic Capital Planning Investment Control system to the General Services Administration's (GSA) cloud computing solution.

**Security Compliance Reviews.** The Department conducted rigorous IT security compliance reviews based on federal standards and guidelines, and OIG recommendations; 90 percent of the Department's 280 information systems have Authority to Operate status.

**Cyber Security Assessment and Management (CSAM).** The OCIO implemented monthly reviews of information systems using the CSAM IT security tracking and reporting tool. CSAM monitors the progress of systems in obtaining Authority to Operate status, the establishment of contingency plans and testing, and the performance of Privacy Threshold Analyses. CSAM is also being used to implement a Department-wide plan of action and milestones management (POA&M) monitoring program, which has improved POA&M activities undertaken by the operating units.

**IT Audit Working Group.** During FY 2010, the OCIO worked with the Office of Financial Management to create the IT Audit Working Group to address and resolve financial statement audit findings relating to IT, to develop enterprise-wide solutions, and to prepare for future financial statement audits. The Group adopted tracking and management procedures to provide monthly progress reports on the resolution of audit findings. By July 2010, nearly 84 percent of the 70 IT findings that had been identified in FY 2009 were resolved.

**IT Workforce.** The Department addressed OIG recommendations to strengthen its IT workforce by developing and implementing a Cyber Security Development Program, a role-based security training program offered to candidates throughout the Department.

**IT Security Policy.** The OCIO updated its IT Security Program policy by developing and implementing a number of interim policies relating to areas such as remote access, password requirements, and peer-to-peer technology. It also provided clarifying guidance regarding IT security roles and responsibilities in terms of the security authorization process and IT investment security authorization responsibilities.

**Government-wide Network.** The Department continued to coordinate with the Federation of Computer Incident Response Teams, the U.S. Computer Emergency Readiness Team at the Department of Homeland Security (DHS), and the federal intelligence community to receive timely security alerts, notifications, and reports of incidents. As a result, the Department detected or was alerted to malicious cyber attacks against its network, and developed plans to remediate and prevent potential threats and vulnerabilities.

**Trusted Internet Connections (TIC).** The Department signed a memorandum of agreement with DHS to begin implementing TICs. The majority of the operating units have completed a statement of work for the Managed Trusted Internet Protocol Service (MTIPS), and MTIPS activity is expected to begin in FY 2011.

#### *IT Investment Review Process*

Since IT expenditures constitute such a large portion of the Department's annual budget—major IT investments totaled approximately \$2.5 billion in FY 2010—it is imperative that special management attention be given to proposed and continuing IT investments. This is done through an OCIO-led capital planning and investment control process, which is being enhanced to provide broader and deeper analysis of proposed IT investments, projects under development, and projects that are in operation as well as of the overall performance of the 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 is linked to all IT planning processes and documents within the Department. In a cooperative effort with the Office of Budget and the Office of Acquisition, the OCIO established OMB's Exhibit 300 as the document to use in 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, thereby helping to verify 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 OCIO. Major proposals are reviewed by the CITRB, which is co-chaired by the CIO and the Chief Financial Officer and Assistant Secretary for Administration (CFO/ASA), and includes the Department's Budget Officer, Senior Procurement Executive, Director for Financial Management, and selected operating unit CIOs. The CITRB evaluates proposals relative to their performance measures, IT security and privacy management, funding, risk management, acquisition strategy, viability and appropriateness, conformance to Departmental and federal architectures, overall project management, and contribution to the Department's mission and goals. Guidance for improving project proposals is provided by the CITRB and the OCIO, as appropriate. As a result of this extensive Departmental review of IT investment proposals, all IT-intensive budget initiatives forwarded to OMB have the best possible IT management plan associated with them.

The CITRB continues to place emphasis on the link between proposed IT investments and top level program performance measures, IT security and privacy, and the qualifications of IT project managers and Contracting Officers who manage IT programs. The CITRB ensures that high quality C&A packages, which are critical to the confidentiality, integrity, and availability of 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 the Office of Human Resources Management, to ensure that the Department has a pool of well-qualified IT project managers for new and ongoing projects.

In conducting reviews for proposed investments as well as those that are under development, the CITRB is supported by detailed analyses from the OCIO, the Office of Budget, the Office of Acquisition Management, and others who provide independent assessments of projects. Further, to provide even more rigorous cost, schedule, and performance analyses, the Department systematically uses Earned Value Management (EVM) data for its IT investments with a development, modernization, or enhancement component. This provides regular monitoring and early warning for projects that may not be meeting cost, schedule, or performance goals, allowing mid-course corrections as needed to bring development efforts back on track. This approach has been supported by focused training sessions on EVM techniques. Additionally, operating unit CIOs are required to conduct operational analyses to certify that steady-state investments meet cost, schedule, and performance goals. Operating unit reviews are supplemented with formal evaluations or post-implementation reviews by the CITRB, which helps all project managers to benefit from lessons learned through other implementation efforts.



*Privacy Impact Assessments (PIA)*

The Department is committed to ensuring that all information, relating to either individuals or businesses, that it collects and maintains is afforded proper privacy safeguards as defined in the Privacy Act of 1974, the E-Government Act of 2002, and OMB guidance. It has developed an IT privacy policy to ensure that personally identifiable information (PII) in its IT systems is effectively protected and secured; and provided guidance to the operating units on the preparation of Web privacy policies, conducted PIAs, and posted privacy policies and PIAs on its Web sites that are visited by the public. The Department conducts 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. This level of privacy protection is also provided to business entities. The OIG has provided a favorable review of the Department's PIA program and its validation of Web privacy policy implementation.

As another step to ensure that personal and other sensitive information is protected, all of the Department's PIAs now include data extract log and verification procedures. This requirement, which was incorporated in the *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 that each extract including sensitive data has been erased within 90 days or determine that its use is still required. In FY 2010, the OCIO, in concert with the Office of Public Affairs, drafted a new policy regarding the use of social media to, in part, inform employees of how to use social media and alert them to privacy concerns.

Additionally, the Department has established the position of Director for Privacy and Open Government in the Office of the CFO/ASA. As of October 2010, this individual began serving as Chief Privacy Officer and Senior Agency Official for Privacy, and is working closely with the Privacy Act Officer and the OCIO to ensure that all privileged-access personal and business information provided to the Department is appropriately protected.

*Future Efforts*

The Department is actively pressing forward with future plans to respond to the ever changing IT security environment. It has developed a Strategic IT Plan and has mapped out a path toward achieving its goals in implementing TICs, increasing operational security with the continued development of the Security Operations Center, conducting additional assessments of technical controls as part of the OCIO's annual reviews of operating units, and deploying additional role-based training under its Cyber Security Development Program in FY 2011. These measures will continue to strengthen the Department's overall IT security posture and protection of its IT systems and information.

**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 2007	0	0	0	0
FY 2008	0	0	0	0
FY 2009	0	0	0	0
FY 2010	0	0	0	0

Based on reviews conducted by the Department and its operating units for FY 2010, the financial systems in the Department are compliant with GAO principles and standards, the requirements of the CFO Act, and OMB requirements

No material weaknesses relative to financial controls were identified for the period July 1, 2009 through June 30, 2010, the reporting period established by OMB Circular A-123. Further, with limited review and inquiries, no material weaknesses related to internal control over financial reporting were identified between July 1, 2010 and September 30, 2010.

#### *Other Internal Control Enhancement Activities Continue*

The Department's comprehensive effort to enhance management of internal controls under OMB Circular A-123 continued during FY 2010. Progress made in implementing Appendix A to the circular, which relates to financial internal controls, included the following:

- The Department continued the OMB A-123, Appendix A process utilizing a three-year rotational testing plan to incorporate a risk-based approach based on assessments of the key processes and results of previous audits. Under this approach, high-risk cycles are selected for annual testing, and low to moderate-risk cycles are tested every three years with selected test procedures performed at specific locations or on specific sub-processes as often as needed based on specifically identified risks. A limited controls review assessment survey is utilized for cycles that are not tested in any given year.
- Department-wide testing templates were updated for selected key processes and sub-processes, and the Departmental sampling plan was modified to include three separate test phases, which included testing requirements for the American Recovery and Reinvestment Act (ARRA) of 2009. This work was carried out in coordination with the Department's Senior Advisor for ARRA implementation, who was appointed by the Secretary to oversee the expenditure of funds received by the Department and operating units under ARRA. The Senior Advisor has worked collaboratively with operating unit and Departmental managers to ensure the timely and effective implementation of the Department's ARRA responsibilities
- The Senior Management Council continued to oversee, direct, and implement the assessment process; and the Senior Assessment Team continued to develop planning documentation, administer internal control test plans, and monitor and review test work.
- Each operating unit completed an entity-level controls assessment as required by OMB Circular A-123, Appendix A.
- The Departmental A-123 Workpapers Guide was enhanced to include more in-depth guidance and instruction to the operating units in such areas as obtaining populations, sampling, and documenting workpapers. In addition, the guide provides sample templates to ensure consistency in workpaper standards and presentation throughout the Department.
- The overall effort was analyzed to assess and document the adequacy of the Department's internal controls in order to develop the annual statement of assurance that appears above.

Also, as of FY 2011, the Department has established an Office of Program Evaluation and Risk Management (PERM), which is establishing an enterprise risk management program that will help to strengthen internal management controls. This endeavor, which goes beyond IT-specific activities and affects programs and functions across the Agency, will provide a formal and visible framework to ensure that programs—particularly those programs involving significant potential risks—operate as they should. Through a structured effort to conduct periodic program reviews across the Department, PERM will also work with the operating units to identify opportunities to increase effectiveness and efficiency.

## FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA) OF 1996

**U**nder 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 2010, the Department remained in compliance with FFMIA.

## REPORT ON AUDIT FOLLOW-UP

**T**he 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, 2009, through May 31, 2010.

SUMMARY OF ACTIVITY ON AUDIT REPORTS  
JUNE 1, 2009 THROUGH MAY 31, 2010

	DISALLOWED COSTS <sup>1</sup>		FUNDS TO BE PUT TO BETTER USE <sup>2</sup>		NONMONETARY REPORTS <sup>3</sup>	TOTAL
	NUMBER OF REPORTS	DOLLARS	NUMBER OF REPORTS	DOLLARS	NUMBER OF REPORTS	REPORTS
Beginning Balance	21	\$ 7,907,994	12	\$ 39,681,774	11	44
New Reports	10	2,052,886	3	3,901,348	20	33
Total Reports	31	9,960,880	15	43,583,122	31	77
Reports Closed	(10)	(2,715,446)	(5)	(1,405,560)	(13)	(28)
Ending Balance	21	\$ 7,245,434	10	\$ 42,177,562	18	49

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.

## AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009 PROGRAMS

In FY 2009, Congress passed ARRA, providing funds for several agencies including the following within the Department: OIG, EDA, Census Bureau, NOAA, NIST, and NTIA. The following section provides tables for each of the agencies that received funds that were used in FY 2010 with results appearing in FY 2010 and beyond. The tables include: program name, funding amount, brief description of what the funds are provided for, performance measures/results, and comments if provided by the agencies.

BUREAU	OFFICE OF INSPECTOR GENERAL (OIG)	
PROGRAM	OFFICE OF INSPECTOR GENERAL	
Amount	\$6.0M	
Description	These funds are for general oversight of the Department's ARRA activity. Early OIG uses include emphasis on training of grants and contract officers to alert them to the signs of potentially fraudulent or wasteful activity by grantees or contractors. Other activities include review of various grant pre-award operations, and an audit of the bureaus' review of grant and contract recipient reporting.	
Performance Measures/Results	MEASURES	FY 2010 ACTUAL
	Complaints - received	TBD <sup>1</sup>
	Whistleblower reprisal allegations:	
	• Received	TBD <sup>1</sup>
	• Accepted	TBD <sup>1</sup>
	Investigations:	
	• Closed without action	TBD <sup>1</sup>
	• Accepted for prosecution	TBD <sup>1</sup>
	• Prosecution denied	TBD <sup>1</sup>
	• Referred for alternative resolution	TBD <sup>1</sup>
	Audits/Inspections/Evaluations/Reviews:	
	• Final published work products	TBD <sup>1</sup>
	• Interim published work products	TBD <sup>1</sup>
	• Unpublished work products	TBD <sup>1</sup>
	Training/Outreach:	
	• Training sessions provided	TBD <sup>1</sup>
	• Individuals trained	TBD <sup>1</sup>
	• Hours of training provided	TBD <sup>1</sup>
	• Outreach sessions conducted	TBD <sup>1</sup>
	<sup>1</sup> Final actuals should be available by January 1, 2011.	



BUREAU	ECONOMIC DEVELOPMENT ADMINISTRATION (EDA)				
PROGRAM	ECONOMIC DEVELOPMENT ASSISTANCE PROGRAMS (EDAP)				
Amount	\$150.0M				
Description	EDA directed funding through its existing program structures. Of the \$147 million allocated to EDAP (\$3 million was allocated to salaries and expenses [S&E]), EDA funded \$141.3 million in "brick and mortar" infrastructure investments. EDA gave preference to projects that have the potential to quickly stimulate job creation and promote regional economic development, such as investments that support science and technology parks, industrial parks, business incubators, and other investments that spur entrepreneurship and innovation. Since ARRA called on EDA to "give priority consideration to areas of the Nation that have experienced sudden and severe economic dislocation and job loss due to corporate restructuring," EDA allocated funding to the regional offices using a hybrid of its traditional allocation formula.				
Performance Measures/ Results	NAME	EXPLANATION	FY	TARGET	ACTUAL
	Short-term jobs created/retained	Number of direct project related jobs created and/or retained from ARRA investment	2010	592.62	TBD <sup>1</sup>
			2011	761.94	TBD <sup>2</sup>
			2012	338.64	TBD <sup>2</sup>
	Percentage of ARRA construction grants for which construction commences within 120 days of award	A proxy measure for ensuring a high percentage of projects selected are "shovel ready"	2010	90%	TBD <sup>2</sup>
	Percentage of ARRA award files audited meeting all compliance criteria	File must demonstrate ALL of the following for compliance: (1) recipient submitted ARRA-required jobs report on time OR the regional office notified recipient of a late report within 30 days; (2) recipient submitted all performance and financial reports on time OR the regional office notified recipient of a late report within 30 days; (3) all terms and conditions of the grant were fulfilled and documented OR the regional office took appropriate action; (4) all appropriate terms and conditions were included in the grant documents; and (5) the award file demonstrates that the regional office reviewed all recipient audits, as required by A-133, for findings and took appropriate action.	2010	90%	TBD <sup>2</sup>
	<sup>1</sup> Final actuals should be available by January 1, 2011. <sup>2</sup> When this measure was developed, OMB directed grantees to report cumulatively. However, recent OMB guidance directs grantees to provide FTE values on a quarterly basis, rather than cumulatively, and has directed agencies not to aggregate these values. Quarterly data is available at Recovery.gov.				
Comments	EDA is working closely with ARRA grantees to ensure full compliance with the requirements of the act. EDA has held face-to-face meetings, conference calls, and Webinars as well as developed lessons-learned reports to educate ARRA grantees on recipient reporting requirements and deadlines.				

BUREAU	CENSUS BUREAU
PROGRAM	PERIODIC CENSUSES AND PROGRAMS
Amount	\$1,000.0M
Description	<p>To ensure a successful 2010 Decennial Census, the Census Bureau received \$1 billion to hire new personnel for partnership and outreach efforts to minority communities and hard-to-reach populations, increase targeted media purchases, and ensure proper management of other operational and programmatic risks.</p> <p>The following four areas received the \$1 billion in funds: <i>Early Operations</i> (\$745.1 million), <i>Partnership</i> (\$117.4 million), <i>Advertising</i> (\$107.5 million), and <i>Coverage Follow-Up</i> (\$30 million).</p> <p><i>Early Operations</i> activities included: <i>Group Quarters Enumeration</i> (college dormitories, military quarters, nursing homes, etc.), <i>Update/Enumerate</i> (an enumerator updates residential addresses and conducts an interview of the resident(s) using a paper questionnaire), <i>Update/Leave</i> (geographic areas where the type of address does not indicate the location of the housing unit or the delivery point for receiving mail does not ensure the mail gets to the correct unit, e.g., mail left at a central location because of broken mail banks), and <i>Local Census Office Staffing Operation</i>. <i>Partnership</i> staff provided information and training about the 2010 Census to community-based organizations, religious leaders, local businesses, and media outlets in designated hard-to-count areas. <i>Advertising</i> activities involved numerous paid media sources such as TV, radio, online, magazines, newspapers, and outdoor and commuter media. The <i>Coverage Follow-up Operation</i> involved hiring and training approximately 1,250 additional temporary telephone interviewers to re-contact households to verify the information on the census form, make corrections as warranted, and obtain any missing demographic information—based on specific criteria, to name a few.</p> <p>For more detailed information about the Census Bureau's ARRA program plans, visit the following Web sites: <a href="http://www.census.gov/recovery">www.census.gov/recovery</a> or <a href="http://www.recovery.gov">www.recovery.gov</a>.</p>
Performance Measures/ Results/ Milestones	<p>The following measures applied to the respective activities:</p> <p><b>Early Operations</b> – No specific measures were for ARRA funds though the following measure applies to base funding: <i>At least 90% of key activities completed on schedule</i>. These activities included the following:</p> <ul style="list-style-type: none"> <li>● Complete Group Quarters validation and advanced visit operations</li> <li>● Conduct the 2010 Census</li> <li>● Conduct Census Operations in Puerto Rico and the Island areas</li> <li>● Conduct Nonresponse Follow-up operations</li> <li>● Begin Coverage Measurement field operations</li> <li>● Conduct Coverage Follow-up field operations</li> </ul> <p><b>Partnership</b> – ARRA and base fund targets for 2010 included the following (results shown in italics):</p> <ul style="list-style-type: none"> <li>● Maintain a diverse partnership staff of 2,707 with 100 languages spoken to reach hard to count populations in an effort to positively affect response rates. <i>More than 3,000 Partnership staff on board speaking 146 languages.</i></li> <li>● Partnership staff continue to establish partnerships and work with approximately 120,000 active partner organizations in support of the 2010 Census. <i>230,750 partnerships were established.</i></li> <li>● 30,000 joint Questionnaire Assistance Centers (QAC) and Be Counted (BC) sites and 10,000 stand-alone BC sites ready to assist citizens in hard-to-count areas. <i>More than 50,000 potential joint BC/QAC sites and 20,000 potential stand-alone BC sites were identified among partner organizations. From these sites, the Census Bureau selected 26,637 joint sites and 11,704 stand-alone BC sites that met its needs based on location, access to the public, and who the organization served. Additional sites were held in reserve, if needed.</i></li> </ul>

(continued)

BUREAU	CENSUS BUREAU <i>(continued)</i>
PROGRAM	PERIODIC CENSUSES AND PROGRAMS <i>(continued)</i>
Performance Measures/ Results <i>(continued)</i>	<ul style="list-style-type: none"> <li>10,000 Complete Count Committees educate community on the importance of the 2010 Census and motivate residents to complete questionnaire. <i>10,251 Complete Count Committees formed and trained.</i></li> <li>Partnership staff thank community organizations and other partners for their help with the 2010 Census.</li> </ul> <p><b>Advertising</b></p> <p><b>Measure: Complete key activities for the combined 2010 Census Communications Campaign</b> – 2010 targets using ARRA funding (results shown in italics):</p> <ul style="list-style-type: none"> <li>For the Awareness Phase, reach 95 percent of the population at least five more times above base target through the paid advertising. <i>The launch of the Awareness Phase of the campaign began on January 17, 2010. The actual reach and frequency figures will be determined following a post-media buy analysis that will be completed in the fall of 2010.</i></li> <li>For the Motivation Phase, reach 95 percent of the population at least 11 more times above base target through the paid advertising. <i>Ongoing. The Motivation Phase began on March 1, 2010. The actual reach and frequency figures will be determined following a post-media buy analysis that will be completed in the fall of 2010.</i></li> <li>For the Support Nonresponse Follow-up Phase, the plan is to reach lowest responding population at least two more times through paid advertising. <i>The actual reach figures will be determined following a post-media buy analysis that will be completed in the fall of 2010.</i></li> </ul> <p><b>Coverage Follow-up</b></p> <p><b>Measure: Complete 67% of Coverage Follow-up cases by the end of production</b> – 2010 targets using ARRA funding:</p> <ul style="list-style-type: none"> <li>Complete 67 percent Coverage Follow-up Cases for approximately 1.1 million cases.</li> <li>Provide approximately 1,250 Coverage Follow-up workers to support approximately 1.1 million coverage follow-up cases.</li> </ul>
Comments	<p>For <i>Early Operations</i>, as of June 2010, the mailout of the initial questionnaires is complete. The key activities have either been already conducted, began on time, or are scheduled to begin as planned.</p> <p>It is difficult to know how each component of the <i>Partnership</i> program influenced people to take part in the 2010 Census, and a detailed assessment will be done later. However, the Census Bureau strongly believes that the integrated communications campaign contributed much to the U.S. public's better than expected "participation" in the census. Seventy-two percent of U.S. households that received a census form in the mail returned the completed questionnaire. This matched the Census 2000 participation rate despite a more challenging census environment in 2010. The public's participation in all types of surveys has declined sharply since 2000. The United States is a larger, more diverse population, with more types of housing arrangements, and were subject to extensive household dislocations due to the severe economic downturn.</p>

BUREAU	NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA)			
PROGRAM	OPERATIONS, RESEARCH, AND FACILITIES			
Amount	\$230.0M			
Description	<p><b>Hydrographic Survey Backlog</b> – \$40 million to reduce the critical hydrographic survey backlog by approximately 1,700 square nautical miles. The critical areas to be addressed have high commercial traffic or hazardous material transport, compelling requests from navigation services users, or seafloor areas that have not been surveyed to modern standards.</p> <p><b>Marine and Coastal Habitat Restoration</b> – \$167 million to support mid and large-scale restoration projects addressing coral reef conservation, restoration of fish habitats that benefit commercial and recreational fisheries, recovery of endangered species such as salmon and sea turtles, and improvement of coastal resiliency in response to sea level rise and natural hazards.</p> <p><b>Environmental Reviews and Consultations</b> – \$3 million to address the current backlog of Endangered Species Act (ESA) Section 7 consultations and, if required, environmental reviews and consultations associated with projects funded by ARRA.</p> <p><b>Vessel Maintenance and Repair</b> – \$20 million to address critical repairs and replacements to NOAA's fleet of research and exploration vessels.</p>			
Performance Measures/ Results	MEASURE	TARGET/ACTUAL		
		2010	2011	2012
	Fish passage and wetland restoration: percentage of projects with presence of target species (fish or plant)		40	100
	Shell fish: percentage of projects with successful recruitment of oysters		60	100
	Coral: percentage of projects experiencing reduction in land-based sources of sediment		33	100
	Reduce the hydrographic survey backlog within navigationally significant areas (square nautical miles surveyed per year)	3,000/377	3,000	300
	Percentage of ARRA related consultations conducted on time	100%/86.3%		
	Number of received ARRA-related requests for consultations versus the number of ARRA-related consultations completed	*		
	Percentage of planned milestones met for vessel maintenance and repairs	80/51		
	Shoreline compilation completed	3,757/456	3,876	
*Not yet available				

(continued)

BUREAU	NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA) <i>(continued)</i>
PROGRAM	OPERATIONS, RESEARCH, AND FACILITIES <i>(continued)</i>
Comments	<p><b>Habitat Restoration</b> – NOAA is using GPRA, Corporate, and ARRA-specific measures to track program performance. Those are <i>Acres restored</i> (GPRA), <i>Stream miles opened</i> (Corporate), and the <i>Number of jobs created/sustained</i> (ARRA-specific). Since project selection, NOAA developed outcome-based ecological metrics by project type to measure the impact of groups of projects on coastal ecosystems.</p> <p><b>Hydrographic Survey Backlog</b> – NOAA conducts hydrographic surveys to determine the depths and configurations of the bottoms of water bodies, primarily for U.S. waters significant for navigation. This activity includes the detection, location, and identification of wrecks and obstructions with side scan and multi-beam sonar technology and the global positioning system (GPS). NOAA uses the data to produce traditional paper, raster, and electronic navigational charts for safe and efficient navigation, and in addition to the commercial shipping industry, other user communities that benefit include recreational boaters, the commercial fishing industry, port authorities, coastal zone managers, and emergency response planners.</p> <p><b>Environmental Reviews and Consultations</b> – NOAA focuses on the number of ARRA-related projects that NOAA has timely reviewed for environmental impacts so that action agencies may minimize and mitigate the impacts of these projects on the environment. Based on historical trend rates and available resources, NOAA expects to complete 70 percent of them on time. External federal agencies require consultations from the National Marine Fisheries Service on Endangered Species Act and essential fish habitat per the Endangered Species Act and Magnuson-Stevens Act.</p> <p><b>Vessel Maintenance and Repair</b> – There has been an 89 percent increase in the number of significant mechanical/electronic failures on NOAA's ships and a 62 percent increase in lost days-at-sea for NOAA programs—from 184 days-at-sea in FY 2005 to 299 days-at-sea in FY 2008. It is critical to maintain NOAA's aging ships, while meeting increasingly restrictive maritime standards. There are a total of 45 milestones for all of the ships projects.</p>



BUREAU	NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA)
PROGRAM	PROCUREMENT, ACQUISITION, AND CONSTRUCTION
Amount	\$600.0M
Description	<p><b>NOAA Climate Computing and Modeling</b> – \$170 million to accelerate and enhance NOAA's High Performance Computing (HPC) capabilities.</p> <p><b>NEXRAD Dual Polarization Modification Acceleration</b> – \$7.4 million to accelerate the NEXRAD Dual Polarization effort.</p> <p><b>Weather Forecast Office (WFO) Construction</b> – \$9 million to accelerate WFO upgrade and modernization projects in Barrow and Nome, AK, as well as upgrades to the HVAC systems of other WFOs.</p> <p><b>Accelerate Satellite Development</b> – \$74 million to accelerate funding for the National Polar-orbiting Operational Environmental Satellite System (NPOESS) and climate sensors on NOAA's critical polar-orbiting satellites.</p> <p><b>Pacific Regional Center</b> – \$154 million to complete the construction of the entire Pacific Regional Center on Ford Island in Honolulu, HI.</p> <p><b>Southwest Fisheries Science Center (SWFSC)</b> – \$81.2 million to complete the design, construction, and occupancy of the replacement SWFSC facility in La Jolla, CA.</p> <p><b>Fairbanks Satellite Facility Construction</b> – \$9 million to continue the replacement of the at-risk Fairbanks Operations Building in Fairbanks, AK.</p> <p><b>Facility Maintenance and Repair</b> – \$15.6 million to fund facility maintenance and repair issues. NOAA will use this funding to address critical facility repair issues in order to ensure the health and safety of our employees.</p> <p><b>Fishery Survey Vessel Construction</b> – \$79.8 million to complete the construction of a fisheries survey vessel (FSV6), an OSCAR DYSON class vessel, will replace the San Diego-based DAVID STARR JORDAN and is intended to serve the SWFSC.</p>
Performance Measures/ Results	<p>NOAA Procurement, Acquisition, and Construction obligations for ARRA were \$580.6 million or 97 percent of the Congressional approved spend of \$600 million. Of the remaining funds (\$17.7 million), approximately \$16.7 million is classified as "lapsed obligations." The lapsed obligations are from funds transferred to the U.S. Army Corps of Engineers for repair to NOAA's Norfolk facility seawall, and the Department of Navy's Naval Facilities Engineering Command for construction-related services required to construct the new Pacific Regional Center at Ford Island Hawaii that resulted in contract awards less than the money provided. The \$16.7 million to be returned as lapsed obligations resulted from acquisitions accomplished between September 1 and 24, 2010, too late for NOAA to reprogram to other ARRA projects. The following are the performance measures and outcomes:</p>

(continued)

BUREAU	NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA) <i>(continued)</i>				
PROGRAM	PROCUREMENT, ACQUISITION, AND CONSTRUCTION <i>(continued)</i>				
Performance Measures/ Results <i>(continued)</i>	MEASURE	TARGET/ACTUAL			
		2010	2011	2012	2013
	Severe weather warnings for tornados – Lead time	12	12	13	
	Severe weather warnings for tornados – Accuracy	70	70	72	
	Severe weather warnings for tornados – False alarm rate	72	72	70	
	Severe weather warnings for flash floods – Lead time	38	38	38	
	Severe weather warnings for flash floods – Accuracy	72	72	72	
	Percentage of safety and conditions indices improvements for NOAA's facility maintenance and repair projects	TBD			
	Percentage of planned milestones met for NPOESS program	6/6	TBD		
	Percentage of planned milestones met for climate instruments	32/32	37	31	
	Amount of megawatts saved from HVAC systems renovations	120	200	200	
	Increase number of fish stocks with fishery-independent data needed to support adequate assessments			174	184
	Increase the number of high priority protected species with fishery-independent data to support adequate population assessments				13
Comments	Increase number of program mission days-at-sea available to the Southwest Fisheries Science Center	220 days			
	<b>NEXRAD Radar Systems and Dual Polarization</b> – These funds will accelerate the dual polarization effort of the next generation (NEXRAD) Doppler weather radar system that will allow signals to be transmitted and received in two dimensions, resulting in a significant improvement in precipitation estimation; improved ability to discriminate rain, snow, and hail; and a general improvement in data quality. The new system will improve flash flood warnings, improve precipitation estimates and severe weather detection, including snow storms and icing conditions for air and ground transportation. These funds will not impact this target until at least FY 2013. This is because forecasters need at least one full year of data before they can verify and adjust outyear targets; and, the kits will not be installed until early FY 2011.				

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BUREAU	NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA) <i>(continued)</i>
PROGRAM	PROCUREMENT, ACQUISITION, AND CONSTRUCTION <i>(continued)</i>
<b>Comments</b> <i>(continued)</i>	<p><b><i>Percentage Safety and Conditions Indices Improvement at NOAA's Pacific Regional Center</i></b> – NOAA will improve the safety and condition indices at NOAA's facilities through the collocation of NOAA employees on the island of Oahu at the Pacific Regional Center. This collocation will also support improved efficiency and effectiveness for employees in operations and mission performance by creating greater opportunity for program collaboration and synergy.</p>
	<p><b><i>Percentage Safety and Conditions Indices Improvement at NOAA's Fairbanks Satellite Operations Facility</i></b> – NOAA will improve the safety and condition indices at NOAA's facilities through improving the health and safety of employees at the Fairbanks Satellite Operations Facility by providing a new building that mitigates the hazards of working within a seismic zone.</p>
	<p><b><i>Percentage Safety and Conditions Indices Improvement at NOAA's Regional Facilities</i></b> – NOAA will improve the safety and condition indices at NOAA's facilities through mitigating the risks from facility deficiencies and health hazards, such as asbestos, the Galveston Laboratory, Geophysical Fluid Dynamics Laboratory, Marine Operations Center–Atlantic, Milford Laboratory, Panama City Laboratory, and SWFSC–Pacific Grove.</p>
	<p><b><i>Percentage Safety and Conditions Indices Improvement at NOAA's Southwest Fisheries Science Center</i></b> – NOAA will improve the safety and condition indices at NOAA's facilities through replacing the SWFSC in La Jolla, CA, with a new, modern facility that will expand NOAA's ability to develop and apply advanced technologies for surveys of fisheries resources and their associated ecosystems and foster collaboration on fisheries management issues through the construction of a large sea and fresh-water test tank.</p>
	<p><b><i>Vessel Construction</i></b> – The construction of a FSV6 vessel improves NOAA's ability to more accurately manage fisheries stocks. FSV6 will be designed and constructed with state-of-the-art technologies and specialized survey equipment, which will produce significantly higher quality at-sea data, improved quality-of-life outfitting and mission productivity. The enhanced FSV6 capabilities will deliver more precise and accurate NOAA stock assessments for more effective management of living marine resources.</p>
	<p><b><i>Cumulative Number of New Decadal Prototype Forecasts and Predictions Made with High-resolution Coupled Climate Model</i></b> – Decadal prediction was initially targeted to be attacked with an intergovernmental panel on climate change— fourth assessment report class model with relatively low resolution. The ARRA computing has allowed the use of a coupled climate model with approximately four times the resolution. Research into decadal predictability will inform prototype forecasts incorporating new data assimilation schemes using this high-resolution model This will provide, for the first time, scientifically credible, regional scale climate information, with estimates of uncertainty, to decisionmakers for improved management of water resources, the coasts, transportation infrastructure, agriculture, and other sectors impacted by climate, and to provide the Nation with early warnings of climate "surprises" resulting from climate variations on decadal timescales.</p>
	<p><b><i>Percentage of Planned Milestones for Climate Instruments</i></b> – NOAA will accelerate the development of two climate sensors, TSIS and CERES. These climate sensors will improve the Nation's ability to collect and distribute higher-resolution data and products to improve forecasts and climate monitoring. Corporate performance measures will be evaluated by monitoring the percent of planned contract milestones accomplished within 60 days of target. Nineteen major milestones are associated with these activities.</p>

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BUREAU	NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA) <i>(continued)</i>
PROGRAM	PROCUREMENT, ACQUISITION, AND CONSTRUCTION <i>(continued)</i>
<p>Comments <i>(continued)</i></p>	<p><b><i>Number of Regional Scale Projections for Assessments and Decision Support</i></b> – Enhanced computing will enable regional scale projections and will contribute to international assessments (e.g., IPCC AR5, scheduled for 2013), national assessments under the U.S. Global Climate Research Program, and other assessments as requested. The number of meaningful regional projections possible will increase as NOAA's earth system model increases in realism and complexity. Examples of regional scale projections include: regional sea level rise projections that require explicit representation of the global eddy field in the ocean models; projections of parameters essential to ocean and coastal ecosystem forecasting; assessment of regional carbon budgets; and projections of climate change in the Arctic region that require improved sea ice models. Better information in these areas will improve decisions in transportation, fisheries and other marine ecosystems, and emergency managers responsible for safety and infrastructure along the coasts.</p> <p><b><i>Percentage Uncertainty in Possible 21st Century Sea Level Rise (0-1m = 100% uncertainty)</i></b> – This metric is calculated using the IPCC 4th Assessment Report estimates for the range of 21st century global-mean sea level rise. Completion of the proposed effort will reduce the uncertainties by almost half as a result of modeling that better captures the more accurate measurements of ice-sheet discharge, thermal expansion, and regional anomalies due to ocean circulation and heat storage. These model improvements are a direct result of ARRA-funded computing. Reducing the uncertainty in sea level rise will allow government and industry to have better information on projected sea level rise and therefore tailor their planning and actions to address the impacts.</p> <p><b><i>Cumulative Number of New Functionalities Incorporated into Earth System Model to Improve Realism of Climate Simulation</i></b> – Improve the realism of the NOAA earth system models by closing the nitrogen and phosphorus cycles and improving the simulation of impacts of quality air on plant growth. Enhanced computing permits the implementation of mechanistic models of biospheric processes in a comprehensive earth system model which will reduce the uncertainty of future climate projections and provide more scientifically-credible information to managers of land and marine ecosystems and better estimates of carbon sources and sinks.</p> <p><b><i>Cumulative Number of Assessments of Carbon, Trace Gas and Aerosol Budgets and Feedbacks</i></b> – Assessments are one of the principal means by which credible scientific information is communicated to policymakers and other stakeholders. Enhanced computing permits additional biogeochemical cycles to be included in NOAA earth system models and so assessments of impacts of these additional processes improve the scope and credibility of this information.</p> <p><b><i>Improved Treatment of Key Physical Processes in Climate Models Aimed at Improving: Model Performance, Understanding of Uncertainties, and Confidence in Climate Change Projection and Predictions</i></b> – This performance measure will reflect more confident projections of key climate change impacts. Better scientific understanding of the key processes of clouds, aerosols, and water vapor in the earth system will lead to research advances built into climate models that will then produce better predictions and projections to address climate change impacts.</p> <p><b><i>Percentage of Planned Milestones Met for NPOESS program</i></b> – NPOESS will conduct electrical payload critical path reduction in calendar year 2009 and calendar year 2010.</p>

BUREAU	NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY (NIST)
PROGRAM	SCIENTIFIC AND TECHNICAL RESEARCH AND SERVICES (STRS)
Amount	\$220.0M
Description	<p>The ARRA includes \$220 million in STRS funding for "research, competitive grants, additional research fellowships and advanced research and measurement equipment and supplies," as stipulated in the conference report to PL 111-5. The ARRA also provides for NIST \$20 million from the Department of Health and Human Services (HHS) for health information technology (IT), and \$10 million from the Department of Energy (DOE) for Smart Grid.</p> <p>The following is a summary of the NIST planned activities funded in the STRS appropriation by the ARRA: <i>Advanced Scientific Equipment</i> (\$108 million) to procure advanced research and measurement equipment to strengthen its measurement, standards, and technology programs; <i>Measurement Science and Engineering</i> (MS&amp;E) Grants (\$35 million<sup>1</sup>) to conduct a competitive grants program which funded 27 projects at higher-education, commercial, and non-profit organizations in 18 states for measurement science in NIST's six priority investment areas of critical national importance: Energy, Environment, Manufacturing, Health Care, Physical Infrastructure, and Information Technology; <i>Postdoctoral Research Fellowships</i> (\$22 million<sup>1</sup>) to expand the NIST Postdoctoral Fellowship program to create approximately 80 postdoctoral fellowships for recent Ph.D.s and retain approximately 40 NIST National Research Council (NRC) postdoctoral fellows through the end of FY 2010 following the end of their tenure; <i>MS&amp;E Fellowship Program</i> (\$20 million<sup>1</sup>) to award grants to the University of Maryland and the University of Colorado for developing and implementing a program to provide fellowships for students, post-doctoral, and professional scientists and engineers to work at NIST; <i>Research Contracts</i> (\$15 million) to award competitive research contracts to small businesses under the Small Business Innovation Research (SBIR) program<sup>2</sup>, and to award competitive research contracts<sup>1</sup> to assist NIST in activities associated with Smart Grid devices and systems and competitive research contracts<sup>1</sup> for research on specific areas of cybersecurity; <i>IT Infrastructure Contracts</i> (\$9 million) to competitively procure critical new information systems and components to improve NIST's IT infrastructure; and <i>Management and Oversight</i> (\$11 million) to support critical staff such as contracts specialists, grants specialists, internal control specialists, and an ARRA Project Management Office to ensure that transparency, monitoring and evaluation, and accountability responsibilities under ARRA are implemented and followed.</p> <p>The \$30 million in ARRA funding from other federal agencies includes: \$20 million from HHS Office of the National Coordinator to help accelerate development and deployment of electronic health records and a nationwide health care information infrastructure and \$10 million from DOE to develop a framework and a public-private partnership needed to harmonize standards and implement a nationwide electricity Smart Grid.</p> <p><sup>1</sup> Actual amount of awards will be slightly less due to a 2.5 percent SBIR assessment to appropriate activities mandated by statute.</p> <p><sup>2</sup> Approximately \$1.5 million were added to this activity from the mandated 2.5 percent SBIR assessments on the ARRA MS&amp;E Grants and Fellowships, Postdoctoral Research Fellowships, and Research Contracts amounts.</p>

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BUREAU	NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY (NIST) <i>(continued)</i>
PROGRAM	SCIENTIFIC AND TECHNICAL RESEARCH AND SERVICES (STRS) <i>(continued)</i>
Performance Measures/ Results	<p>Use of NIST ARRA funding is targeted to have maximum impact on meeting the goals of the ARRA, including: creating jobs; promoting economic recovery; providing investments needed to increase economic efficiency by spurring technological advances in science; and making investments in areas of research that will provide long-term economic benefits.</p>
	<p>Advanced scientific equipment purchases from the STRS ARRA funding will have immediate and specific impacts on NIST's technological capabilities and abilities to work in new areas and address more complex scientific challenges. To document these impacts, NIST is providing a series of examples in its ARRA reporting that illustrate the overall impact and outcomes of the NIST STRS ARRA equipment purchases. Illustrative impacts from these equipment purchases include:</p>
	<p><b>Clinical PET-CT Scanner:</b> Positron emission tomography - computed tomography (PET-CT) is a medical imaging technique that sequentially acquires PET and x-ray computed tomography images to render a spatial distribution of metabolic or biochemical activity in the human body precisely aligned with its anatomic structure. The acquisition of a PET-CT scanner under ARRA funding will enable NIST to develop standards and measurement infrastructure in support of PET and PET-CT technology. Since this instrument will be the only PET-CT scanner in the United States that will be continuously calibrated against national standards, it will function as a reference instrument for clinical comparison studies, clinical trials, testing of clinical measurement protocols, and a testbed for development of techniques associated with PET-CT. The improvements in the quantitative data obtained from the NIST PET-CT scanner will impact the nearly two million PET-CT scans in the United States every year by enabling more accurate and timely diagnoses.</p>
	<p><b>Large Area NEXAFS Microscope for National Synchrotron Light Source:</b> NEXAFS has become a fundamental measurement for organic photovoltaic (OPV) materials, but has been limited to large area samples. The imaging capabilities of this microscope will allow spatially resolved identification of defects and variations. The ARRA funds greatly accelerated the availability of a unique instrument at least five years faster than without ARRA funds.</p>
	<p>The table below reflects performance measures that were reported in Recovery.gov on May 15, 2009 for NIST's STRS ARRA appropriations. NIST has been collecting ARRA performance data on a quarterly basis. Data is included in the table for each measure for FY 2009 Target and Actuals, as well as FY 2010 Target and Actuals.</p>

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BUREAU	NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY (NIST) <i>(continued)</i>				
PROGRAM	SCIENTIFIC AND TECHNICAL RESEARCH AND SERVICES (STRS) <i>(continued)</i>				
Performance Measures/ Results <i>(continued)</i>	MEASURES	FY 2009 TARGET	FY 2009 ACTUAL	FY 2010 TARGET	FY 2010 ACTUAL
	Advanced Scientific Equipment:				
	• Dollars obligated	\$20,000K	\$22,458K*	\$88,000K	\$88,161K*
	• Number of equipment purchased	15	17	45	45
	Measurement Science and Engineering Grants program:				
	• Dollars obligated	\$0K	\$0 K	\$34,125K	\$34,449K
	• Number of awards	0	0	20	27
	• Number of patent applications (lagging/outyear measure)	0	0	0	0
	• Number of peer-reviewed technical publications (lagging/outyear measure)	0	0	0	0
	• Number of licenses (lagging/outyear measure)	0	0	0	0
Performance Measures/ Results <i>(continued)</i>	Postdoctoral Fellowships:				
	• Number of Postdoctoral Fellows	48	52	35	38
	• Number of Postdoctoral Fellows retained after completion of tenure	23	19	18	46
	Measurement Science and Engineering Fellowship program:				
	• Dollars obligated	\$0K	\$0K	\$19,500K	\$19,500K
	Research Contracts:				
	• Dollars obligated	\$10,500K	\$9,826K**	\$4,500K	\$18,669K**
	• Number of contracts awarded (SBIR, Smart Grid, Cyber Security)	34	33	1	9
	Information Technology Research Contracts:				
	• Dollars obligated	\$9,000K	\$7,588K	\$0K	\$1,193K
	* Actual obligations were approximately \$2.6 million above cumulative planned Target levels as a result of lower expenses from management and oversight funds that were redirected toward more funding for equipment.				
	** Approximately \$13.5 million was spent above cumulative Target levels as a result of additional funding provided to this activity from the mandated SBIR assessments on the ARRA MS&E Grants and Fellowships, Postdoctoral Research Fellowships, and Research Contracts amounts—and \$12 million in reimbursable funding received from the Department of Energy for Smart Grid.				
	Further results are available on the NIST ARRA Web site at <a href="http://www.nist.gov/recovery/">http://www.nist.gov/recovery/</a> .				
Comments	The measurements, standards, and technologies that are the essence of the work done by NIST's laboratories help U.S. industry and science to invent and manufacture superior products and to provide services reliably. NIST's programs are driven by six investment priority areas that address national priorities: Energy, Environment, Manufacturing, Health Care, Physical Infrastructure, and Information Technology. Funds provided by the ARRA will enhance NIST's efforts on the six investment priority areas by providing the "tools" and knowledge base needed to make progress. Focus will be on the eight activities noted in the earlier description section.				

BUREAU	NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY (NIST) <i>(continued)</i>
PROGRAM	CONSTRUCTION OF RESEARCH FACILITIES
Amount	\$360.0M
Description	<p>The following is a summary of the NIST planned activities funded in the Construction of Research Facilities appropriation by the ARRA.</p> <p><b><i>NIST Construction Projects (\$180.0 million):</i></b> includes complete the funding of the Precision Measurement Laboratory formerly known as the NIST Boulder Building 1 Extension (\$43.5 million); enhance the performance of the Precision Measurement Laboratory (\$25.0 million); carry out energy-efficient Safety, Capacity, Maintenance, and Major Repairs Program projects (\$31.0 million); high-efficiency cooling system, associated support infrastructure for the cooling system, and other support infrastructure for the NIST Center for Neutron Research (\$16.0 million); fund the design and construction of a National Structural Fire Resistance Laboratory (\$16.0 million); relocation and consolidation of advanced robotics and logistics operations from a decommissioned NIKE missile site to the NIST Gaithersburg site (\$9.0 million); fund the construction of a Liquid Helium Recovery System for the NIST Gaithersburg site (\$5.0 million); fund the construction of a Liquid Helium Recovery System for the NIST Boulder site (\$2.5 million); design and construct an Emergency Services Consolidated Facility in Gaithersburg (\$7.0 million); a Net-Zero-Energy Residential Test Facility at NIST Gaithersburg (\$2.0 million); and in-house oversight and construction management support of NIST construction projects (\$8.0 million). The original plan also included \$15 million to fund the design and construction of a new time-code radio broadcast station; but despite best efforts, NIST has been unsuccessful in finding a site or solution to realistically award this project by the end of FY 2010, which is the expiration date of NIST's ARRA funding.</p> <p><b><i>Competitive Construction Grants Program (\$180.0 million):</i></b> provides competitively awarded grants to U.S. universities, colleges, and not-for-profit research organizations for research science buildings through the construction of new buildings or expansion of existing buildings (\$179.0 million), and program management support and oversight of the construction grants program (\$1.0 million).</p>
Performance Measures/ Results	<p>Use of NIST ARRA funding was targeted to have maximal impact on meeting the goals of ARRA, including creating jobs, promoting economic recovery, providing investments needed to increase economic efficiency by spurring technological advances in science, and making investments in areas of research that will provide long-term economic benefits.</p> <p>The table below reflects performance measures that were reported in Recovery.gov on May 15, 2009 for NIST's Construction of Research Facilities ARRA appropriations. NIST has been collecting ARRA performance data on a quarterly basis. Data is included in the table for each measure for FY 2009 Target and Actuals, as well as FY 2010 Target and Actuals.</p>

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BUREAU	NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY (NIST) <i>(continued)</i>				
PROGRAM	CONSTRUCTION OF RESEARCH FACILITIES <i>(continued)</i>				
Performance Measures/ Results <i>(continued)</i>	MEASURES	FY 2009 TARGET	FY 2009 ACTUAL	FY 2010 TARGET	FY 2010 ACTUAL
	NIST construction projects:				
	• Dollars obligated	\$26,300K	\$10,956.1K	\$153,700K	\$164,362.1K
	• Number of facilities renovated	0	0	0	0
	• Number of facilities constructed	0	0	0	0
	Construction Grants (up to \$60M):				
	• Dollars obligated	\$60,000K	\$55,537.0K	\$0.00K	\$0.00K
	• Number of grants awarded	5	4	0	0
	• Number of research science facilities completed	0	0	0	0
	Construction Grants (approximately \$120M):				
	• Dollars obligated	\$0.00K	\$0.00K	\$120,000K	\$123,517.2K*
	• Number of grants awarded	0	0	10	12
	• Number of research science facilities completed	0	0	0	0
	* FY 2010 Actual obligations are approximately \$3.5 million above the cumulative Target levels as a result of redirecting excess funding from the first round Construction Grants competition (\$60 M) into the second round competition (\$120M).				
Comments	The measurements, standards, and technologies that are the essence of the work done by NIST's laboratories help U.S. industry and science to invent and manufacture superior products and to provide services reliably. NIST manages some of the world's most specialized measurement facilities where cutting-edge research is done in areas such as new and improved materials, advanced fuel cells, and biotechnology. Critically needed research facilities will help keep the Nation at the forefront of cutting-edge research and ensure that U.S. industry has the tools it needs to continually improve products and services. The investment now in these advanced research facilities will be recouped many times over in increased U.S. innovation, a critical ingredient for improved productivity and job creation. The construction projects will use green technologies where possible, and will improve energy efficiency and environmental performance of NIST facilities.				

BUREAU	NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION (NTIA)
PROGRAM	BROADBAND TECHNOLOGY OPPORTUNITIES PROGRAM (BTOP)
Amount	\$4,700.0M
Description	<p>In FY 2010, NTIA utilized approximately \$4 billion of ARRA funding for BTOP, which awarded grants to 233 projects to support deployment of broadband infrastructure, enhance and expand public computer centers, and encourage sustainable adoption of broadband service. The BTOP projects will:</p> <ul style="list-style-type: none"> <li>● Fund the installation or upgrade of approximately 120,000 miles of broadband networks, including fiber optics, wireless, microwave, and other technologies. Of this amount, approximately 70,000 miles involve construction of new broadband facilities.</li> <li>● Provide broadband access to approximately 24,000 community anchor institutions, including schools, libraries, government offices, health care facilities, and public safety entities.</li> <li>● Deploy middle-mile infrastructure in areas with nearly 40 million households and four million businesses, many of which will benefit from new or improved broadband service provided by last-mile providers that are able to utilize the new, open infrastructure to extend or upgrade their service for consumer and business customers.</li> <li>● Invest in more than 3,500 new or upgraded public computer centers in libraries, schools, community centers, and other public locations.</li> <li>● Invest in more than 35,000 new or upgraded public computer workstations.</li> <li>● Make public computer center workstations and training available to more than one million new users.</li> </ul> <p>These anticipated benefits will be realized over the life of each project, which must be substantially complete within two years and fully complete within three years.</p> <p>NTIA's State Broadband Data and Development grant program implements the joint purposes of the ARRA and the Broadband Data Improvement Act (BDIA), which envisioned a comprehensive program to integrate broadband and information technology into state and local economies. ARRA provided up to \$350 million for implementation of the BDIA and to develop and maintain the national broadband map. NTIA has awarded a total of \$293 million in grants among all 56 eligible entities.</p>

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BUREAU	NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION (NTIA) <i>(continued)</i>				
PROGRAM	BROADBAND TECHNOLOGY OPPORTUNITIES PROGRAM (BTOP) <i>(continued)</i>				
Performance Measures/Results	Current and planned performance measures include:				
		FY 2010 Actual	FY 2011 Target	FY 2012 Target	FY 2013 Target
	New broadband network miles deployed	N/A	10,000	30,000	50,000
	Community anchor institutions with new or improved access to broadband services	N/A	3,000	10,000	15,000
	New public computer center workstations installed and available to the public	N/A	10,000	20,000	25,000
	New sustainable broadband adoption subscribers (households, businesses, and/or institutions)	N/A	100,000	250,000	350,000
Comments	BTOP provides grants to support the deployment of broadband infrastructure in unserved and underserved areas, to enhance broadband capacity at public computer centers, and to encourage sustainable adoption of broadband service. Through this support, BTOP will also advance the ARRA's objectives to spur job creation and stimulate long-term economic growth and opportunity.				

## HIGH RISK ISSUE/2010 DECENNIAL CENSUS



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

## GOAL

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

## CHALLENGES/ACTIONS

- **Develop an integrated and comprehensive plan to control costs and manage operations**
  - ◆ Improved management practices and communications by conducting regularly scheduled meetings with internal and external management/stakeholders.
  - ◆ Managed the schedule with weekly analysis of the activities and milestones contained in the integrated project schedule.
- **Strengthen risk management activities and systems testing**
  - ◆ Developed mitigation and contingency plans to accompany the risk management plan.
  - ◆ Reviewed and updated the risk register and ensure ongoing involvement of senior management in risk review.
  - ◆ Developed detailed testing plans, including gap analysis.
  - ◆ Conducted and monitored system testing across the 2010 Decennial Census program.
- **Improve management of the Field Data Collection Automation (FDCA) effort**
  - ◆ Conducted and monitored extensive testing, including coding and unit testing, field testing, production integration testing, and operational readiness testing (by the Census Bureau and contractors).
  - ◆ Successfully completed Address Canvassing ahead of schedule, using automated handheld computers supplied by the FDCA contractor.
  - ◆ Oversaw successful deployment, by the FDCA contractor, of equipment and systems to the local census offices.

## HIGH PRIORITY PERFORMANCE GOALS

**H**igh priority performance goals (HPPG) are a clear statement of the specific, measurable, ambitious near-term priority targets chosen by the senior leaders of major federal agencies. The HPPGs 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 2011 Budget. The HPPGs constitute the priority operational targets the agency will work to accomplish within 18 to 24 months of setting the targets. This distinguishes the HPPGs 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).

<b>GOAL</b>	<b>2010 DECENNIAL CENSUS:</b> Effectively execute the 2010 Census, and provide the states with accurate and timely redistricting data. (Timely completion of milestones to conduct the 2010 Census and provide redistricting data as mandated by law.)		
<b>BUREAU</b>	<b>CENSUS BUREAU</b>		
<b>Performance Measures</b>	Achieve an accuracy level of an overall net coverage error at the national level of less than one-half of one percent.		
<b>Description</b>	The overall net coverage error is determined by an independent follow-up survey which measures the accuracy of the census results. The survey estimates both the number of households missed and those either mistakenly counted or counted multiple times. The undercount and overcount percentages are derived by subtracting the number of people counted in the census from the number of people measured in the survey and then dividing by the estimate of the total population according to the survey. A net overcount occurs if the resulting percentage is negative, while a positive percentage indicates a net undercount.		
<b>Results</b>	<b>Fiscal Year</b>	<b>Target</b>	<b>Actual</b>
	1991		1.61%
	2003		-0.49%
	2012	+/-0.5%	
<b>Milestones</b>	<b><i>Deliver 2010 Census Questionnaires:</i></b> Completed by April 9, 2010. Delivered 2010 Census questionnaires which consisted of the mailing of advance letters, initial questionnaires, reminder postcards, and replacement mailings.		
	<b><i>Update Leave and Update Enumerate:</i></b> Completed by June 1, 2010. Conducted update leave and update enumerate operations in which enumerators deliver census questionnaires or conduct interviews in communities that may not have a house number and street name address.		
	<b><i>Group Quarters Enumeration:</i></b> Conduct enumeration of group quarters. The operation consists of the field enumeration of individuals in group quarters, such as college dormitories, correctional facilities, military vessels, and nursing facilities.		
	<b><i>Nonresponse Follow-up:</i></b> Completed by July 10, 2010. Conducted nonresponse follow-up operation which includes follow-up visits and phone calls to all housing units that did not respond to the mailout questionnaires.		

(continued)

<b>GOAL</b>	<b>2010 DECENNIAL CENSUS:</b> Effectively execute the 2010 Census, and provide the states with accurate and timely redistricting data. <i>(continued)</i>
<b>BUREAU</b>	<b>CENSUS BUREAU</b> <i>(continued)</i>
<b>Milestones</b> <i>(continued)</i>	<b>Coverage Follow-up:</b> Conduct coverage follow-up operation which resolves erroneous information in initial census operations.
	<b>Vacant Delete Check:</b> Conduct vacant delete check operation by confirming vacant or nonexistent housing unit statuses identified during nonresponse follow-up.
	<b>Census Coverage Measurement:</b> Operations for census coverage measurement. These are independent of the other census operations. They are designed to provide estimates of net coverage error and erroneous enumerations for persons in housing units and for the housing units themselves.

<b>GOAL</b>	<b>INTELLECTUAL PROPERTY (IP) PROTECTION:</b> Reduce patent pendency for first action and for final actions from the end of 2009 levels of 25.8 and 34.6 months respectively by the end of 2011, as well as the patent backlog.						
<b>BUREAU</b>	<b>U.S. PATENT AND TRADEMARK OFFICE (USPTO)</b>						
<b>Performance Measures</b>	First Action Patent Pendency		Final Action Patent Pendency		Patent Backlog		
<b>Description</b>	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.		
<b>Results</b>	<b>Fiscal Year</b>	<b>Target</b>	<b>Actual</b>	<b>Target</b>	<b>Actual</b>	<b>Target</b>	<b>Actual</b>
	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	29.1	594,800	586,580
	2006	22	22.6	31.3	31.1	680,700	674,333
	2007	23.7	25.3	33	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	TBD <sup>1</sup>
	2011	25.7		34.1		635,700	
	2012	19.3		34.7		556,800	
	2013	14.9		28.3		477,800	
	2014	10.9		23.9		410,300	
	2015	10.2		19.9		377,000	

<sup>1</sup> Final actuals should be available by January 1, 2011.

*(continued)*

<b>GOAL</b>	<b>INTELLECTUAL PROPERTY (IP) PROTECTION:</b> Reduce patent pendency for first action and for final actions from the end of 2009 levels of 25.8 and 34.6 months respectively by the end of 2011, as well as the patent backlog. <i>(continued)</i>
<b>BUREAU</b>	<b>U.S. PATENT AND TRADEMARK OFFICE (USPTO)</b> <i>(continued)</i>
<b>Milestones</b>	<p><b><i>Re-engineer the Examiner Count System:</i></b> Completed by March 30, 2010. USPTO adopted significant revisions to the patent examiner production (count) system. The new count system is expected to set the foundation for long-term pendency improvements by encouraging early identification of patentable subject matter, helping examiners resolve issues more quickly and rebalancing incentives both internally and externally to decrease re-work. It is also expected to see quality gains as a result of giving examiners more time to do a thorough search and examination.</p> <p><b><i>Project Exchange:</i></b> The Project Exchange pilot will allow advancement of an application in exchange for express withdrawal of another application, and will enable applicants to focus USPTO resources on what is important, rather than having examiners review applications that are no longer important to their owners.</p> <p><b>Institutionalize Compact Prosecution of Applications:</b> Encourage the practice of finding the core issues with patent applications and resolving them—conducting a complete initial search, issuing a complete first office action, and identifying allowable subject matter so as to expedite prosecution. This will be accomplished through specific training programs.</p> <p><b><i>Measurement and Tracking of Patent Quality:</i></b> Along with its Patent Public Advisory Committee,, USPTO has engaged its stakeholders in roundtable discussions on the best way to address patent process inefficiencies, while also improving patent quality and reducing overall application pendency. USPTO has sought specific public input on improving the process for obtaining the best prior art, preparation of the initial application, and examination and prosecution of the application, along with identifying appropriate indicia of quality, and establishing metrics for the measurement of the indicia.</p> <p><b><i>Improve and Provide More Effective Training:</i></b> Provide Leadership Development Program and additional training for examiners and supervisory patent examiners. Patent managers and supervisors are participating in a newly developed, state-of-the-art leadership development program. This program is designed to foster the development of all employees and to help managers and supervisors hone their skills so they can enable all employees to reach their full potential. USPTO is giving all of its patent examiners detailed training in efficient interview techniques, compact prosecution, and negotiations. This training is all targeted to streamline the examination process by working with applicants to identify and correctly resolve issues early in the process, thereby reducing patent application backlog and pendency. The Office of Patent Training has developed a catalog of refresher training courses for patent examiners to enhance the quality of examination. In FY 2010, over 1,600 requests for refresher training have been registered in the Commerce Learning Center. The Office of Patent Training will continue to enhance and expand the courses being offered. The ISO 9001 certified New Examiner Training program continues to evolve in order to meet the changing needs of USPTO. The former New Examiner Training Program has been re-engineered to serve two different groups of new hires. The Experienced IP Program is a four-week, accelerated training program that is being successfully piloted with examiners who have prior IP experience. The former eight-month new examiner program has been redesigned into a one-year program that consists of a four-month curriculum in the Patent Training Academy followed by an eight-month, on the job training program in the Technology Centers.</p> <p><b><i>Ombudsman Pilot Program:</i></b> The USPTO Ombudsman program is intended to provide patent applicants, attorneys, and agents assistance with application-specific issues including concerns related to prosecution advancement. The objective is to quickly resolve issues, and thereby to decrease pendency.</p>

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<b>GOAL</b>	<b>INTELLECTUAL PROPERTY (IP) PROTECTION:</b> Reduce patent pendency for first action and for final actions from the end of 2009 levels of 25.8 and 34.6 months respectively by the end of 2011, as well as the patent backlog. <i>(continued)</i>
<b>BUREAU</b>	<b>U.S. PATENT AND TRADEMARK OFFICE (USPTO) <i>(continued)</i></b>
<b>Milestones <i>(continued)</i></b>	<p><b><i>Develop and Implement the Patent End-to-End Processing System:</i></b> USPTO legacy patent systems are based on obsolete technologies that are difficult to maintain, leaving USPTO highly vulnerable to disruptions in patent operations. Patents databases are among the world's largest, and continue to grow at multiple terabytes per year, further raising the possibility of failure. Automation of many manual business functions has been deferred because of the limitations of legacy systems. A new generation of patent systems is needed, built upon modern data formats to provide end-to-end electronic processing. A first deliverable will be the delivery prototype core patent processing infrastructure.</p> <p><b><i>Prioritize Work – Green Technology Acceleration:</i></b> Green technology acceleration allows inventors to accelerate applications in certain technologies. Pending patent applications in green technologies are eligible to be accorded special status and given expedited examination; the Green Technology Pilot Program will accelerate the development and deployment of green technology, create green jobs, and promote U.S. competitiveness in this vital sector. Patent applications are normally taken up for examination in the order that they are filed. Under the pilot program, for the first 3,000 applications related to green technologies in which a proper petition is filed, the Agency will examine the applications on an accelerated basis. Upon receipt of more than 3,000 petitions, USPTO may reevaluate the workload and resources needed to extend the pilot program.</p> <p><b><i>Hire Patent Examiners:</i></b> Hire 1,000 patent examiners in FY 2011.</p> <p><b><i>Target Overtime to High Backlog Areas:</i></b> Strategically target overtime to Technology Center units with highest backlogs and permit other examiners to work overtime in the targeted areas. Overtime is a critical element of USPTO's plan to reduce the backlog of pending patent applications and to achieve its pendency goals. Over the years, overtime has proven to be more efficient on a per hour basis than equivalent regular time hour, since each overtime hour worked is directly tied to production output. Overtime also allows USPTO to manage its workload without adding additional new hires. Its inherent flexibility allows the Agency to further expand its production capacity while maintaining optimal staffing levels. Based on funding availability, USPTO plans to prioritize the use of overtime and target areas with highest backlogs first, then other areas as resources permit.</p> <p><b><i>Institute a "Nationwide Workforce":</i></b> USPTO will develop a nationwide workforce using telework which will allow it to hire experienced IP professionals interested in joining USPTO, but who do not want to relocate to the Washington, D.C. region. It is expected that this different hiring demographic will provide a more productive and balanced workforce, lower attrition, and faster transition to productivity for new hires. This pilot program is targeted to begin in FY 2011 third quarter and USPTO is forecasting to hire 25 examiners per quarter.</p> <p><b><i>Reformulate Performance Appraisal Plans:</i></b> Senior executive service performance appraisal plans will continually be revised to ensure that they are more aligned with the strategic plan goals and objectives, and flexible enough to adapt to changing conditions.</p>

GOAL	COASTAL AND OCEAN RESOURCE MANAGEMENT: Ensure environmentally and economically resilient oceans, coasts, and Great Lakes communities, with healthy and productive ecosystems.						
BUREAU	NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA)						
Performance Measures	Ensure that all 46 federal fishery management plans have required catch limits to end overfishing in place by the end of 2011.	Reduce the number of stocks subject to overfishing to zero by the end of 2011.		Improve the Fish Stock Sustainability Index (FSSI) to 586 by the end of 2011.			
Description	This measure tracks the number of federal fishery management plans in place that require annual catch limits and accountability measures to end overfishing by the end of 2011. NOAA staff track the status of annual catch limits implementation using information from the eight regional Fishery Management Councils and NOAA Fisheries regional offices. Fishery management processes were established by Congress, which has established the role of the Fishery Management Councils in developing fishery management plans.	This is the number of non-exempt overfishing stocks not being fished under an annual catch limit. Assessments in future years will confirm that overfishing has ended.		The FSSI is a measure of stock assessments and overfishing. The target represents a four percent increase above the FSSI score at the end of 2009. (Because the FSSI does not score a stock as "not subject to overfishing" until such status has been confirmed through subsequent survey and analysis, the improvements sought in overfishing will not be fully reflected in the 2011 FSSI level.)			
Results	Fiscal Year	Target	Actual	Target	Actual	Target	Actual
	2003		NA		34		NA
	2004		NA		36		NA
	2005		NA		36		481.5
	2006		NA		39	507	501
	2007		0		35	505	516
	2008		0		31	530.5	535
	2009		1		24	548.5	565.5
	2010	5	5	15	14	580	582.5
	2011	23		0		586	
Milestones	<b>Ensure all 46 Federal Fishery Management Plans Have Required Catch Limits to End Overfishing:</b> As of March 31, 2010, two fishery management plans had annual catch limits in place. One for the Arctic and one for the Gulf of Mexico Reef Fish.						

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<b>GOAL</b>	<b>COASTAL AND OCEAN RESOURCE MANAGEMENT:</b> Ensure environmentally and economically resilient oceans, coasts, and Great Lakes communities, with healthy and productive ecosystems. <i>(continued)</i>
<b>BUREAU</b>	<b>NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA)</b> <i>(continued)</i>
<b>Milestones</b> <i>(continued)</i>	<p><b><i>Reduce the Number of Stocks Subject to Overfishing to Zero by the End of 2011:</i></b> As of March 31, 2010, 41 stocks were subject to overfishing. Four of these stocks, in New England, were declared subject to overfishing in March 2010. However, on May 1, 2010, the New England Fishery Management Council placed annual catch limits on these four stocks as well as seven others currently subject to overfishing. Twenty-eight of the stocks currently subject to overfishing will be managed under annual catch limits by the end of 2010. Eight of these stocks are subject to overfishing due to international fishing efforts, and are exempt from the requirement for annual catch limits because U.S. fishing management measures cannot independently end overfishing on these stocks.</p> <p><b><i>Increase the FSSI to 586 by the End of 2011:</i></b> The index is a measure of fish stock status that includes fishing rates and population levels. As of March 31, 2010, the index was at 571.5 out of a possible 920, up from 565.5 in 2009 and 481.5 in 2005. The National Marine Fisheries Service is targeting the index to increase to 580 by the end of FY 2010, and to 586 by the end of FY 2011. Progress in NOAA's effort to end overfishing continues to increase the FSSI score. As of June 30, 2010, overfishing on black grouper in the South Atlantic was found to have ended, and red grouper in the South Atlantic and black grouper in the Gulf of Mexico (which were newly assessed) were found not to be subject to overfishing. In the Northeast region, the spiny dogfish stock is now rebuilt. These improvements in stock status increased the FSSI by nine points, advancing the Agency further toward its goal of reaching a score of 586 by the end of 2011.</p> <p><b><i>Provide Updated Fishery Stock Assessment Reports to Regional and International Management Agencies:</i></b> The National Marine Fisheries Service Fisheries Science Centers annually collect, analyze, and interpret information on the status of managed fish stocks to meet requirements of the Magnuson-Stevens Act and international agreements. Approximately 80 individual assessments are conducted and peer-reviewed through region-specific processes and priorities based on national guidelines. Assessment results are used to implement updates to fishery quotas and other management measures, determine the status of fish stocks with respect to overfishing criteria, and track rebuilding of previously overfished stocks. These assessments also provide information for calculating the FSSI and the scientific basis for implementing annual catch limits. The centers produced 11 reports.</p>

GOAL	BROADBAND ACCESS: Efficiently and effectively implement the Broadband Technology Opportunities Program (BTOP), to expand service to communities in a cost-effective manner that maximizes impacts on economic growth, education, health care, and public safety.								
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 funds will be used to support projects that provide broadband service in unserved areas and enhance broadband service in underserved areas of the United States. NTIA will fund infrastructure projects that deploy a variety of technologies and approaches to enhance the Nation's broadband capabilities. This performance measure contains the number of miles of network (e.g., fiber, microwave) deployed using BTOP funding.	The American Recovery and Reinvestment Act (ARRA) places a high priority on deploying and enhancing broadband capabilities for community anchor institutions such as libraries, hospitals, schools, and public safety entities. This performance measure contains the number of anchor institutions (as defined in the program's Notice of Funds Availability) connected with new or improved broadband capabilities.			NTIA must award at least \$200 million in grants by the end of FY 2010 to expand public computer center capacity. This performance measure contains the number of new and improved computer workstations funded through the BTOP Public Computer Centers category of funding.		NTIA must award at least \$250 million in grants by the end of FY 2010 for innovative programs to encourage sustainable adoption of broadband service. This performance measure contains the number of new household and business subscribers to broadband generated by projects funded through the BTOP Sustainable Broadband Adoption category of funding, as reported by awardees.		
Results	Fiscal Year	Target	Actual	Target	Actual	Target	Actual	Target	Actual
	2010								
	2011	10,000		3,000		10,000		100,000	
Milestones (completed in FY 2010)	<b>Manage Demand:</b> Activities. More clearly articulate Notice of Funds Availability to manage demand in the second round—examples include focusing on funding priorities (e.g., the Comprehensive Community Infrastructure) and setting investment floors and ceilings. <b>Desired Impact.</b> Lower application volume and higher quality applications.								
	<b>Improve End-to-End Review Process:</b> Activities. Study the end-to-end review process; identify areas of time savings, reduce duplication of effort, and streamline reviews. <b>Desired Impact.</b> Reduce inefficient or potentially duplicative activities during review.								

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<b>GOAL</b>	<b>BROADBAND ACCESS:</b> Efficiently and effectively implement the Broadband Technology Opportunities Program (BTOP), to expand service to communities in a cost-effective manner that maximizes impacts on economic growth, education, health care, and public safety. <i>(continued)</i>
<b>BUREAU</b>	<b>NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION (NTIA)</b> <i>(continued)</i>
<b>Milestones (completed in FY 2010) (continued)</b>	<p><b><i>Incorporate Portfolio Analysis for "Smart Review":</i></b> Activities. Use decision analytics to prioritize applications for review such that those that best fit program priorities and round out the investment portfolio to meet statutory objectives are reviewed first. <b><i>Desired Impact.</i></b> Increase award yield from due diligence, limiting time working cases that do not get awarded.</p> <p><b><i>Establish Interim Gates to Govern Allocation:</i></b> Activities. Insert check points in the process to ensure cases fill gaps in the portfolio and are appropriately resourced to their complexity and size. <b><i>Desired Impact.</i></b> Better allocate time to review specific cases and identify more non-refundable cases before expending effort to review.</p> <p><b><i>Reduce Average Due Diligence Time:</i></b> Activities. Collapse key review steps during due diligence to focus analyses on only the factors that affect decisions. <b><i>Desired Impact.</i></b> Cut hours spent in due diligence by 50 percent.</p> <p><b><i>Streamline Decision Process:</i></b> Activities. Streamline efforts to develop and gain approval on recommendation decisions (to include less back and forth with grantees, overbuild evaluation, and more focused engagement of public relations). <b><i>Desired Impact.</i></b> Reduce group time spent in decision meetings and responding to ad hoc inquiries during decision process.</p>

<b>GOAL</b>	<b>EXPORT OPPORTUNITIES:</b> Increase the annual number of small and medium-sized enterprises (SME) the Commercial Service successfully assists in exporting to a second or additional country by 40 percent from 2009 to 2011.
<b>BUREAU</b>	<b>INTERNATIONAL TRADE ADMINISTRATION (ITA)</b>
<b>Performance Measures</b>	Increase the annual number of small and medium-sized enterprises (SME) the Commercial Service successfully assists in exporting to a second or additional country by 40 percent from 2009 to 2011.
<b>Description</b>	This metric demonstrates ITA's effectiveness at helping companies, particularly SMEs, export to a country for the first time. It counts the number of SMEs, which are defined as U.S. companies with less than 500 employees, that achieve an export to a country they have not exported to in 12 months due in part to Commercial Service assistance. This assistance includes but is not limited to in-depth market entry counseling, business-to-business matchmaking, market research and intelligence, trade show support, and due diligence on foreign buyers and partners. Although data was collected for this metric starting in FY 2001, it was not formally adopted as a performance measure until FY 2009 following an analysis of historical data that showed declining results starting in FY 2006. In response to this trend, the Commercial Service adopted this performance measure in FY 2009 with aggressive targets for FY 2009 and FY 2010 set to exceed historical performance. Since that time, the Commercial Service has reupped its commitment to helping companies enter new markets by setting an even more ambitious target for FY 2011.

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<b>GOAL</b>	<b>EXPORT OPPORTUNITIES:</b> Increase the annual number of small and medium-sized enterprises (SME) the Commercial Service successfully assists in exporting to a second or additional country by 40 percent from 2009 to 2011. <i>(continued)</i>		
<b>BUREAU</b>	<b>INTERNATIONAL TRADE ADMINISTRATION (ITA) <i>(continued)</i></b>		
<b>Results</b>	<b>Fiscal Year</b>	<b>Target</b>	<b>Actual</b>
	2003		
	2004		2,828
	2005		2,943
	2006		2,569
	2007		2,453
	2008		2,197
	2009	3,130	2,876
	2010	3,513	2,813
	2011	4,026	
<b>Milestones</b>	<b><i>National Export Marketing Campaign Plan:</i></b> Completed by March 19, 2010. Drafted a new national data-mining, lead-generation, and marketing plan that leverages the Commercial Service strategic partnerships to help U.S. companies expand exports from one to multiple markets.		
	<b><i>National Export Marketing Campaign Phase 1:</i></b> Refine contact lists of SME exporters provided by strategic partners to just high potential leads. Design marketing materials and create online content. Train the Commercial Service and strategic partner staff on the program.		
	<b><i>National Export Marketing Campaign Phase 2:</i></b> Initial marketing push to a subset of the contact list. Track results and adjust process as needed.		
	<b><i>National Export Marketing Campaign Phase 3:</i></b> Roll out marketing campaign and track results.		
	<b><i>International Buyer Program Expansion Plan:</i></b> Completed by March 19, 2010. Drafted a plan to increase the dollar value of exports resulting from foreign buyer attendance at U.S. trade shows.		
	<b><i>International Buyer Program Expansion Phase 1:</i></b> Conduct targeted outreach to trade show organizers, industry associations, and the international business community.		
	<b><i>International Buyer Program Expansion Phase 2:</i></b> Work with trade show organizers to develop customized programs to fit the needs and interests of companies in the industry. Coordinate with domestic and international Commercial Service field staff and other U.S. government agencies to provide hands-on assistance including export counseling, marketing analysis, and matchmaking services on-site at U.S. trade shows.		
	<b><i>MDCP Plan:</i></b> Completed by March 19, 2010. Developed a plan to increase the Market Development Cooperator Program (MDCP)-related exports and expedite the timeline to award MDCP recipients in FY 2010.		
	<b><i>MDCP Phase 1:</i></b> Completed by April 19, 2010. Expedited application deadline for FY 2010 (ITA received 50 MDCP applications).		
	<b><i>MDCP Phase 2:</i></b> Announce MDCP award recipients in mid-July and develop export action plans.		
	<b><i>Services Industry Export Expansion Plan:</i></b> Completed by March 19, 2010. Developed services export expansion plan to identify and focus on key growth industries in targeted markets, including travel and tourism. Also, leveraged financial services and supply chain/infrastructure services to facilitate goods exports.		

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<b>GOAL</b>	<b>EXPORT OPPORTUNITIES:</b> Increase the annual number of small and medium-sized enterprises (SME) the Commercial Service successfully assists in exporting to a second or additional country by 40 percent from 2009 to 2011. <i>(continued)</i>
<b>BUREAU</b>	<b>INTERNATIONAL TRADE ADMINISTRATION (ITA) <i>(continued)</i></b>
<b>Milestones <i>(continued)</i></b>	<p><b><i>Services Industry Export Expansion – Supply chain/Infrastructure Outreach:</i></b> Expanded supply chain/infrastructure outreach focus groups in Atlanta, Chicago, New Orleans (subject to oil spill resource limitations locally), and Seattle.</p> <p><b><i>Services Industry Export Expansion – Services Trade Data:</i></b> Expanded the Services Trade Data conference to bring together the results of the preceding focus groups and define larger objectives for data issues going forward.</p> <p><b><i>Services Industry Export Expansion – Trade Finance Seminars:</i></b> Expanded trade finance seminars in Miami, FL, Cleveland, OH, Philadelphia, PA, Pittsburgh, PA, and Southern California to bring together exporters with regional and community lenders to facilitate financing of U.S. exports. Engage tourism policy counterparts to expand high growth export markets.</p> <p><b><i>Services Industry Export Expansion –Tourism:</i></b> Secretary Locke chaired the first meeting of the interagency Tourism Policy Council (TPC) on April 27. The working group on implementing the Travel Promotion Act met on May 13 and participants discussed progress on the fee that will fund the Corporation for Travel Promotion. The second TPC Working Group Meeting on was held on June 29. Subsequent TPC meetings are being scheduled.</p> <p><b><i>Green Exporter Outreach Plan:</i></b> Completed by March 19, 2010. Developed a plan to identify and target U.S. companies with green technology solutions, and improve coordination and delivery of U.S. government services to the clean energy sector.</p> <p><b><i>Green Exporter Outreach Phase 1:</i></b> Conducted targeted trade promotion and policy events. Develop a Competitive Assessment to (1) establish a baseline of U.S. green technology exports; and (2) articulate a common U.S. government understanding of the current competitiveness of the U.S. clean energy industry.</p> <p><b><i>Green Exporter Outreach Phase 2:</i></b> Launched the Renewable Energy and Energy Efficiency (REEE) Export Strategy to double U.S. REEE exports in five years.</p>

<b>GOAL</b>	<b>SUSTAINABLE MANUFACTURING AND BUILDING PRACTICES:</b> Raise the number of firms adopting sustainable manufacturing processes through the NIST Manufacturing Extension Partnership (MEP) by 250 by the end of 2011. Raise 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 Leadership in Energy and Environmental Design (LEED) or a comparable third-party certification program to 12 percent.				
<b>BUREAU</b>	<b>NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY (NIST) AND ECONOMIC DEVELOPMENT ADMINISTRATION (EDA)</b>				
<b>Performance Measures</b>	Raise 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 Leadership in Energy and Environmental Design (LEED) or a comparable third-party certification program to 12 percent.		Raise the number of firms adopting sustainable manufacturing processes through the NIST Manufacturing Extension Partnership by 250 by the end of 2011.		
<b>Description</b>	FY 2011 targets are based on FY 2011 Global Climate Change Mitigation Incentive Fund (GCCMIF) funding being similar to that of FY 2010. Data and targets are cumulative toward the end of FY 2010 fourth quarter and resets in FY 2011 first quarter to be cumulative toward FY 2011 fourth quarter. EDA may be modifying its grant application process, including the establishment of quarterly deadlines for the submittal and review of applications. As such, there may be an opportunity to set more "level" targets for the HPPG in FY 2011. However, as the largest program contributor to the HPPG, the GCCMIF—and its associated late-fiscal year Congressional approvals/requirements—will prevent a complete leveling of targets.		This measure tracks the number of firms adopting economically and environmentally sustainable practices and products through the NIST Hollings MEP program.		
<b>Results</b>	<b>Fiscal Year</b>	<b>Target</b>	<b>Actual</b>	<b>Target</b>	<b>Actual</b>
	2008		7%		
	2009		9%		46
	2010	12%	12%	173	266
	2011	12%		296	

(continued)

<b>GOAL</b>	<b>SUSTAINABLE MANUFACTURING AND BUILDING PRACTICES:</b> Raise the number of firms adopting sustainable manufacturing processes through the NIST Manufacturing Extension Partnership (MEP) by 250 by the end of 2011. Raise 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 Leadership in Energy and Environmental Design (LEED) or a comparable third-party certification program to 12 percent. <i>(continued)</i>
<b>BUREAU</b>	<b>NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY (NIST) AND ECONOMIC DEVELOPMENT ADMINISTRATION (EDA) <i>(continued)</i></b>
<b>Milestones</b>	<p><b><i>Manufacturing Extension Partnership (MEP):</i></b> To raise the number of firms adopting sustainable manufacturing processes through the NIST MEP by 250 by the end of 2011, MEP is working to expand the capacity of the existing and partner resources to support additional Economy, Energy and Environment (E3) Initiative (<a href="http://www.e3.gov">www.e3.gov</a>) community activities and the Green Suppliers Network (GSN) program (<a href="http://www.greensuppliers.gov">www.greensuppliers.gov</a>). In FY 2010, MEP has carried out the following activities in support of this goal: (1) completed 94 of 100 E3/GSN projects with reported impact; (2) developed two additional regions and began development of two new regions adopting E3 activities; (3) identified 11 new program champions; (4) developed four new strategic partnerships; and, (5) completed three industry panels to present and communicate initiatives. The key challenge for meeting this sustainable manufacturing goal is to achieve a partner-supported and other federal agency matched funding model which sustains operations on a multi-year basis. This will allow the agency(s) to expand the capacity of the E3 and GSN programs to additional communities while bolstering the pilot activities that have already been initiated.</p> <p><b><i>Leadership in Energy and Environmental Design (LEED) Construction Projects:</i></b> EDA will monitor progress on a quarterly basis by tracking the number of projects that are LEED certified and aim to meet the 12 percent threshold by the end of the fiscal year. EDA has already implemented Environmentally Sustainable Development as one of its six core funding priorities. Accordingly, EDA will give priority to projects that build the green economy in its evaluation of all project proposals (not just GCCMIF). EDA also contemplates including a measure related to this in its balanced scorecard metrics.</p>





# PERFORMANCE SECTION

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## INTRODUCTION TO THE PERFORMANCE SECTION

**I**n fiscal year (FY) 2010, the Department accomplished its mission through three strategic goals and an overarching management integration goal that articulate long-term goals, as well as performance outcomes and objectives that represent shorter-term outcomes and priorities. Performance outcomes include specific targets designed to achieve specific performance results within a given fiscal year.

The Performance Section of the report comprises subsections for each of the strategic goals and is organized in the following manner:

SUBSECTION	PURPOSE
Strategic Goal	Overall summary of the strategic goal.
Strategic Objective	Overall summary of outcomes, program obligations, and performance outcomes that fall under each objective. The information contained in the objective provides the performance outcomes and the activities associated with them.
Performance Outcome	Performance Outcome Description, Achievements, and selected Program Evaluations. The information contained in each performance outcome is designed to provide the reader with the overall achievements of the performance outcome.

Within each strategic goal section there are summary charts that provide the historical trend data for financial obligations and full-time equivalents (FTE) resources, and overall performance results. At the beginning of each strategic goal section and each objective section is a table summarizing the performance outcomes. In the description of each performance outcome is a performance table (with shaded status cells) that shows the status of the performance measures associated with that outcome: exceeded (more than 125 percent of target), met (100-124 percent), slightly below target (95-99 percent) and not met (below 95 percent of target). Status cells for exceeded measures are shaded blue; met, green; slightly below, yellow; and not met, red. In addition, a new category, "improved, but not met," was added in FY 2008. Status cells for this category are shaded orange, with this category applying to any year in which the actuals for the given year are better than the previous year, but the target still was not met. All dollar amounts shown are in millions, unless otherwise indicated.

Historical details on each performance result are located in Appendix A, which provides individual measurement results.

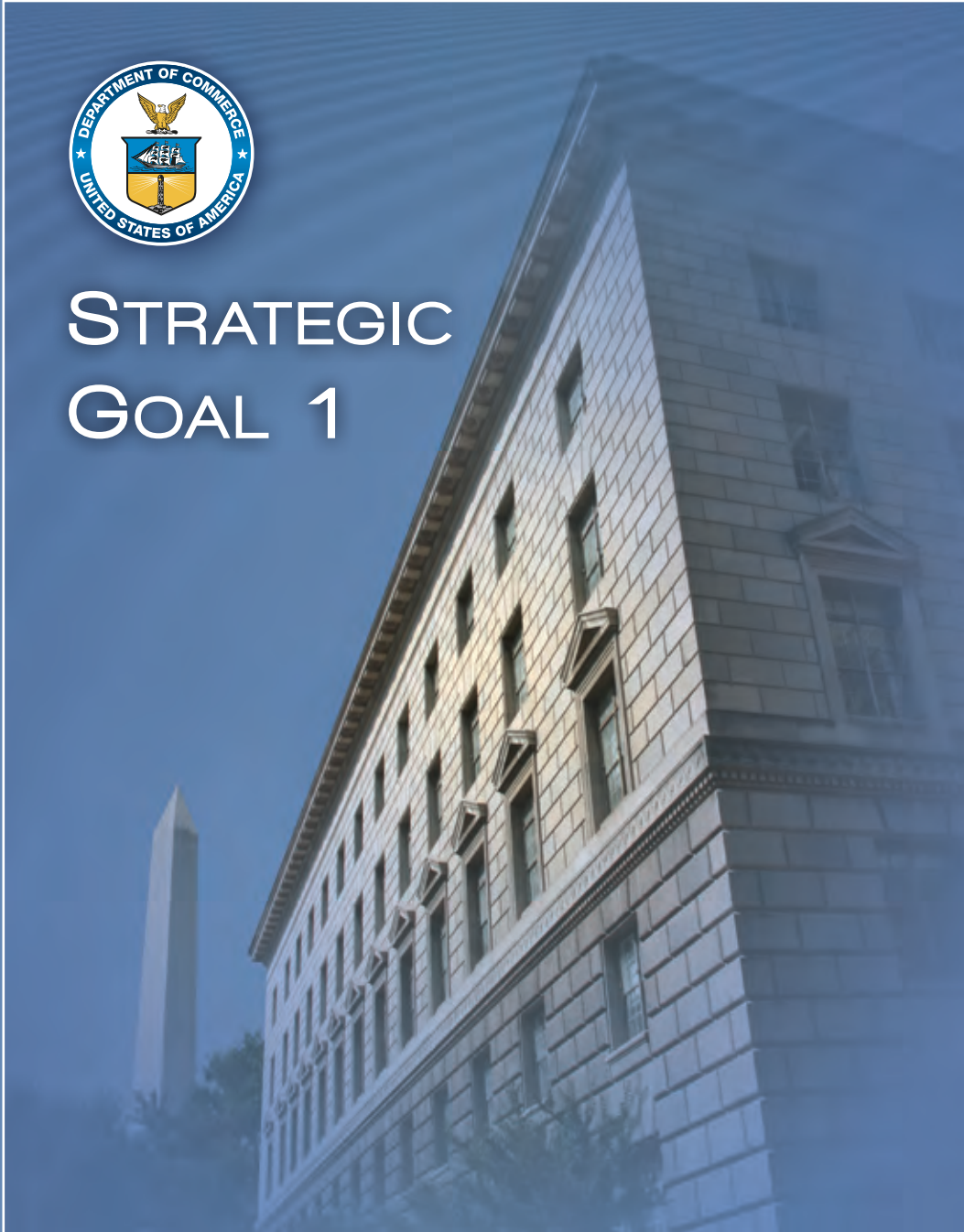
Note that the FY 2010 targets were developed prior to having the FY 2009 actuals. Often the FY 2010 targets were made based on prior year trends. Therefore, in some cases it may be that the FY 2009 actuals exceed the FY 2010 targets, especially if they exceeded the original FY 2009 targets.

"Strategies, Plans, and Challenges for the Future" are no longer included in the Performance Section since they are more forward in nature as opposed to this Performance and Accountability Report (PAR) which reports on FY 2010 performance. Strategies, Plans, and Challenges for the Future are included in the Annual Performance Plans of the bureaus (part of the Budget Submission) and the Departmental Strategic Plan.

# PERFORMANCE SECTION



## STRATEGIC GOAL 1



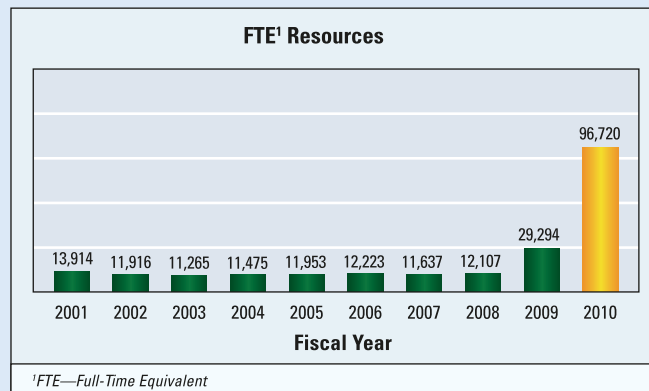
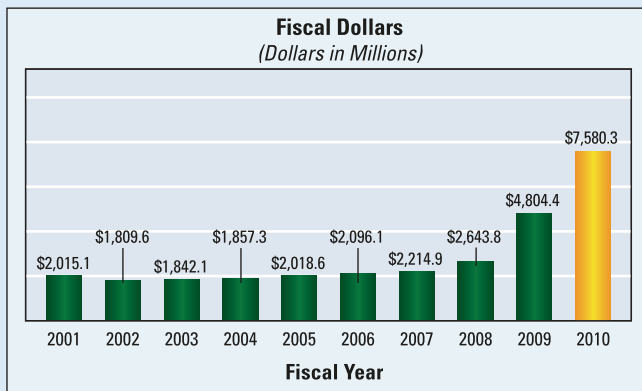
PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
Promote private investment and job creation in economically distressed communities (EDA)	5 of 6
Improve community capacity to achieve and sustain economic growth (EDA)	3 of 6
Increase access to the marketplace and financing for minority-owned businesses (MBDA)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



## STRATEGIC GOAL 1

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

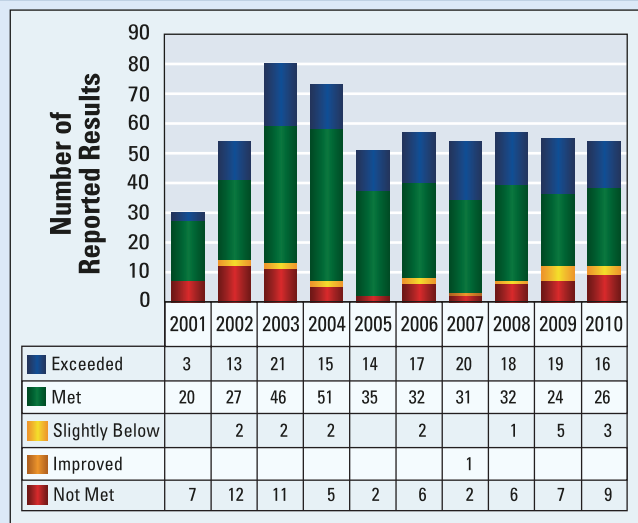
### STRATEGIC GOAL 1 TOTAL RESOURCES



### PUBLIC BENEFITS AND SUMMARY OF PERFORMANCE

The Department is committed to opening and expanding foreign markets for U.S. goods and services and improving the Nation's export performance. The International Trade Administration (ITA) promotes U.S. export growth through the implementation of the Trade Promotion Coordinating Committee's (TPCC) National Export Strategy, ensuring that policies and priorities are consistent with national security and U.S. foreign policy objectives. The Department enhances cooperation with its partnership organizations so that U.S. businesses can benefit from global business through free market trade negotiations and through identified priority markets. The Department continues to focus on fostering a level playing field for U.S. firms through development of trade policy positions, advancement of negotiating positions, and through effective execution of U.S. trade laws intended to curb and combat predatory trading practices.

### STRATEGIC GOAL 1 PERFORMANCE RESULTS



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

The Bureau of Industry and Security (BIS) ensures that export controls do not unduly disadvantage U.S. firms in world markets by eliminating outdated controls and streamlining the process for obtaining export licenses for products that remain under export controls. These continual improvements are being made while being mindful of the dual-use nature of some commercial technologies and the national security implications of those technologies.

The Economics and Statistics Administration (ESA), composed of the Census Bureau and the Bureau of Economic Analysis (BEA), provides decisionmakers with timely, relevant, and accurate economic and statistical information related to the U.S. economy and population with the Department at the forefront of national efforts to continually improve these statistics.

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

In support of manufacturing against a backdrop of coping with accelerating technological change and global competition, the National Institute of Standards and Technology (NIST), through the Hollings Manufacturing Extension Partnership (MEP) program's nationwide network of manufacturing centers, helps firms adopt new and advanced manufacturing and management technologies and innovative business practices to position them to compete in the global economy.

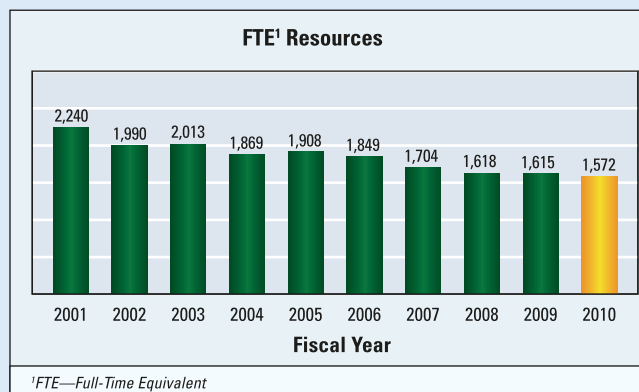
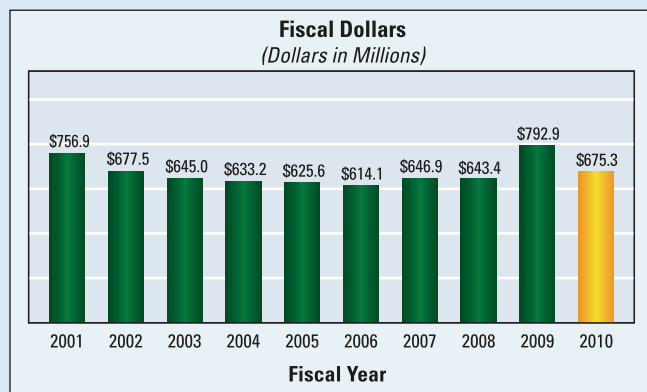
Overall performance within this goal has been fairly strong, meeting or exceeding targets on average 84 percent of the time from FY 2001 to FY 2010. Performance slightly improved from FY 2001 to FY 2010 with 77 percent of targets met or exceeded in FY 2001 to 78 percent met or exceeded in FY 2010.



## STRATEGIC OBJECTIVE 1.1

*Foster domestic economic development as well as export opportunities*

## STRATEGIC OBJECTIVE 1.1 TOTAL RESOURCES



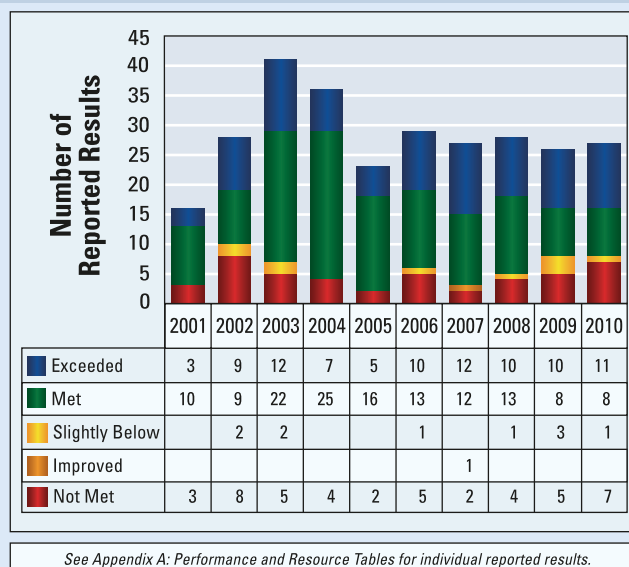
## PUBLIC BENEFITS

**T**his objective focuses on increasing private enterprise, job creation, and financial opportunities, and increasing trade opportunities for U.S. companies.

In support of disadvantaged individuals and communities, the Economic Development Administration (EDA) promotes private enterprise and job creation in economically distressed communities and regions by investing in projects that produce jobs and generate private capital investment.

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.

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

STRATEGIC OBJECTIVE 1.1  
PERFORMANCE RESULTS

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.

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. 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 developing a national intermodal/freight policy. The goal is to achieve a faster, safer, more environmentally sound, more efficient national intermodal network that will meet the needs of the Nation in the 21st century.

The health of the U.S. economy depends on small and medium-sized enterprises (SME) since they account for 97 percent of all U.S. exporters. Many of these firms have also been successful in doing business in countries that have recently negotiated free trade agreements (FTA) with the United States. The Commercial Service program seeks to create a supporting environment in which all U.S. firms, including SMEs, can flourish by seeking to increase export opportunity awareness among U.S. companies through identifying potential exporters who need assistance; leveraging electronic and traditional media; enhancing relationships with customers; and developing alliances and partnerships with state, local, and private partners to deliver export assistance. The Commercial Service helps U.S. companies take advantage of world market conditions to find new buyers around the world. A growing list of FTAs provides price and market access benefits. ITA offers four ways to help U.S. firms grow their international sales by (1) providing world-class market research, (2) organizing trade events that promote products or services to qualified overseas buyers, (3) arranging introductions to qualified buyers and distributors, and (4) offering counseling through every step of the export process.

## ACHIEVEMENTS

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EDA tracks the amount of private investment generated and jobs created or retained as a result of EDA investments at three, six, and nine-year intervals. Preliminary data collected through the Government Performance and Results Act (GPRA) process for investments made in FY 2001, FY 2004, and FY 2007 indicate that these EDA investments have helped generate nearly \$6.6 billion in private sector investment and create and retain 102,381 jobs.

As a part of its Energy Regional Innovation Cluster (e-RIC) initiative, EDA partnered with a number of federal agencies to invest in a new Energy Innovation Hub located at Pennsylvania State University. This hub will bring together leading researchers from academia, two U.S. National Laboratories, and the private sector in an ambitious effort to develop energy-efficient building designs that will save energy, cut pollution, and position the United States as a leader in this industry. EDA expects that investments in such regional innovation clusters will provide for more robust job growth and allow communities to better strengthen their regional economies in the future.

In addition, EDA created the i6 Challenge to accelerate the commercialization of university and federal research to take ideas from the lab to the marketplace, producing the small businesses that are the engine of job creation in the United States. This competition seeks to identify and support the Nation's best ideas for technology commercialization and entrepreneurship in six different regions of the country. This year's winning projects, which will each receive \$1 million from EDA, include diverse efforts to drive innovative technologies in the medical and bioscience industries to market more quickly by bringing experts in science and academia together with public and private sector businesses and entrepreneurs.

Further, in FY 2010, EDA led efforts to assist regional economies that have been greatly impacted by transformations in major U.S. industries. EDA spearheaded the effort to implement President Obama's \$100 million, multi-agency initiative to better position communities across the United States to respond to changes in the National Aeronautics and Space Administration's (NASA) programs. As part of this effort, EDA led the development of a detailed economic diversification plan for the Task Force on Space Industry Workforce and Economic Development. EDA also collaborated with the White House Council on Auto Communities and Workers to promote innovative strategies that attract national and global investment to auto-impacted communities. Additionally, EDA participated in the White House Cities in Transition Initiative and led the creation of a Cities in Transition Challenge grant competition to support the development of economic recovery strategies for chronically distressed communities across the Nation.

Moreover, EDA has continued in its role in assisting communities develop sound economic strategies to revitalize their economies in the wake of devastating man-made and natural disasters. In the Gulf Coast region, EDA has played a pivotal role in federal efforts to advance recovery efforts following the BP oil spill, providing grant funding under its economic adjustment assistance program. These grants from EDA are part of the Obama administration's overall commitment to the Gulf Coast to help the region regain its economic footing. EDA officials have met with people in impacted communities throughout the region to discuss long-term economic and environmental restoration ideas and develop a framework to address those issues as a part of the President's Economic Solutions Team. This team is focused on the transition from "response" to "economic recovery" as a result of the BP Deepwater Horizon spill in order to strengthen the coastal economy and help restore a healthy ecosystem.

MBDA's year-end results exceeded its performance goals, achieving over \$1.5 billion in contract awards and over \$1.6 billion in financial awards. Through its direct federal client services and network of funded centers, MBDA's programs and services helped create over 4,900 new jobs despite the economic downturn and overall decline in the national job market. The cumulative impact of MBDA programs has been \$22.7 billion.

Throughout FY 2010, MBDA continued to assist MBEs in gaining access to American Recovery and Reinvestment Act (ARRA) of 2009 funding opportunities. MBDA continued to focus its resources to assist firms of size, scale, and capacity through its Strategic Growth Initiative (firms with \$500,000 or more in annual sales or with rapid growth potential). Based upon MBDA's Strategic Growth Initiative, many high growth minority firms have successfully competed for larger prime contracts and financial awards, and have had a significant economic impact within the minority community and overall economy.

To expand the number of contract and financial awards and to create new job opportunities, MBDA initiated several new programs in FY 2010. MBDA initiated a series of Business-to-Business Forums to encourage MBEs to partner with other firms, form joint ventures, and sign Mentor-Protégé Agreements. These forums encouraged enterprises with increased capacity and competitiveness to sustain development within the minority community. MBDA created a National Advisory Council on Minority Business Enterprise in FY 2010, which will advise the Secretary of Commerce on key issues pertaining to the growth and competitiveness of the Nation's MBEs. The advisory committee will provide advice and recommendations on a broad range of policy issues that affect minority businesses and their ability to successfully access the domestic and global marketplace.

In July 2010, MBDA and the National Urban League joined forces to expand opportunities for minority entrepreneurs. MBDA and the National Urban League will pool their collective resources to support the growth of minority-owned firms located in Atlanta, Chicago, Cleveland, Cincinnati, Jacksonville, Kansas City, Los Angeles, New Orleans, and Philadelphia. "MBDA looks forward to working with the National Urban League to increase our reach to minority entrepreneurs and help them grow to size and capacity," said MBDA National Director David A. Hinson. "Our 46 centers around the Nation are working diligently to provide avenues for minority businesses to grow and compete. The league's Entrepreneurship Center Program will help us reach minority-owned firms in areas where we currently don't have a presence and service more minority entrepreneurs in communities where we do."

In August 2010, former Department of Commerce Deputy Secretary Dennis Hightower, MBDA, ITA, the Tutor Perini Corporation, and the University of Southern California's School of Policy, Planning and Development announced the Nation's first program, the Global Construction Program, created to globalize the U.S. minority-owned construction industry by providing education, mentoring, and procurement opportunities to minority-owned firms. The Global Construction Program will include a training program for 150 minority-owned construction firms and will also offer MBEs the opportunity to participate in an Overseas Private Investment Corporation Enterprise Development Network. Firms that complete the program will have the opportunity to compete for a minimum of \$1 billion in Tutor Perini contracts, primarily international contracts, over a four-year period.

The MAS program expanded its key initiative on sustainable manufacturing to include sustainable supply chains. Sustainable manufacturing practices and supply chains, including energy sources, transportation, and components, have become increasingly important as companies look for ways to reduce operational costs while limiting greenhouse gas emissions and changing behaviors that negatively impact the environment. As the trend toward sustainable practices grows, so does its implications for U.S. global competitiveness and firm profitability. In order to provide effective support to U.S. companies in their sustainable manufacturing and supply chain efforts, MAS expanded a Sustainable Manufacturing Initiative and Public-Private Dialogue that coordinates public and private sector efforts to address these challenges and provides tools for U.S. companies to identify and adopt sustainable and competitive practices. MAS is focused on identifying domestic and export opportunities in the clean energy technology sector (smart grid, renewable, nuclear, clean coal). New, more sustainable, and efficient technologies will have a significant impact on the 100-year-old system by which energy is produced, transmitted, and consumed in the United States. Also, there will be increasing export opportunities for U.S. technologies as other countries shift to greater reliance on clean energy. MAS is also examining the impact of various climate change policy options on energy-intensive, export-exposed industries. MAS has created the Sustainable Business Clearinghouse to provide U.S. companies with a central portal for information on programs and resources that can assist them in enhancing their competitiveness and profitability in environmentally sustainable ways. The portal includes information on federal and state-level government programs and resources in a searchable clearinghouse. MAS is uniquely positioned to act as a clearinghouse for U.S. industry input into climate change policy and international negotiations.

The U.S. and Foreign Commercial Service (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. In 2010, US&FCS assisted over 18,000 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, represented 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 for commercial issues overseas and advocated for U.S. companies bidding on foreign government procurements. As a result of these efforts, US&FCS facilitated more than \$30 billion in exports for nearly 5,500 U.S. companies in 2010. Over 85 percent of these companies were small and medium-sized enterprises that exported for the first time, entered a new market, or increased their market share in an existing market.

In February 2010, Secretary of Commerce Gary Locke unveiled the details of how the Department will support President Obama's National Export Initiative (NEI) designed to reach the President's goal of doubling exports over the next five years to support two million jobs in the United States. The NEI represents the first time the United States will have a government-wide export promotion strategy with focused attention from the President and his Cabinet.

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 small and medium-sized businesses 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.

In addition to improving efforts in those areas, the NEI creates an Export Promotion Cabinet reporting to the President that will consist of top leaders from agencies that can contribute to this effort. The President increased the ITA FY 2011 budget by 20 percent to help meet the goals of the NEI. Those new resources will allow ITA to:

- Assist more than 23,000 clients to begin or grow their export sales in 2011;
- Increase their presence in emerging high-growth markets like China, India, and Brazil; and
- Develop a comprehensive strategy to identify market opportunities in fast-growing sectors like environmental goods and services, renewable energy, healthcare, and biotechnology.

In July 2010, Secretary Locke visited the UPS Global Operations Center in Louisville, KY, to highlight opportunities for local Kentucky businesses to sell their goods and services abroad and support job creation in their community. Locke discussed with local business owners how the Department can help them grow their businesses and create jobs. Since the President announced the NEI, the Department's Advocacy Center has assisted U.S. companies competing for export opportunities, supporting \$11.4 billion in exports and an estimated 70,000 jobs. With offices and staff around the globe and throughout the United States, the Department's Commercial Services has helped more than 5,000 companies generate \$9.8 billion worth of exports. To date, the Department has coordinated 18 trade missions with over 160 companies to 24 countries.

Also in July 2010, Secretary Locke and U.S. Postmaster General John Potter announced the launch of a new initiative between the Department and the U.S. Postal Service that will help boost U.S. exports. The New Market Exporter Initiative will identify current U.S. Postal Service customers who are exporting their goods and services abroad, and help expand their reach to additional international markets. The announcement expands a strategic partnership formed in 2008 between the two entities. The combined strength of customized consulting from the Department's Commercial Service officers and the value-based logistics expertise and business solutions from the U.S. Postal Service provide a simplified roadmap for companies to successfully enter new markets. Through its network of 32,000 post offices and partner posts in 191 countries, the U.S. Postal Service will identify small and medium-sized businesses that already export; and alert these customers to government sources that can help them find new overseas markets. The Department, with its network of trade specialists posted in 109 U.S. cities and U.S. embassies and consulates in 77 countries, will serve as a resource to the companies, connecting them with potential international buyers. The Department and U.S. Postal Service will work with these businesses to identify key markets, build market entry strategies, and provide the guidance needed to take high-quality products and services from the United States to markets worldwide—building their businesses, increasing U.S. exports, and supporting new jobs at home.

Small and medium-sized companies interested in expanding into new markets will have access to the free resources and tools available through a nationwide network of international trade experts and global shipping specialists. Activities to build awareness will include outreach at trade shows, direct mail campaigns, and online registration for resource support.

In May 2010, Secretary Locke and China's National Development and Reform Commission Chairman Zhang Ping explored avenues to expand U.S.-China Clean Energy Ties. Locke and Zhang discussed ways to continue to build a constructive and cooperative relationship that increases economic growth, trade, and jobs in the United States and China, and explored avenues to expand U.S.-China ties in clean energy development. After their meeting, the two leaders were joined by a business delegation of 24 U.S. clean energy companies for a discussion about ways to improve U.S.-China collaboration in areas such as energy efficiency and electric energy storage, transmission, and distribution. Locke also introduced the business delegation to Vice Chairman Zhang Guobao, the National Energy Administration Administrator, Vice Minister Ma Xiuhong of the Ministry of Commerce, and Vice Premier Li Keqiang. In his meetings with the Chinese leaders, the Secretary of Commerce advocated on behalf of U.S. companies that have pending commercial clean energy deals that would support U.S. exports. One project already underway in Shanghai with the help of a U.S. company is the 128-story, glass-and-steel "green" Shanghai Tower. Designed by Gensler, a San Francisco architecture firm that specializes in green buildings, the Tower is on course to be registered for a high level of building certification from the U.S. Green Building Council and the China Green Building Committee.



## SUMMARY OF PERFORMANCE

The following outcomes apply to this objective with the measures below them providing an indication of how well the Department is doing in achieving those outcomes.

1. Promote private investment and job creation in economically distressed communities (EDA)
2. Improve community capacity to achieve and sustain economic growth (EDA)
3. Increase access to the marketplace and financing for minority-owned businesses (MBDA)
4. Strengthen U.S. competitiveness in domestic and international markets (ITA)
5. Broaden and deepen U.S. exporter base (ITA)

OUTCOME	PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
1	Private investment leveraged – 9 year totals (in millions)	\$2,410	\$2,758	Met
1	Private investment leveraged – 6 year totals (in millions)	\$818	\$2,281	Exceeded
1	Private investment leveraged – 3 year totals (in millions)	\$259	\$1,544	Exceeded
1	Jobs created/retained – 9 year totals	72,000	66,527	Not Met
1	Jobs created/retained – 6 year totals	22,427	26,695	Met
1	Jobs created/retained – 3 year totals	6,628	9,159	Exceeded
2	Percentage of economic development districts (EDD) and Indian tribes implementing economic development projects from the comprehensive economic development strategy (CEDs) that lead to private investment and jobs	95%	89%	Not Met
2	Percentage of sub-state jurisdiction members actively participating in the economic development district (EDD) program	89-93%	87%	Slightly Below
2	Percentage of University Center clients taking action as a result of the assistance facilitated by the University Center	75%	76%	Met
2	Percentage of those actions taken by University Center clients that achieved the expected results	80%	90%	Met
2	Percentage of Trade Adjustment Assistance Center (TAAC) clients taking action as a result of the assistance facilitated by the TAACs	90%	82%	Not Met
2	Percentage of those actions taken by Trade Adjustment Assistance Center clients that achieved the expected results	95%	100%	Met
3	Dollar value of contract awards obtained (billions)	\$1.00	\$1.50	Exceeded
3	Dollar value of financial awards obtained (billions)	\$0.60	\$1.80	Exceeded
3	Number of new job opportunities created	4,000	5,845	Exceeded
3	Percent increase in client gross receipts	6.0%	6.0%	Met
3	Satisfaction rating for the American Customer Satisfaction Index (ACSI)	N/A	N/A <sup>1</sup>	N/A

(continued)

OUTCOME	PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
3	Cumulative economic impact	\$16B	\$22.7B	Exceeded
4	Annual cost savings resulting from the adoption of Manufacturing and Services (MAS) recommendations contained in MAS studies and analysis	\$350M	\$647M	Exceeded
4	Percent of industry-specific trade barriers addressed that were removed or prevented	30%	35%	Met
4	Percent of industry-specific trade barrier milestones completed	55%	75%	Exceeded
4	Percent of agreement milestones completed	100%	100%	Met
5	Export success firms/active clients (CS overall effectiveness)	11.0%	29.1%	Exceeded
5	US&FCS small and medium-sized enterprises (SME) new-to-export (NTE)/total change in SME exporters (CS SME NTE effectiveness)	12.74%	2.28%	Not Met
5	Number of SME new-to-market (NTM) firms/number of SME firms exporting to two to nine markets (NTM effectiveness)	3.92%	3.11%	Not Met
5	Commercial diplomacy success (cases) (annual)	166	112	Not Met
5	Increase in the percent of small and medium-sized firms that export	2.80%	6.42%	Exceeded
5	Percentage of advocacy bids won	17%	9%	Not Met

<sup>1</sup> The ACSI only occurs in odd years, so data does not appear in FY 2010.

## FY 2010 STATUS

EDA met eight of 12 targets in FY 2010. EDA did not meet targets for the following four measures:

- Jobs created/retained – 9 year totals
- Percentage of economic development districts (EDD) and Indian tribes implementing economic development 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 (EDD) program
- Percentage of Trade Adjustment Assistance Center (TAAC) clients taking action as a result of the assistance facilitated by the TAACs

MBDA met all five of its targets—exceeding three.

ITA met or exceeded the targets for six of 10 measures within this objective. ITA did not meet the targets for the following four measures:

- US&FCS SME new-to-export (NTE)/total change in SME exporters (CS SME NTE effectiveness)
- Number of SME new-to-market (NTM) firms/number of SME firms exporting to two to nine markets (NTM effectiveness)
- Commercial diplomacy success (cases) (annual)
- Percentage of advocacy bids won

## FY 2010 MISSED TARGETS

MEASURE	JOB'S CREATED/RETAINED – 9 YEAR TOTALS (EDA)
Explanation	The low jobs created/retained figure appears to be an anomaly for this year. EDA met the 3-year and 6-year targets for investments in addition to meeting this year's private investment target thus indicating that this may be outside EDA's control.
Action	EDA will conduct a review of investments and apply any lessons learned to its review and approval of future investments.
MEASURE	PERCENTAGE OF ECONOMIC DEVELOPMENT DISTRICTS (EDD) AND INDIAN TRIBES IMPLEMENTING ECONOMIC DEVELOPMENT PROJECTS FROM THE COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY (CEDs) THAT LEADS TO PRIVATE INVESTMENT AND JOBS (EDA)
Explanation	This year's results were significantly impacted by six EDDs, each with more than 100 eligible sub-state jurisdictions, that reported unusually low numbers of participants this year.
Action	EDA will work with these EDDs to ensure that they are actively recruiting regional support in future years.
MEASURE	PERCENTAGE OF TRADE ADJUSTMENT ASSISTANCE CENTER (TAAC) CLIENTS TAKING ACTION AS A RESULT OF THE ASSISTANCE FACILITATED BY THE TAACS (EDA)
Explanation	This measure reports GPRA data from TAAC awards granted in FY 2008. The data reported is based on a two-year look back (e.g., FY 2010 results are based on FY 2008 funding expenditures). The FY 2010 actual may have been impacted by higher levels of requests for assistance this year, reducing the TAAC's ability to assist all clients; however, EDA is very pleased with their ability to satisfactorily complete those projects that were initiated.
Action	No additional action taken.
MEASURE	PERCENTAGE OF SUB-STATE JURISDICTION MEMBERS ACTIVELY PARTICIPATING IN THE ECONOMIC DEVELOPMENT DISTRICT (EDD) PROGRAM (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 further action taken.
MEASURE	US&FCS SME NEW-TO-EXPORT (NTE)/TOTAL CHANGE IN SME EXPORTERS (CS SME NTE EFFECTIVENESS) (ITA)
Explanation	US&FCS did not achieve the target for this measure due to a shift in focus from assisting NTE SMEs to new-to-market firms in support of the President's NEI goals of doubling U.S. exports and supporting two million jobs.
Action	New exporters remain a priority of the U.S. government and US&FCS has been referring these clients to the Small Business Administration and other partners so US&FCS can focus its efforts where it can best contribute to the NEI goals.

(continued)

MEASURE	NUMBER OF SME NEW-TO-MARKET (NTM) FIRMS/NUMBER OF SME FIRMS EXPORTING TO TWO TO NINE MARKETS (NTM EFFECTIVENESS) (ITA)
Explanation	US&FCS did not achieve the target for this measure; however, US&FCS did increase results for the numerator (US&FCS SME NTM Firms) by over five percent from 2009 to 2010. This reflects US&FCS's shift in focus in early 2010 to support the NEI by helping SME exporters increase their exports and enter new markets. In addition, it should also be noted that the denominator in this metric (Total SME firms exporting to two to nine markets) is from 2007 unrevised census data and is not an accurate comparison to US&FCS results.
Action	US&FCS will continue to focus in 2011 on helping more SME exporters increase their exports and enter new markets. The President's 2011 budget request calls for increased staffing and resources so that US&FCS can help more companies, particularly SMEs, find customers in new markets around the globe to support and create U.S. jobs. This effort is ongoing and results are expected to steadily increase as US&FCS supports the NEI.
MEASURE	COMMERCIAL DIPLOMACY SUCCESS (CASES) (ANNUAL) (ITA)
Explanation	US&FCS did not achieve the target for this metric; however, the U.S. export dollar value of commercial diplomacy successes increased by 79 percent from \$974 million in FY 2009 to \$4.56 billion in FY 2010. It should also be noted that ITA cannot control the number of cases companies bring to them and must persuade a sovereign foreign government to take an action that benefits a U.S. company or the U.S. national interest in order to declare a success.
Action	To support the NEI goals of doubling exports and supporting two million jobs, US&FCS will continue to vigorously promote and protect U.S. business interests abroad. The President's 2011 budget requests calls for increased staffing and resources so that US&FCS can increase its diplomatic presence overseas.
MEASURE	PERCENTAGE OF ADVOCACY BIDS WON (ITA)
Explanation	Since the President's announcement of the NEI, the Advocacy Center has shifted its focus to increasing the U.S. export dollar value of advocacy bids won. As a result, the dollar value has increased by 208 percent from \$6.4 billion in FY 2009 to \$19.7 billion in FY 2010. It should also be noted that this metric does not adequately measure the Advocacy Center's performance since it is beneficial for the Advocacy Center to not only increase the number of bids won (numerator), but also the number of advocacy cases it handles for companies seeking assistance (denominator). In fact, US&FCS achieved 92 percent more advocacy bids won in FY 2010 (50) than in FY 2009 (26) and worked on 418 advocacy cases in FY 2010 or two percent more than FY 2009.
Action	Continue to focus on increasing the dollar value of advocacy bids won in order to contribute to the President's NEI. US&FCS will increase its advocacy outreach, leveraging programs and units across ITA (e.g., Trade Missions, domestic and international offices) and systematically targeting sectors that currently under-utilize the Advocacy Center's services.

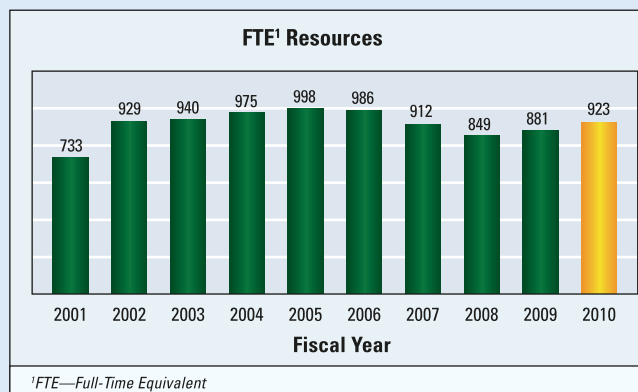
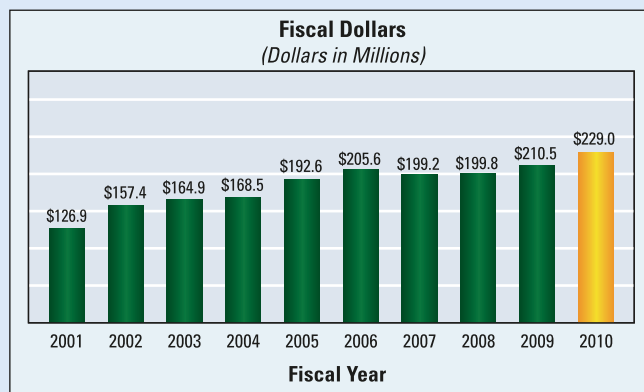
## HISTORICAL TRENDS

EDA has consistently met or exceeded its targets for jobs created/retained and private investment generated over a nine year period. As a general rule they have also consistently met their targets for their improve community capacity goal. Likewise, MBDA has consistently met their targets over the past 10 years with their targets being stable or rising slightly over the past 10 years.

## STRATEGIC OBJECTIVE 1.2

*Advance responsible economic growth and trade while protecting American security*

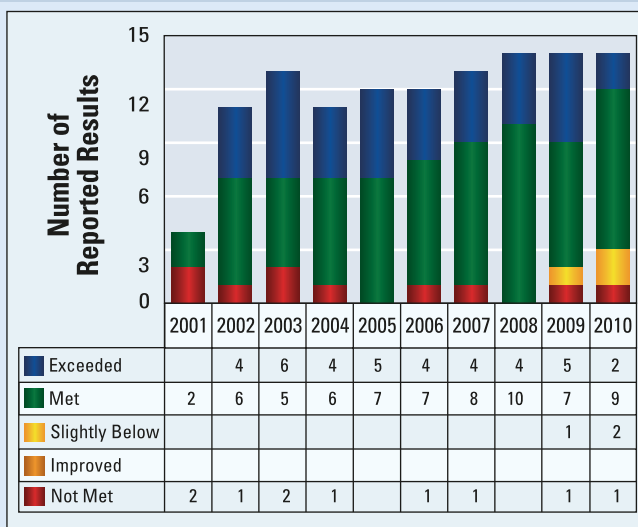
## STRATEGIC OBJECTIVE 1.2 TOTAL RESOURCES



## PUBLIC BENEFITS

Supported by ITA and the Bureau of Industry and Security (BIS), this objective focuses on ensuring fair competition in international trade, preventing illegal exports, and advancing U.S. national security and economic interests by enhancing the efficiency of the export control system.

U.S. industries are entitled to the benefits of trade agreements negotiated by the United States. They are also entitled to the aggressive investigation of unfair trade practices that undercut those agreements. Two program units in ITA, Market Access and Compliance (MAC) 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.

STRATEGIC OBJECTIVE 1.2  
PERFORMANCE RESULTS

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

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 in a transparent and impartial manner and by ensuring compliance by foreign governments and exporters with U.S. statutes and trade agreements dealing with trade remedies and unfair trade practices. AD/CVD laws provide domestic industries the opportunity to obtain relief from injury caused by imports of foreign products that are sold at less than fair value or that benefit from foreign government subsidies, giving U.S. businesses and workers the opportunity to compete on a level playing field.

MAC seeks to obtain market access for U.S. firms and workers and to achieve full compliance by foreign nations with trade agreements they sign with the United States. MAC ensures market access for U.S. businesses; advances the rule of law internationally; and creates a fair, open, and predictable trading environment. MAC also conducts critical trade policy analysis and negotiation support for the Office

of the U.S. Trade Representative and represents the Department in trade-related dealings with other U.S. government agencies. Based on customer needs, MAC has a sizable caseload from U.S. firms that have encountered a trade barrier.

President Obama's NEI directs the government to continue its efforts to remove barriers that prevent U.S. companies from getting open and fair access to foreign markets—including combating unfair tariff and non-tariff barriers and addressing practices that blatantly harm U.S. companies. Trade starts with the understanding that it only works in a system of rules where all parties live up to their obligations. The United States is committed to a rules-based trading system where the American people—and the Congress—can feel confident that when the Department signs an agreement that gives foreign countries the privilege of free and fair access to the U.S. domestic market, U.S. businesses are going to be treated the same in their country. The Trade Promotion Coordinating Committee (TPCC) leads the administration's trade promotion efforts and will help operationalize the NEI. This interagency group is chaired by the Secretary of Commerce to establish trade promotion priorities to expand trade and create jobs for Americans. The TPCC provides a platform for the Secretary of Commerce to advance a government-wide agenda on trade promotion and to directly engage the heads of other TPCC agencies. The Export Promotion Cabinet will coordinate with the TPCC. ITA helps U.S. companies export their products and services around the world, utilizing some 1,500 U.S. Commercial Service staff stationed in 77 countries across the globe.

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 (WMD), 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 screening license applications for enforcement concerns; conducting end-use checks abroad to confirm the *bona fides* of parties to export transactions, confirm compliance with license conditions, and uncover diversions to unauthorized end-users/uses; and reviewing Shippers Export Declarations and foreign visitors' visa applications to identify potential export control issues. Outreach activities include educating U.S. businesses on export control requirements and identifying suspicious transactions leading to successful preventative and investigative actions. Investigation and prosecution activities involve Department Special Agents conducting cases focused on significant proliferation, terrorism, and military end-use export violations, and the vigorous pursuit of criminal and administrative sanctions.

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](http://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).

## ACHIEVEMENTS

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MAC continued to work toward the prevention and elimination of non-tariff barriers in foreign markets. The long-term goal for the MAC unit is to "ensure fair competition in international trade." This goal is reflected in the ITA strategic plan and supports the Department's objective to "advance responsible economic growth and trade while protecting American security." In order to gauge the impact of these strategic goals, MAC utilizes two primary performance measures, market access and trade compliance cases initiated and cases resolved. In FY 2009, MAC surpassed both targets which resulted in overcoming billions of dollars of trade barriers for U.S. firms and workers. U.S. firms from every industry and service sector face myriad barriers to trade and investment such as discriminatory regulatory treatment, unfair customs or tax treatment, rigged or nontransparent procurement procedures, and violations of trade agreements signed by other countries.

In addition to casework, MAC works to create a global economic environment for U.S. firms to compete. For example, through MAC's efforts in the 20th U.S.-China Joint Commission on Commerce and Trade, China agreed to reopen its market to U.S. pork and live swine, remove local content requirements for foreign participation in China's wind farm market, and clamp down on Internet piracy.



The U.S. and Chinese governments signed nine agreements, including a Memorandum of Understanding establishing the U.S.-China Energy Cooperation Program, and witnessed two commercial signings. The two governments also agreed to cooperate on initiatives in the areas of the environment, transparency, global distribution services, and standards.

MAC played an important role in the achievement of deliverables for Prime Minister Singh's state visit in November 2009. In particular, MAC facilitated technical exchanges in the biotechnology/life sciences sector under the High Technology Cooperation Group and led the discussions with the Indian government and private sector to sign a Memorandum of Intent to facilitate investment in the two countries. Finally, MAC initiated the recruitment and vetting process for U.S. members of the public-private CEO Forum.

MAC hosted the U.S.-Iraq Business and Investment Conference in partnership with the Departments of Defense and State, and the Iraq Embassy. With over 1,100 participants, the conference was recognized as a significant deliverable for the U.S.-Iraq Strategic Framework Agreement, and Deputy Secretary Hightower spoke at it. Over 215 business-to-business meetings occurred, with 295 participants attending government-to-business sessions during the conference. The event evaluations indicated that 78 percent of respondents (an even mix of U.S. and Iraqi/other firms) expected at least one business deal to take place as a result of the conference.

Enforcement efforts in FY 2010 include the initiation of seven CVD and 10 AD investigations covering a variety of products, including aluminum extrusions, polyvinyl alcohol, seamless pipe, copper pipe, drill pipe, and coated paper. Among these 17 cases were six CVD and seven AD investigations involving China. In FY 2010, IA issued 290 preliminary or final AD and CVD determinations in both initial investigations as well as administrative reviews of existing AD and CVD orders, including the very first CVD determination involving Vietnam. Partnering with the U.S. Customs and Border Protection (CBP), IA deployed the AD/CVD module within CBP's Automated Commercial Environment (ACE). This was a major step toward more efficient and effective AD/CVD duty collection. With the goal of automating the collection of AD/CVD duties, ACE serves as a repository for AD/CVD case information, provides a platform to better communicate and implement IA case decisions, and enables stronger enforcement of the AD/CVD programs by CBP. IA's AD and CVD Enforcement Teams remained diligent in identifying efforts by foreign companies to provide misleading information or evade the payment of duties. For example, in several recent trade investigations, documents submitted to IA by foreign exporters proved to be inconsistent with documents purported to be the same that had been provided to CBP. As a result, IA employed its statutory authority to assign AD and CVD rates based on adverse inferences. Finally, IA continues to work with other U.S. government agencies including CBP, Immigration and Customs Enforcement, and the Department of Justice to ensure compliance with, and advance the enforcement of, the U.S. trade remedy laws.

IA actively assisted U.S. companies facing potential unfair trade problems arising from other countries' use of trade remedies and unfair trade practices. IA's Petition Counseling and Analysis Unit provides U.S. companies detailed information regarding the legal requirements for seeking relief under the U.S. trade remedy laws. For example, in FY 2010, the Petition Counseling unit has conducted 31 new counseling sessions with U.S. companies. In addition, IA staff assists U.S. companies whose exports are involved in foreign AD and CVD investigations. IA staff have worked closely with U.S. companies involved in AD and CVD investigations on U.S. exports of certain steel products, chicken, and autos during this fiscal year. Submission of the Canadian Softwood Lumber Agreement Report to Congress highlighted Canadian lumber industries' subsidies. IA also coordinated the Department's efforts in the Interagency Working Group on Import Safety and worked closely with the U.S. Food and Drug Administration and CBP on risk assessment and trade trend analysis to respond to melamine-tainted dairy products from China.

IA was successful in resolving 100 percent of market access and trade compliance issues experienced by U.S. textile and apparel exporters in FY 2010. IA continues to administer the highly praised Steel Import Monitoring and Analysis program, providing the industry, government, and public with early and accurate data on steel imports in this trade-sensitive sector and allowing U.S. steel industry participants the ability to make proactive and timely decisions. This program is one of the most heavily trafficked Web sites within ITA, receiving, on average, 100,000 hits per week. Foreign-Trade Zones Board staff processed 54 applications. The U.S. Foreign-Trade Zones Program provides certain customs benefits, which can help improve U.S. facilities' international competitiveness.

In FY 2010, the Department successfully promulgated regulations that adapted export controls to the evolving national security and economic situation. Noteworthy is a revision to its rules regarding the export of most mass market electronic products that contain encryption functions and other encryption products.

This revised rule enhances U.S. national security and cuts red tape by eliminating the review of readily available encryption items, like cell phones and household appliances, and allows the government to focus its resources on more sensitive encryption items. This new rule ends the U.S. government's 30-day technical review requirement to export most "mass market" and other types of encryption products. Mass market electronic products containing encryption include cell phones, laptops, and disk drives. Exporters and manufacturers of the encryption products may now self-classify the products and then export them without a license if they register online with BIS. BIS also requires that they submit an annual self-classification report. This rule is expected to decrease technical reviews by approximately 70 percent and semi-annual reporting by up to 85 percent.

The rule also extends the scope of License Exception Encryption authorizations to most encryption technology exports, following a technical review. In addition, it adds a decontrol note for items that perform "ancillary" cryptography, which covers items such as games, robotics, business process automation, and other products that contain encryption capabilities but do not have communication, computing, networking, or information security as a primary function.

This rule is the first step in the President's effort to fundamentally reform U.S. encryption export controls and the Administration will continue to review the encryption rules to further enhance national security and ensure the continued competitiveness of U.S. encryption products.

The Department works with other countries to encourage and support their development of effective export control systems consistent with obligations under United Nations Security Council Resolution 1540. The Department assists in implementing its international activities by coordinating and managing BIS participation in the U.S. government's Export Control and Related Border Security Assistance (EXBS) program, which provides technical assistance to strengthen the export and transit control systems of nations lacking effective export control systems. The effectiveness of U.S. export controls is enhanced by strong controls in other nations that export or transship sensitive goods and technologies. BIS works to improve the participation and compliance of existing members of the multilateral export control regimes and cooperates with other countries to help them establish effective export control programs.

The Department helps improve the effectiveness of the multilateral export control regimes (Australia Group for chemical and biological weapons items; Missile Control Regime, Nuclear Suppliers Group, and Wassenaar Arrangement for dual-use technologies and conventional weapons) by participating in U.S. efforts to update and adapt their control lists to the threats facing the United States.

## SUMMARY OF PERFORMANCE

The following outcomes apply to this objective with the measures below them providing an indication of how well the Department is doing in achieving those outcomes.

1. Identify and resolve unfair trade practices (ITA)
2. Maintain and strengthen an adaptable and effective U.S. export control and treaty compliance system (BIS)
3. Integrate non-U.S. actors to create a more effective global export control and treaty compliance system (BIS)
4. Ensure continued U.S. technology leadership in industries that are essential to national security (BIS)

OUTCOME	PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
1	Percent reduction in trade distorting foreign subsidy programs	>1.5%	1.7%	Met
1	Percent of AD/CVD determinations issued within statutory and/or regulatory deadlines	90%	94%	Met
1	Percent of ministerial errors in IA's dumping and subsidy calculations	< 10%	7.9%	Exceeded
1	Percentage of market access and compliance cases resolved successfully	50%	58%	Met
1	Value of market access and compliance cases resolved successfully	\$2.5B	\$21.4B	Exceeded
2	Percent of licenses requiring interagency referral referred within 9 days	95%	90%	Slightly Below
2	Median processing time for new regime regulations (months)	3.0	3.0	Met
2	Percent of attendees rating seminars highly	85%	94%	Met
2	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
2	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	806	Slightly Below
2	Percent of shipped transactions in compliance with the licensing requirements of the Export Administration Regulations (EAR)	95%	98%	Met
2	Percentage of post-shipment verifications completed and categorized above the "unfavorable" classification	260 PSVs/ 85%	256 PSVs/ 93%	Met
3	Number of end-use checks completed	850	708	Not Met
4	Percent of industry assessments resulting in BIS determination, within three months of completion, on whether to revise export controls	100%	100%	Met

## FY 2010 STATUS

ITA met all of its targets for this objective. BIS met six of nine targets for FY 2010. For two of the targets that BIS missed, the actual was only slightly below the original target.

## FY 2010 MISSED TARGETS

MEASURE	NUMBER OF END-USE CHECKS COMPLETED (BIS)
Explanation	The FY 2010 target was not met due to personnel shortages due to the previous hiring freeze.
Action	BIS is now hiring analysts and export control officers.
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 (BIS)
Explanation	The target for FY 2010 was not met due to the continued increase in the number of complex international investigations. These investigations require full-time dedicated manpower and resources. Additionally, during two quarters of the fiscal year, 50 percent of the Office of Export Enforcement field offices were understaffed. For the Office of Antiboycott Compliance, the lower volume of exports to the Middle East generated fewer boycott-related requests to U.S. businesses. As a result, there was a reduced possibility for violations during the quarter.
Action	No additional action taken at this time.
MEASURE	PERCENT OF LICENSES REQUIRING INTERAGENCY REFERRAL REFERRED WITHIN 9 DAYS (BIS)
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 additional action taken at this time.

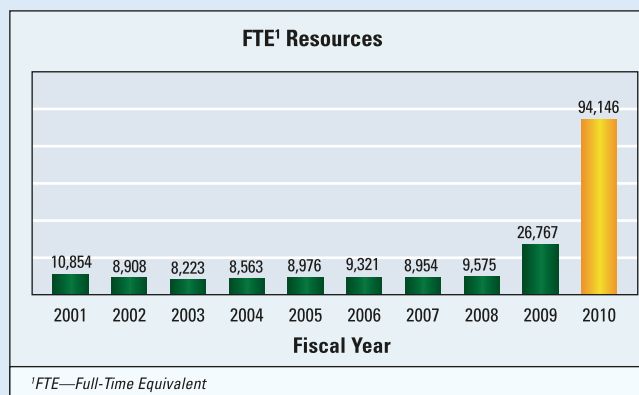
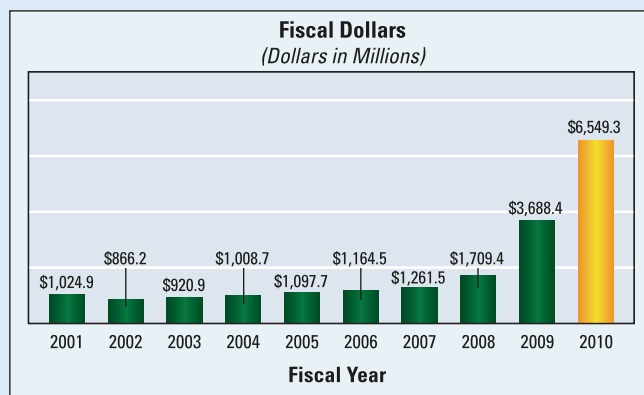
## HISTORICAL TRENDS

BIS has historically met or exceeded nearly all of its targets every year. Targets have remained stable over the 10 year period with the exception of that for the "Number of actions that result in a deterrence or prevention of a violation and cases which result in a criminal and/or administrative charge," the target for which has risen each year since FY 2001.

## STRATEGIC OBJECTIVE 1.3

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

## STRATEGIC OBJECTIVE 1.3 TOTAL RESOURCES

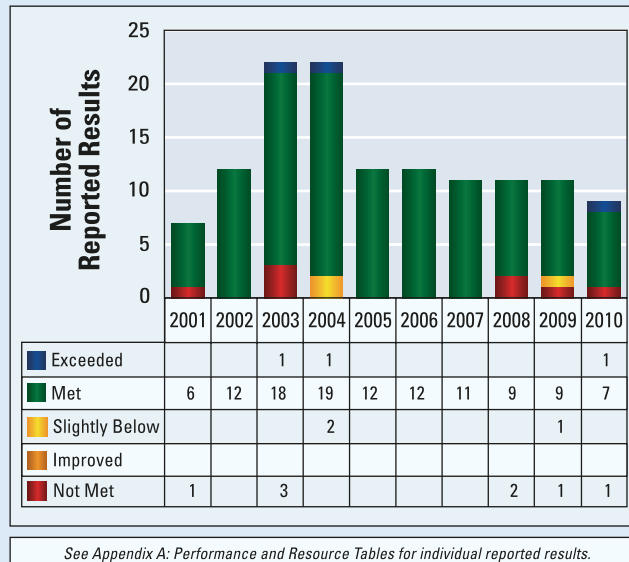


## PUBLIC BENEFITS

The Economics and Statistics Administration (ESA), composed of the Census Bureau and the Bureau of Economic Analysis (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

STRATEGIC OBJECTIVE 1.3  
PERFORMANCE RESULTS

(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.

## ACHIEVEMENTS

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

The 2010 Census program completed the following:

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

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

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

The DSSR program released documentation on the results of the final evaluation of the full National Evaluation Sample. Additionally, documentation on the final recommendation and decision on the acceptability of the Master Address File as the sampling frame was completed by the end of the fiscal year. This is one of the most crucial decisions for sample redesign as it will move the Census Bureau to a new universe and away from the four-part universe used since the 1960s.



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

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

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

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

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

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

For the Survey of Income and Program Participation (SIPP), the Census Bureau achieved a 75 percent response rate, which met the target level. The Current Population Survey (CPS) also met its target level response rate of at least 90 percent in FY 2010. The CPS also met all of its data release targets, disseminating 12 data products and five supplement data products during the fiscal year.

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

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

The Boundary and Annexation Survey (BAS) program achieved a 51 percent response rate. The BAS is used to update information about the legal boundaries and names of all governmental units in the United States.

During FY 2010, BEA embarked upon a number of important data improvement and availability projects, including:

- Continued improvement of satellite accounts for health care and for innovation, including continued research into the accuracy of price indexes for medical care and the price indexes underlying the innovation accounts;
- Work to develop new statistics for quarterly GDP by industry, state, personal consumption expenditures, and industry-level production accounts;
- Work to restore and improve important county-level statistics that had been previously discontinued in response to resource constraints;
- Work to develop new estimation models for critical service sector statistics that will allow a quicker and more adaptable response to current and future changes in the economy;
- Continued focus on IT reliability and security and the continued modernization of BEA's processing systems to build in efficiencies that will save time that can be used for increased statistical analysis;
- Developed new Congressional, media, and research Web pages to make BEA's data products more accessible and easier to understand; and
- Significantly improved the Frequently Asked Questions section of the Web site, providing a better look and feel and more powerful search capabilities.

## SUMMARY OF PERFORMANCE

The following outcomes apply to this objective with the measures below them providing an indication of how well the Department is doing in achieving those outcomes.

1. Provide benchmark measures of the U.S. population, economy, and governments (ESA/CENSUS)
2. Provide current measures of the U.S. population, economy, and governments (ESA/CENSUS)
3. Provide timely, relevant, and accurate economic statistics (ESA/BEA)

OUTCOME	PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
1	Correct street features in the TIGER (geographic) database (number of counties completed) to more effectively support Census Bureau censuses and surveys, facilitate the geographic partnerships between federal, state, local and tribal governments, and support the E-Government initiative in the President's Management Agenda	Increase TIGER update submissions electronically by 10%	Increased TIGER update submissions electronically by 51%	Exceeded
1	Complete key activities for cyclical census programs on time to support effective decision-making by policymakers, businesses, and the public and meet constitutional and legislative mandates	At least 90% of key prep activities completed on time	At least 90% of key prep activities completed on time	Met

(continued)

OUTCOME	PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
1	Meet or exceed the overall federal score of customer satisfaction on the E-Government American Customer Satisfaction Index (ACSI) <i>(This measure applies to the second performance outcome in this objective as well)</i>	Meet or exceed overall federal score	Score was lower in 2 of 4 quarters	Not Met
2	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	At least 90% of key censuses and surveys meet/exceed collection rates/levels of reliability	Met percentages	Met
2	Release data products for key Census Bureau programs on time to support effective decision-making of policymakers, businesses, and the public	1) 100% of Economic Indicators released on time 2) At least 90% of other key census and survey data released on time	1) 100% of Economic Indicators released on time 2) At least 90% of other key census and survey data released on time	Met
3	Timeliness: Reliability of delivery of economic data (number of scheduled releases issued on time)	55	61	Met
3	Relevance: Customer satisfaction with quality of products and services (mean rating on a 5-point scale)	> 4.0	4.4	Met
3	Accuracy: Percent of GDP estimates correct	> 85%	88%	Met
3	Improving GDP and the economic accounts	Completion of strategic plan milestones	All strategic plan milestones completed	Met

## FY 2010 STATUS

The Census Bureau met or exceeded four of its five targets in FY 2010. It did not meet the target for "Meet or exceed the overall federal score of customer satisfaction on the E-Government American Customer Satisfaction Index (ACSI)." BEA met all the targets for its four measures.

## FY 2010 MISSED TARGETS

MEASURE	MEET OR EXCEED THE OVERALL FEDERAL SCORE OF CUSTOMER SATISFACTION ON THE E-GOVERNMENT AMERICAN CUSTOMER SATISFACTION INDEX (ACSI) (CENSUS)
Explanation	Components of the ACSI score includes navigation of site, content, transparency, and future participation. The low score from navigation of 60 percent is having a negative impact on the overall ACSI score, which is driven by a high rate of first time users. Future participation, which includes trust in information provided by the Census Bureau, recommended use of the Internet site to others, and reoccurring use of the site, realized an average score of 83 percent.
Action	Efforts are underway to improve the navigation and functionality components of the system.

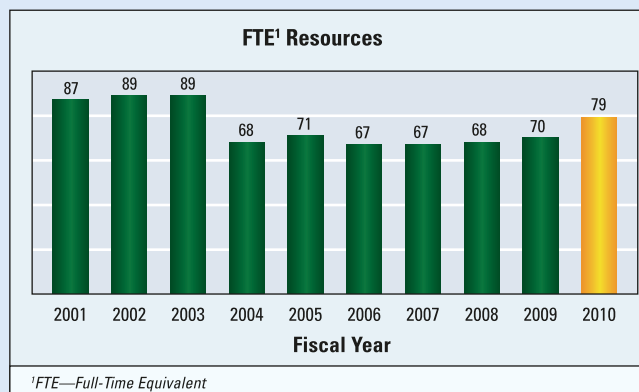
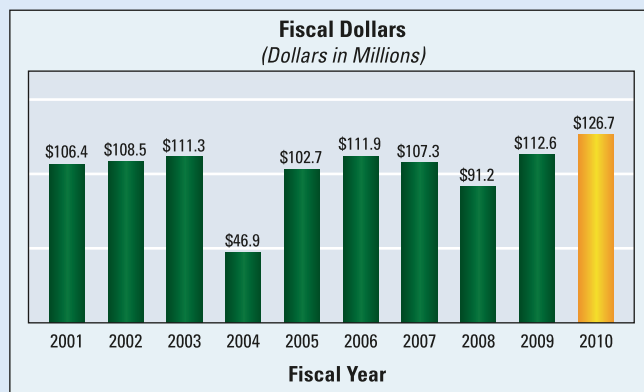
## HISTORICAL TRENDS

With the exception of meeting the ACSI score, the Census Bureau has consistently met its targets over the past 10 years. Likewise, with the exception of one occurrence in FY 2009 when BEA was slightly below the target for a measure, BEA met all of its targets for its four measures since FY 2001 (a total of 36 targets).

## STRATEGIC OBJECTIVE 1.4

*Position manufacturers to compete in a global economy*

## STRATEGIC OBJECTIVE 1.4 TOTAL RESOURCES

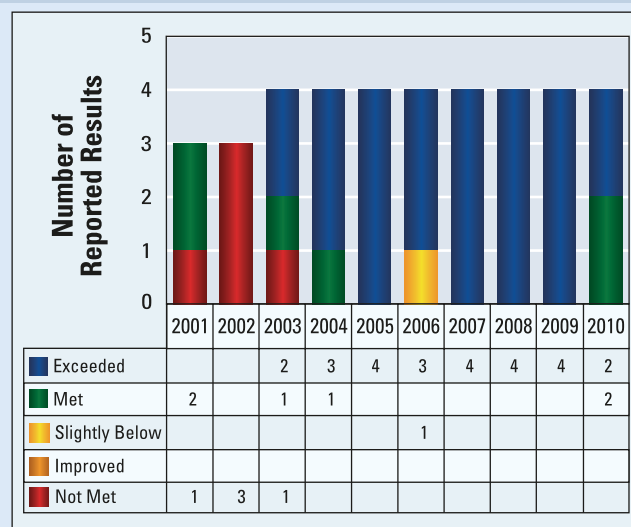


## PUBLIC BENEFITS

The Nation's approximately 330,000 manufacturers employ more than 11 million people in high-paying jobs. U.S. manufacturers represent roughly two-thirds of total U.S. research and development (R&D) expenditures and account for almost 60 percent of all U.S. 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. Manufacturers must focus on improving efficiency, lowering costs, and implementing a culture of innovation that leads to new product ideas and opportunities.

Manufacturers, particularly small and mid-sized firms, are facing new and significant challenges. While efficient shop floor operations are necessary to survive in today's economy, this alone is not enough to succeed in the global marketplace. Technology and globalization have fundamentally changed many manufacturing companies and products. The changes have resulted in an era of increased cost pressures, shortened product life cycles, rapidly diffusing technology, and production chains that involve a network of suppliers.

Success in today's manufacturing environment requires not only an efficient production system but also developing business strategies that highlight the unique capabilities of a firm. Manufacturers must master innovative product design, understand the benefits of adopting environmentally sustainable processes, invest in human and physical capital, leverage a range of financing options, realize international trade opportunities, and forecast future customer demands.

STRATEGIC OBJECTIVE 1.4  
PERFORMANCE RESULTS

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



Through the National Institute of Standards and Technology (NIST) Hollings Manufacturing Extension Partnership (MEP) program, manufacturers have access to a nationwide 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, university, community college, 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 transforms thousands of U. S. manufacturers by working one-on-one 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. While process and quality improvements offer reduced expenses, growth services provide the tools to improve top-line sales by adopting new technologies and creating new sales, new markets, and new products. MEP centers serve as trusted advisors to their manufacturing clients offering a suite of services to keep manufacturers competing and thriving in today's global marketplace.

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

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**Growing Sustainability Companies and Communities.** MEP is partnering in the Economy, Energy, and Environment (E3) Initiative, a collaborative effort among federal agencies, local utilities, governments, and small and medium-sized manufacturers to support sustainability and competitiveness in local and regional economies while spurring job growth and innovation. Successful E3 pilot projects were recently completed in Columbus, OH, and San Antonio, TX, with additional E3 pilot projects underway in Alabama, Michigan, and West Virginia. Leveraging the resources of MEP, the Small Business Administration, Department of Labor, Department of Energy, and Environmental Protection Agency, the E3 Initiative provides direct customized assistance to strengthen manufacturers. The process begins with a comprehensive assessment of a process or facility, focusing on lean manufacturing, energy use, and environmental practices to identify opportunities for improvement and reduction. With a focus on continuous improvement, the team then works with the company to identify resources, available financing options, training, and capacity building to support the implementation strategy. A number of the companies that have participated in the project have implemented 50 percent of the energy saving recommendations and 10 percent of the recommendations intended to make their operations more efficient and sustainable.

**New Product Development.** Cookshack, Inc., an Oklahoma manufacturer of commercial and residential smoker ovens, was experiencing international competition and began looking for avenues for cutting costs and increasing profits. Efforts in lean manufacturing streamlined its plant, but the company struggled with taking new product ideas to fruition. The company contacted their local MEP, the Oklahoma Manufacturing Alliance (the Alliance), for assistance. The Alliance worked with Cookshack on an ideation process designed to generate new, marketable ideas. From the session, 50 new ideas were generated and four emerged worthy of further research. The first idea was a mobile kitchen. Whereas the company's traditional products were permanently installed, the mobile kitchen would give cooks a portable smoker. After seven quick months of production, it was launched and Cookshack anticipates a 20 percent increase in revenue and a 30 percent increase in profits. The company is working on implementation of several other ideas generated from their work with their local MEP.

## SUMMARY OF PERFORMANCE

The following outcome applies to this objective with the measures below it providing an indication of how well the Department is doing in achieving that outcome.

## 1. Increase the productivity, profitability, and competitiveness of manufacturers (NIST)

OUTCOME	PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
1	Number of clients served by MEP centers receiving federal funding	25,500 from FY 2009 funding	32,926 from FY 2009 funding	Exceeded
1	Increased sales attributed to MEP centers receiving federal funding	\$2,000M from FY 2009 funding	\$2,085M from FY 2009 funding <sup>1</sup>	Met
1	Capital investment attributed to MEP centers receiving federal funding	\$1,000M from FY 2009 funding	\$1,565M from FY 2009 funding <sup>1</sup>	Exceeded
1	Cost savings attributed to MEP centers receiving federal funding	\$1,000M from FY 2009 funding	\$1,149M from FY 2009 funding <sup>1</sup>	Met

NOTE: Performance actuals for this outcome 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 date lag, coupled with the time line for producing the PAR, precludes the reporting of actual FY 2010 data. With the exception of the number of clients, the 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.

<sup>1</sup> Estimate.

## FY 2010 STATUS

NIST met or exceeded all of its targets for this objective.

## HISTORICAL TRENDS

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, BLS, and BEA are monitored and assessed on a regular basis to inform MEP's performance targets.

## STRATEGIC GOAL 1 PROGRAM EVALUATIONS

The following program evaluations were conducted on programs related to this strategic goal in FY 2010.

BUREAU	REVIEWER	NAME	DATE	WEB SITE
EDA	OIG	<i>Trade Task Group: Trade Adjustment Assistance for Firms (TAAF) Cooperative Agreement</i>	8/18/2010	<a href="http://www.oig.doc.gov/oig/reports/2010/STL-19882.pdf">http://www.oig.doc.gov/oig/reports/2010/STL-19882.pdf</a>
CENSUS	OIG	<i>Review of Leases of Maryland Local Census Offices</i>	7/27/2010	<a href="http://www.oig.doc.gov/oig/reports/correspondence/2010.07.27_IG_to_MD_Delegation.pdf">http://www.oig.doc.gov/oig/reports/correspondence/2010.07.27_IG_to_MD_Delegation.pdf</a>
CENSUS	OIG	<i>Early Observations Indicate that Some Nonresponse Follow-up Procedures are Not Being Followed and Others are Lacking</i>	6/11/2010	<a href="http://www.oig.doc.gov/oig/reports/2010/OAE-19893-01.pdf">http://www.oig.doc.gov/oig/reports/2010/OAE-19893-01.pdf</a>
CENSUS	OIG	<i>FY 2009 FISMA Assessment of the Field Data Collection Automation System</i>	11/20/2009	<a href="http://www.oig.doc.gov/oig/reports/2009/OAE-19728.pdf">http://www.oig.doc.gov/oig/reports/2009/OAE-19728.pdf</a>
CENSUS	GAO	<i>Census Bureau Continues to Make Progress in Mitigating Risks to a Successful Enumeration, but Still Faces Various Challenges</i>	10/21/2009	<a href="http://gao.gov/products/GAO-10-140T">http://gao.gov/products/GAO-10-140T</a>
CENSUS	GAO	<i>Poverty Determination in U.S. Insular Areas</i>	11/10/2009	<a href="http://gao.gov/products/GAO-10-240R">http://gao.gov/products/GAO-10-240R</a>
CENSUS	GAO	<i>Census Bureau has Made Progress on Schedule and Operational Control Tools, but Needs to Prioritize Remaining System Requirements</i>	11/13/2009	<a href="http://gao.gov/products/GAO-10-59">http://gao.gov/products/GAO-10-59</a>
CENSUS	GAO	<i>Operational Changes Made for 2010 Position the U.S. Census Bureau to More Accurately Classify and Identify Group Quarters</i>	2/22/2010	<a href="http://gao.gov/products/GAO-10-452T">http://gao.gov/products/GAO-10-452T</a>
CENSUS	GAO	<i>Key Enumeration Activities are Moving Forward, but Information Technology Systems Remain a Concern</i>	2/23/2010	<a href="http://gao.gov/products/GAO-10-430T">http://gao.gov/products/GAO-10-430T</a>
CENSUS	GAO	<i>Data Collection is Under Way, but Reliability of Key Information Technology Systems Remains a Risk</i>	3/25/2010	<a href="http://gao.gov/products/GAO-10-567T">http://gao.gov/products/GAO-10-567T</a>
CENSUS	GAO	<i>Plans for Census Coverage Measurement are on Track, but Additional Steps will Improve Its Usefulness</i>	4/2010	<a href="http://gao.gov/products/GAO-10-324">http://gao.gov/products/GAO-10-324</a>
CENSUS	GAO	<i>Cooperation with Enumerators is Critical to a Successful Headcount</i>	4/30/2010	<a href="http://gao.gov/products/GAO-10-665T">http://gao.gov/products/GAO-10-665T</a>

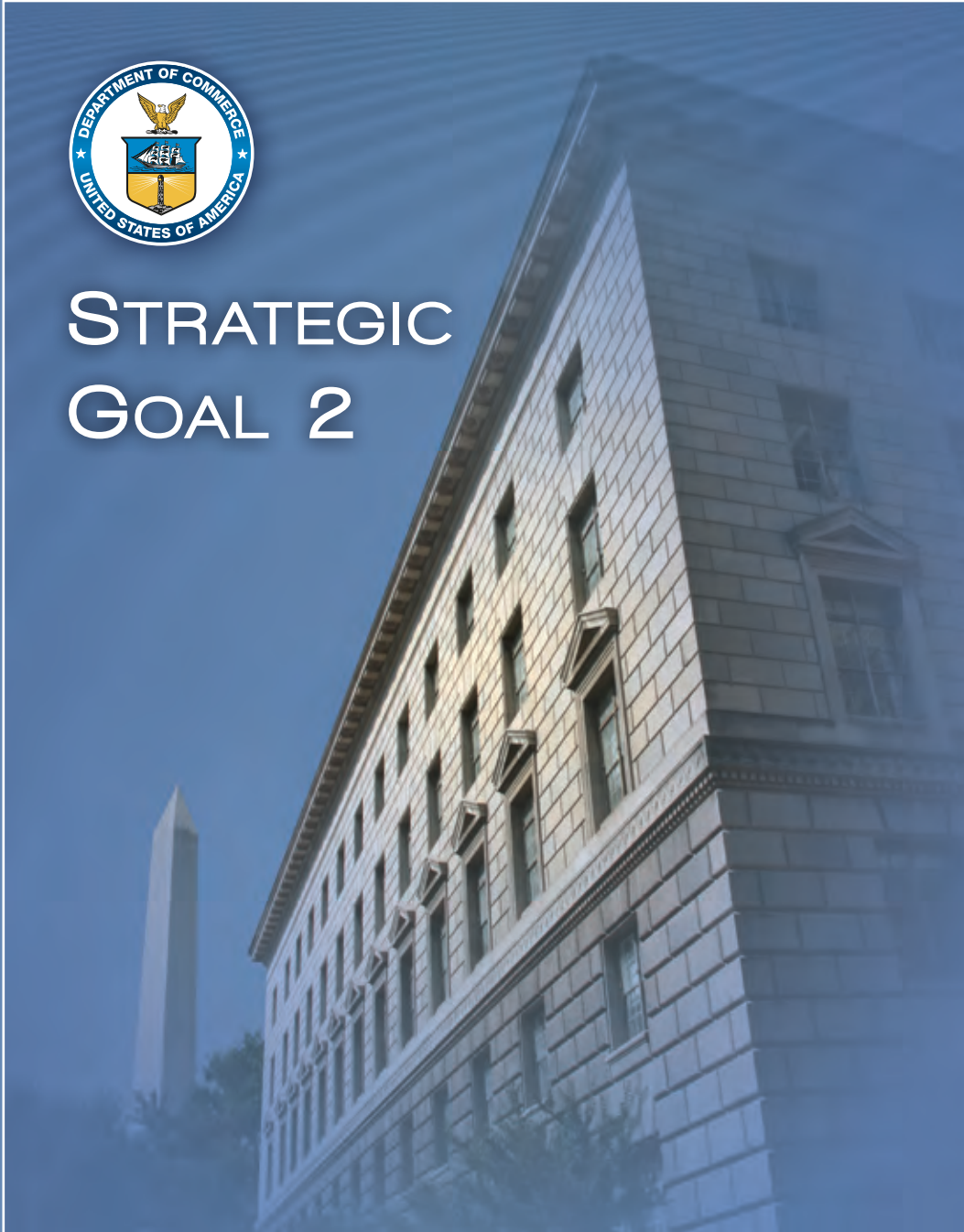
In addition, NIST conducted a study of the MEP program, a summary of the results of which follows.

BUREAU	NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY (NIST)
<b>Program</b>	Hollings Manufacturing Extension Partnership (MEP)
<b>Strategic Objective</b>	Position manufacturers to compete in a global economy
<b>Name</b>	MEP Non-Experimental Net Impact Evaluation
<b>Findings</b>	In the fall of 2008, NIST MEP undertook a study to examine the impact of manufacturing extension services on business establishment productivity. It built on earlier evaluations that matched the Census Bureau data with MEP client datasets to generate treatment and comparison groups for analysis. Underlying differences between clients and non-clients make it difficult to estimate the impact of MEP on client performance. Different methods of correcting for this selection bias produce a different estimate of the impact of MEP on client labor productivity. The statistically significant estimates of the impact of MEP services range from negative six percent to two percent.
<b>Actions as a Result of Evaluation</b>	The results in this report point to the need to conduct further analyses that could provide better estimates of the impact of MEP services. First, examining selected subgroups in more detail could reduce the bias of estimates of MEP impact. Second, this report looked only at the impact of MEP services on labor productivity (and sales and employment but those are secondary outcomes). Examining the impact of MEP services on other measures of productivity and on the establishment survival will improve how and in what ways MEP services make a difference. MEP plans to conduct another study based on these preliminary findings and to use more recent data.

# PERFORMANCE SECTION



## STRATEGIC GOAL 2





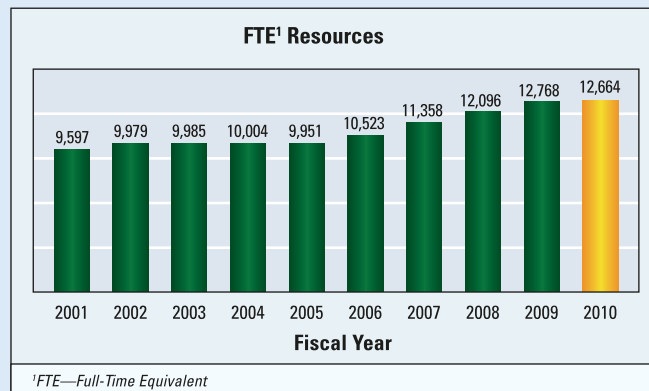
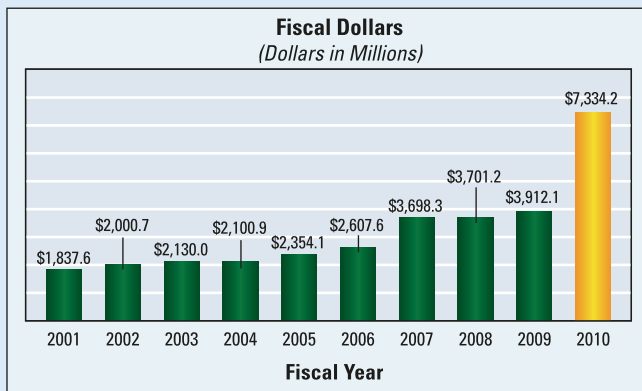
PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
Promote innovation, facilitate trade, and ensure public safety and security by strengthening the Nation's measurements and standards infrastructure (NIST)	5 of 6
Promote U.S. competitiveness by directing federal investment and R&D into areas of critical national need that support, promote, and accelerate high-risk, high-reward research and innovation in the United States (NIST)	1 of 1
Increase public access to worldwide scientific and technical information through improved acquisition and dissemination activities (NTIS)	3 of 3
Optimize patent quality and timeliness (USPTO)	2 of 5
Optimize trademark quality and timeliness (USPTO)	4 of 5
Provide domestic and global leadership to improve intellectual property policy, protection, and enforcement worldwide (USPTO)	1 of 1
Ensure that the allocation of radio spectrum provides the greatest benefit to all people (NTIA)	5 of 5
Promote the availability, and support new sources, of advanced telecommunications and information services (NTIA)	2 of 2



## STRATEGIC GOAL 2

### Promote U.S. innovation and industrial competitiveness

#### STRATEGIC GOAL 2 TOTAL RESOURCES

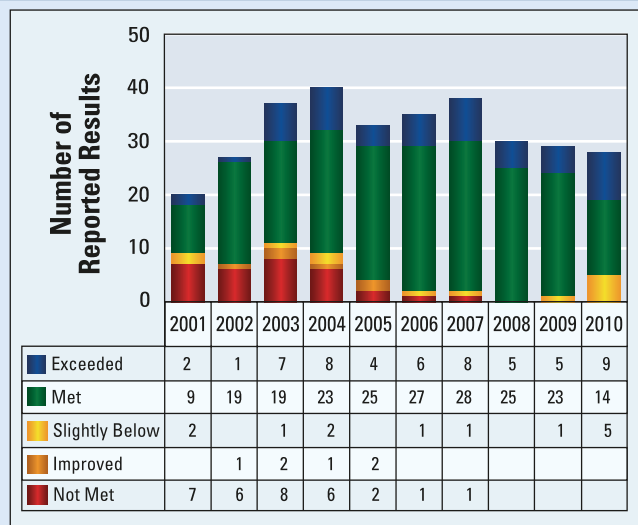


#### PUBLIC BENEFITS AND SUMMARY OF PERFORMANCE

The Department seeks to promote U.S. innovation and industrial competitiveness through three primary areas: (1) the continued development of advanced measurement science and encouragement of high-risk, high-reward research; (2) the further advancement of intellectual property through the issuance of patents and trademarks; and (3) the continued advancement of telecommunications standards and technology.

Through the measurement science research at the National Institute of Standards and Technology (NIST), the Department provides the infrastructure that supports a modern technology-based economy, from the automotive to the biotechnology sector, and from basic materials and manufacturing to information technology. NIST provides the critical tools for these efforts through the sale of

#### STRATEGIC GOAL 2 PERFORMANCE RESULTS



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

more than 30,000 units of Standard Reference Materials (SRM) and 6,000 units of Standard Reference Databases annually, as well as the conduct of over 15,000 calibration tests each year.

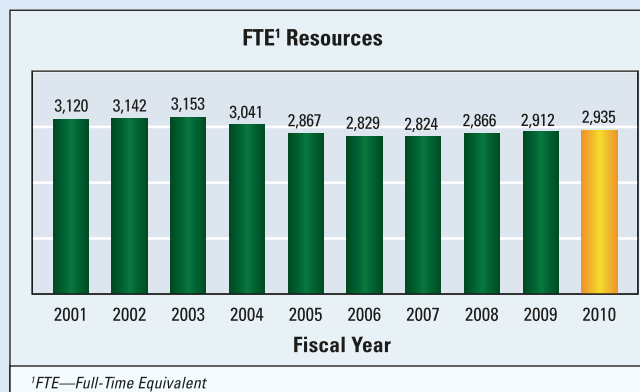
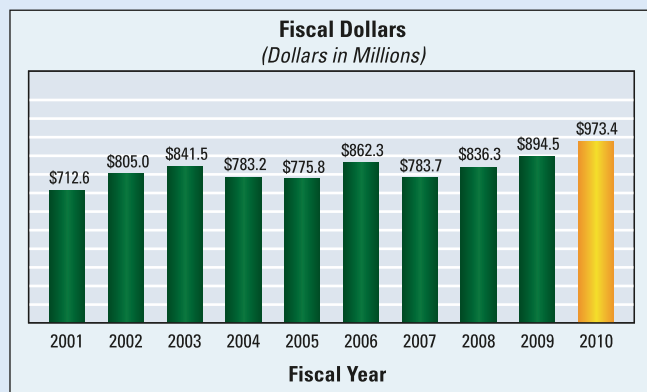
Intellectual property (IP) is a potent force in, and a fundamental component of, the global economy. The Department strives to preserve the Nation's competitive edge by protecting IP and encouraging technological innovation. In market-driven economic systems, innovation provides a catalyst for economic prosperity through the accumulation of scientific knowledge; introduction of new products and services; and improvements in the productivity levels of land, labor, and capital resources.

The Department through the National Telecommunications and Information Administration (NTIA): (1) serves as the principal adviser to the President on domestic and international communications and information policy-making; (2) promotes access to telecommunications services for all Americans and competition in domestic and international markets; (3) manages all federal use of the electromagnetic spectrum and generally promotes efficient use of spectrum; and (4) conducts telecommunications technology research, including standards-setting in partnership with business and other federal agencies. Overall performance within this goal has been fairly strong, meeting or exceeding targets on average 87 percent of the time from FY 2001 to FY 2010. Performance improved from FY 2001 to FY 2010 with 55 percent of targets met or exceeded in FY 2001 to 82 percent met or exceeded in FY 2010.

## STRATEGIC OBJECTIVE 2.1

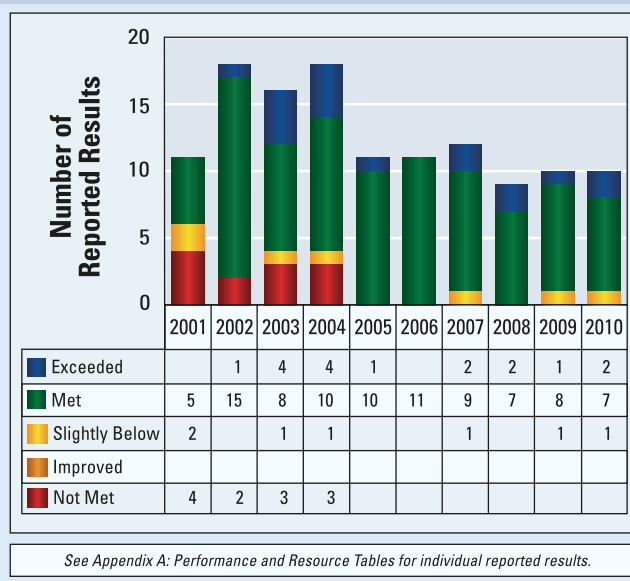
*Advance measurement science and standards that drive technological change*

## STRATEGIC OBJECTIVE 2.1 TOTAL RESOURCES



## PUBLIC BENEFITS

The Nation's ability to innovate and compete in a global economy depends on a robust scientific and technical infrastructure, including research, measurement tools, standards, data, and models. The National Institute of Standards and Technology (NIST) works with U.S. industry and other stakeholders to promote U.S. innovation and industrial competitiveness by advancing measurement science, standards, and technology in ways that enhance economic security and improve quality of life. NIST leadership in measurement science research ensures that U.S. industry and universities will have the tools they need to remain at the leading edge of innovation and to secure "first-mover advantage" in bringing new technologies to market. NIST laboratories develop and disseminate measurement techniques, reference data, test methods, standards, and other infrastructural technologies and services required by U.S. industry to compete in the 21st century.

STRATEGIC OBJECTIVE 2.1  
PERFORMANCE RESULTS

Over 400 NIST staff members participate in more than 105 standards development organizations each year to facilitate the development and adoption of documentary standards which promote efficient transactions in the domestic and global marketplace. In particular, NIST is leading the effort to develop standards for the Smart Grid and for the development of the Healthcare Information Technology infrastructure. Through the measurement science research at NIST, the Department provides the infrastructure that supports a modern technology-based economy, from the automotive to the biotechnology sector, and from basic materials and manufacturing to information technology (IT). NIST provides the critical tools for these efforts through the sale of more than 30,000 units of Standard Reference Materials (SRM) and 6,000 units of Standard Reference Databases annually, as well as the conduct of over 15,000 calibration tests each year.

NIST also invests in high-risk, innovative projects with the potential to produce transformational results in areas of critical national need. As established by the America COMPETES Act of 2007, the Technology Innovation Program (TIP) supports, promotes, and accelerates innovation in the United States by making cost-shared awards for high-risk, high-reward research in areas of critical national need. These areas need government attention because the magnitude of the problem is large and societal challenges are not being sufficiently addressed. TIP complements and leverages—but does not duplicate—existing research and development (R&D) efforts by making targeted investments that are within NIST's areas of technical competence, but that are not possible by other government agencies or programs. TIP supports rich teaming through making awards to individual small or medium-sized companies or to joint ventures that may additionally include universities, non-profit research organizations, national laboratories (other than NIST), or other organizations that are engaged in high-risk, high-reward R&D. TIP funds projects that have strong potential for advancing the state of the art and contributing significantly to the U.S. science and technology knowledge base, and that may result in the creation of intellectual property (IP) vested in a U.S. entity. Awards of up to \$3 million total to individual small or medium-sized companies may be made over three years or less, and awards of up to \$9 million total to joint ventures over five years or less.

The long-term nature of TIP-funded projects will result in a three to five-year lag from initial project funding to the generation of four additional measureable outputs and outcomes. These additional measures will cover the number of publications, patent applications, projects generating continued R&D, and projects with technologies under adoption. These measures, along with other programmatic accomplishments, will be used to evaluate TIP's progress toward its long-term goal of supporting, promoting, and accelerating innovation in the United States in areas of critical national need.

Likewise, 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.

## ACHIEVEMENTS

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### ***NIST Releases Successor to Venerable Handbook of Math Functions***

NIST released the Web-based Digital Library of Mathematical Functions and its printed companion, the NIST *Handbook of Mathematical Functions*, the much-anticipated successors to the Agency's most widely cited publication of all time. The two works comprise a complete update and expansion of the 1964 *Handbook of Mathematical Functions*. NIST created them in response to advances in mathematics and to take advantage of new capabilities made possible by the Internet. NIST designed the new 36-chapter tome to be the definitive reference work on "special functions," which are the most important and widely employed tools in applied mathematics. Special functions appear whenever natural phenomena are studied, engineering problems are formulated, and computer simulations are performed. With more than 8,000 equations and nearly 500 figures, the Digital Library of Mathematical Functions has about twice the amount of technical material as the 1964 publication.

### ***Joint Quantum Institute Researchers Create Entangled Photons from Quantum Dots***

Physicists at the Joint Quantum Institute, a collaborative organization of NIST and the University of Maryland, developed a promising new source of entangled photons. Entanglement is the distance-defying link that can form between objects such as atoms even when they are completely shielded from one another—and is key to exploiting the quantum world to the fullest.



The entangled photons come from nanometer-scale bits of semiconductor, called quantum dots, that have been tweaked with a laser. The institute's technique may someday enable more compact and convenient sources of entangled photon pairs than presently available for quantum information applications, such as the distribution of "quantum keys" for encrypting sensitive messages. Quantum dots could offer advantages as entanglement sources over their conventional crystal counterparts as they are less bulky and can conveniently produce one pair of entangled photons at a time, instead of in bunches.

### ***New NIST Database on Gas Hydrates to Aid Energy and Climate Research***

NIST developed a free, online collection of data on the properties of gas hydrates, naturally occurring crystalline materials that are a potential energy resource and also may affect Earth's climate. Vast stores of hydrates exist in subsurface sediments of permafrost and deep oceans and are considered a major potential energy resource. The U.S. Geological Survey estimates that the total amount of carbon captured in methane hydrate, worldwide, is at least twice the total amount held in fossil fuels. The flux of hydrates in the environment may play a role in the global carbon cycle and long-term climate patterns. The new database is meant for use by climate modelers, researchers studying the potential recovery of hydrates for practical applications and the petroleum industry, which has long been interested in preventing unprocessed hydrates from infiltrating natural gas pipelines. NIST developed the database in association with CODATA (the international Committee on Data for Science and Technology). Funding was provided by the National Energy Technology Laboratory of the U.S. Department of Energy.

### ***NIST Demonstrates Universal Programmable Quantum Processor***

Physicists at NIST have demonstrated the first universal programmable quantum information processor able to run any program allowed by quantum mechanics—the rules governing the submicroscopic world—using two quantum bits (qubits) of information. The processor could be a module in a future quantum computer, which, if they can be built, have many possible applications such as breaking today's most widely used encryption codes, including those that protect electronic financial transactions. The NIST demonstration marks the first time any research group has moved beyond demonstrating individual tasks for a quantum processor—as done previously at NIST and elsewhere—to perform programmable processing, combining enough inputs and continuous steps to run any possible two-qubit program. The Defense Advanced Research Projects Agency, National Security Agency, and Intelligence Advanced Research Projects Activity, in part, supported the research.

### ***Performance Indicators for Measurement Services and Publications***

NIST measurement services, including calibration services, are critical for ensuring product performance and quality, improving production processes, making marketplace transactions fair and efficient, and leveling the playing field for international trade. NIST offers more than 500 different types of physical calibrations in areas as diverse as radiance temperature, surface finish characterization, and electrical impedance. SRMs are the definitive source of measurement traceability in the United States and are certified in the NIST laboratories for their specific chemical and material properties. Customers use SRMs to achieve measurement quality and conformance to process requirements that address both national and international needs for commerce and trade and public safety and health. NIST's technical publications serve as a major knowledge and technology mechanism to transfer the results of its research to support the Nation's technical infrastructure and provide measurements and standards to those in industry, academia, and other government agencies. Each year, NIST's technical staff produces an average of 2,000 publications with approximately 50 to 60 percent appearing in prestigious scientific peer-reviewed journals. Citation impact of NIST-authored publications demonstrates that NIST consistently produces relevant scientific and technical publications. Citation analysis provides an independent and objective validation of peer review findings as research has shown that high citation rates—the cumulative number of citations per publication—correlate with peer review judgment in terms of scientific quality and relevance. NIST also provides online access to over 80 critically evaluated scientific and technical databases to academia, industry,

other government agencies, and the general public. An additional hundreds of millions of annual downloads are associated with NIST Web-based, time-related services.

### ***Infrastructure Monitoring/Repair and Advanced Materials in Manufacturing***

In December 2009, NIST announced TIP's 20 new projects selected for cost-shared awards in the critical national need areas of civil infrastructure and manufacturing. Twelve of these awards addressed accelerating advanced materials into manufacturing processes, and eight of the awards fund efforts to develop advanced sensing technologies to improve the monitoring and repair of the Nation's infrastructure. If successful, these 20 awards will generate \$146 million in new research during the active life of the projects (three to five years), \$71 million of which would be funded by TIP.

Awarded projects from this competition continue to demonstrate TIP's commitment to multi-disciplinary approaches and to encouraging broad teaming arrangements. Thirty-eight recipient organizations are involved in the 20 projects, ranging from unmanned, hovering aircraft for inspecting bridges to a high-speed sorting system for recycling aerospace metals to nanomaterials for advanced batteries. These collaborative efforts help the projects toward achieving a transformational impact for infrastructure monitoring and inspection and advanced manufacturing. Additional details on all TIP competitions are available at [http://www.nist.gov/tip/prev\\_competitions.cfm](http://www.nist.gov/tip/prev_competitions.cfm).

### ***Landmark Study Shows How Size of Fire Crew Influences Saving Lives and Property***

A study coordinated by NIST is the first to quantify the effects of crew sizes and arrival times on lifesaving and firefighting operations for residential fires, which account for the vast majority of fatal fires. NIST researchers and collaborators from the scientific, firefighting and public-safety communities conducted more than 60 controlled fire experiments to determine the relative effects of crew size, the arrival time of the first fire crews, and the "stagger," or spacing, between the arrivals of successive waves of fire-fighting apparatus. The research team found that four-person firefighting crews were able to complete 22 essential firefighting and rescue tasks in a typical residential structure 30 percent faster than two-person crews and 25 percent faster than three-person crews. The report was funded by the Department of Homeland Security Federal Emergency Management Agency's Assistance to Firefighters Grant Program.

### ***NIST Releases Report on Windstorm Damage to Dallas Cowboys Practice Facility***

NIST released its final report on the May 2, 2009, collapse during a severe thunderstorm of the fabric-covered, steel frame practice facility owned by the National Football League's Dallas Cowboys. The study team found that assumptions and approaches used in the design of the building resulted in significant differences between the original calculated wind load demands and structural capacities compared to those derived by NIST. Maximum wind speed gusts at the time of collapse were estimated to be in the range of 55 to 65 miles per hour—well below the design wind speed of 90 miles per hour as specified in the national standard for wind loads. NIST recommends that other fabric-covered frame structures be evaluated to ensure adequate performance under design wind loads. NIST worked with the National Oceanic and Atmospheric Administration's (NOAA) National Severe Storms Laboratory to estimate the wind conditions at the time of collapse. NIST is working with various public and private groups toward implementing changes to practice, standards, and building codes based on the findings from this study.

### ***Promote Increased Access to Federal Science, Technology, and Engineering Information (STEI)***

NTIS deployed the National Technical Reports Library (NTRL) in April 2009, a subscription product with direct access to full metadata and full text documents that can be viewed, printed, and downloaded. In FY 2010, NTRL substantially increased perpetual access

to federally funded STEI by increasing access to full text documents three-fold due to increased subscriber usage. In FY 2011, NTIS plans to launch an improved open access version of NTRL that will substantially increase discovery of prior research, yet maintain the subscription requirement to the full text documents in order to sustain the NTRL service.

In FY 2010, support of preservation and archival practices for NTRL is currently being improved with a new initiative with the National Archives and Records Administration (NARA). NTIS and NARA formally agreed to perpetually archive and preserve electronic STEI content found in NTIS content. For the first time, this agreement established a process that links NTIS technical document acquisitions to document submissions for NARA, therefore eliminating duplicate processing for Agency customers.

NTIS plans to implement user-driven customer improvements in NTRL release 2.0 during FY 2011. NTIS recently deployed its next generation 2.0 Web site and is experimenting with the use of social media technology as part of its outreach and education activities to further the dissemination of STEI. NTIS programs will increase worldwide access to STEI through continuing efforts to acquire and capture scientific content. NTIS recently initiated new public-private partnerships in order to explore innovative STEI products and services that will enhance new media offerings. The new public-private partnerships will position NTIS as a significant participant in federal STEI development.

### ***Facilitate the Dissemination of Federal Science and Information***

NTIS facilitates the dissemination of federal science and information by providing information management services to other federal agencies to help them disseminate federal information to their constituents. In FY 2010, NTIS continued its long association with the U.S. Department of Agriculture (USDA) team nutrition and supplemental nutrition assistance programs by distributing over 10 million free brochures, pamphlets, and kits in both English and Spanish to citizens and state agencies. In FY 2010, NTIS also initiated new information dissemination projects with the Department of Education and the Social Security Administration (SSA).

In August 2009, senior leadership at the Department of Education turned to NTIS to improve and enhance its education publications dissemination program through the effective implementation of cost-effective technologies that would enable broader outreach to constituent groups without cost increases, and preferably with cost savings. NTIS fulfilled these requirements and since November 2009, provided contact center, Web hosting, and publication fulfillment and distribution services for the Department of Education publications and federal student assistance programs. In FY 2010, NTIS processed over 77,000 orders and shipped 21.1 million items in support of these programs.

In November, 2009, SSA requested that NTIS support a new initiative to provide alternative modes of communication in its special notices and other communications to the blind and visually impaired. Prior to working with NTIS, visually impaired claimants could only receive printed SSA notices by mail with the option to call SSA to have the document read to the claimant. Desiring to distribute the notices on compact disk (CD) media for computer screen reading and in Braille print for the visually impaired, SSA, NTIS, and two joint business partners developed the Special Notice Option program. Since April 2010, NTIS shipped nearly 10,000 CDs and Braille documents to sight impaired SSA recipients. In FY 2011, SSA and NTIS will develop new media formats for the delivery of audio and large print.

Since 2004, NTIS and its e-Learning partners have been working with federal agencies to assist them in implementing and maintaining their learning management and knowledge management systems and applications. NTIS supports the following departments: Commerce, Agriculture, Education, Health and Human Services, Justice, Interior, Treasury, and the U.S. Air Force.

### ***Provide Web Services Support for Federal Agencies***

NTIS continued to host two major Web sites and applications in support of the American Recovery and Reinvestment Act (ARRA) of 2009. NTIS provided hosting services for the Department's recovery.commerce.gov Web site that provides public visibility to the ARRA projects supported by Department ARRA funding. Further, NTIS developed and deployed with a joint venture partner the Broadband USA round I and II grants application Web site and applications platform at [www.broadbandusa.gov](http://www.broadbandusa.gov). Through the NTIS grants application platform, USDA's Rural Utilities Service (RUS) and the National Telecommunications and Information Administration (NTIA) received and processed applications that resulted in the issuance of \$7.2 billion in grants to expand broadband access to unserved and underserved communities across the United States, increase jobs, spur investments in technology and infrastructure, and provide long-term economic growth.

## **SUMMARY OF PERFORMANCE**

The following outcomes apply to this objective with the measures below them providing an indication of how well the Department is doing in achieving those outcomes.

1. Promote innovation, facilitate trade, and ensure public safety and security by strengthening the Nation's measurements and standards infrastructure (NIST)
2. 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 and innovation in the United States (NIST)
3. Increase public access to worldwide scientific and technical information through improved acquisition and dissemination activities (NTIS)

OUTCOME	PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
1	Qualitative assessment and review of technical quality and merit using peer review	Complete annual peer review	Completed	Met
1	Citation impact of NIST-authored publications	>1.1	>1.1 <sup>1</sup>	Met
1	Peer-reviewed technical publications produced	1,300	1,243	Slightly Below
1	Standard Reference Materials (SRM) sold	31,000	31,667	Met
1	NIST-maintained datasets downloaded	24,500,000	24,956,000	Met
1	Number of calibration tests performed	15,000	17,697	Met
2	Cumulative number of TIP projects funded	25	29	Met
3	Number of updated items available (annual)	765,000	969,473	Exceeded
3	Number of information products disseminated (annual)	33,000,000	50,333,206	Exceeded
3	Customer satisfaction	95-98%	98%	Met

<sup>1</sup> Actual for this measure lags nine months. The actual shown here is based on FY 2009 data.

### **FY 2010 STATUS**

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NIST met all but one of its targets in FY 2010, the lone exception being, "Peer-reviewed technical publications produced." For that measure, the actual was only slightly below the target, with the program's performance not being affected by this result. NTIS met or exceeded all three of its targets.

### **HISTORICAL TRENDS**

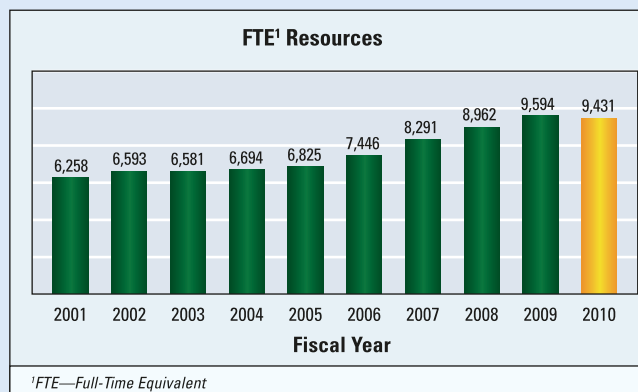
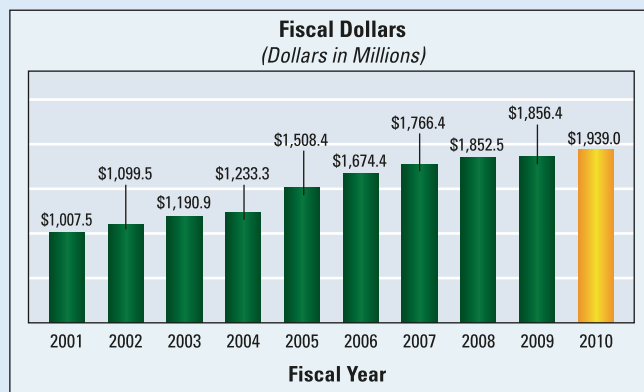
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Both NIST and NTIS have consistently met their targets for this objective.

## STRATEGIC OBJECTIVE 2.2

*Protect intellectual property and improve the patent and trademark system*

## STRATEGIC OBJECTIVE 2.2 TOTAL RESOURCES



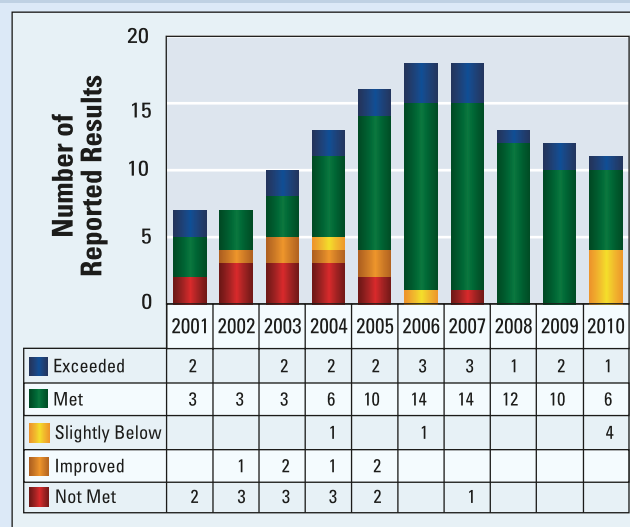
## PUBLIC BENEFITS

**I**P 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.

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 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

STRATEGIC OBJECTIVE 2.2  
PERFORMANCE RESULTS

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



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.

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. The U.S. Patent and Trademark Office (USPTO) plays a leadership role in promoting effective domestic and international protection and enforcement of intellectual property rights (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

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Despite the continued affects of the economic downturn, the Patent organization successfully launched new and innovative projects to meet its strategic goals. Many routine programs, such as replacing attritions and funding workload-related contracts, were suspended due to funding constraints. Yet the Patent organization's commitment to performance excellence continued by focusing on ways to become more efficient and effective in its processes, human capital management, policy, and workload balancing.

The Patent organization identified and implemented procedures and policies that supported patent quality and timeliness. Improvements were made by redesigning systems and procedures so that redundant processes were removed. It has created a streamlined examination process that improves patent quality and timeliness. It made significant progress toward reducing the backlog and patent pendency, despite continued funding and hiring challenges. The improvements are reflected in its performance metrics.

Patent quality translates into more certainty and economic value for patent holders. It also means less risk from infringement and claims challenges. The Patent organization's goal to improve the quality of patents includes defining quality and the quality metrics. A joint Quality Task Force between USPTO and the Patent Public Advisory Committee was initiated to enhance the overall patent quality. Two roundtables were held in May 2010, to gather input on how to improve patent quality and how to define metrics to measure progress. That patent quality improvements focus, *inter alia*, on improving the process for examination of the application, including uncovering the best prior art.

USPTO tracks its quality with two measures; final rejection/allowance compliance rate and the non-final in-process compliance rate. The patent final rejection/allowance compliance rate gives the percentage of utility, plant, reissue, and design (UPRD) allowances and final rejections reviewed that were found to be compliant, without error, with applicable rules and laws regarding final patentability determination. They are based on a random sample of allowances and final rejections reviewed during the reporting period. An error is defined as at least one claim within a randomly selected allowed application that would be held invalid in a court of law if the application were to issue without the required correction. An error in an allowance is defined as at least one claim allowed that would be held invalid by a court of law if the application were to issue without the required correction. An error in a final rejection is defined as the unreasonable rejection of at least one claim. In FY 2010, efforts to improve quality resulted in an allowance compliance rate of 94.9 percent, slightly better than the target of 94.5 percent. The non-final in-process examination compliance rate is the percentage of UPRD office actions (prior to allowance or final rejection) that were found to be free of any unreasonable rejections, objections, or requirements. They are based on a sample of actions reviewed during the reporting period. At 96.3 percent non-final in-process examination compliance, USPTO met its goal of 94.0 percent.

The pendency time to process a patent application, is measured in two ways: (1) first action pendency—the average time in months from filing until an examiner's initial determination is made of the patentability of an invention, and (2) total pendency—the average time in months from filing until the application issues as a patent, or is abandoned by the applicant. Patents ended the year at 25.7 months for first action pendency and 35.3 months for total pendency.

Over the last five years, the Trademark organization has met nearly all its performance targets as it continues to reap the benefits of its significant investments in human capital and in automation and process re-engineering. The examination quality of office actions in the Trademark organization has met and exceeded goals, ranging above 95 percent accuracy in recent years. About 97 percent of all first actions and final decisions (approvals and rejections) met statutory and compliance rates for quality of decision-making and writing. To sustain these high quality levels, the Trademark organization continues to emphasize and improve training, promote electronic filing and processing, and make greater use of online tools and enhanced processes.

Trademark pendency has improved as electronic processing and filing have become the primary means of conducting business within the Trademark organization. Increased use of electronic forms, particularly Trademark Electronic Application System (TEAS) Plus filings, which represent more than 33 percent of new application filings and more than 31 percent of first action approvals, has improved the efficiency and timeliness of examination.

The two primary measures used to determine trademark application processing time are: (1) first action pendency, which measures the average time, in months, from the filing date to when the examiner's first action is taken; and (2) average total pendency, which is based on the average time, in months, from the filing date until the notice of abandonment, notice of allowance, or registration for applications based on use excluding cases that were previously suspended or were involved in inter partes proceedings at the Trademark Trial and Appeal Board. USPTO met its FY 2010 target of 2.5–3.5 by achieving a first action pendency of 3.0 months. Trademark average total pendency results were 10.5 months. USPTO met its FY 2010 target of 13.0 months.

To maintain first action pendency at 2.5 to 3.5 months and final pendency at 13 months, the Trademark organization managed to dynamically align examination capacity with incoming workloads by maintaining appropriate staffing levels, sustaining high productivity, and judiciously adjusting production incentives and overtime usage to boost production when needed.

By law, the USPTO Director serves as policy advisor to the President (via the Secretary of Commerce) on IP matters. Given the demonstrated importance of high-quality IP to innovation and competitiveness, USPTO is a key component of the Administration's strategy to encourage U.S. innovation and global competitiveness.

The Administration's "Strategy for American Innovation" whitepaper, published in September 2009, demonstrated a strong commitment to retaining U.S. innovation leadership. This whitepaper noted that the importance of high-quality, timely patents to innovation created an urgent need for full funding of USPTO. The paper did not, however, elaborate fully on the critical role of IP in fostering innovation. As this strategy for U.S. innovation continues to evolve, USPTO will lead in ensuring that the Administration's innovation strategy (and related projects) encompasses a comprehensive national IP strategy. The national IP strategy will ensure that policy developments and implementation take place in a coordinated manner within a national framework in order to allow all national stakeholders to work together to create, own, and exploit research results, innovations, new technologies, and works of creativity.

To effectively develop this strategy, USPTO established the Office of the Chief Economist in March 2010. The Chief Economist is responsible for advising the Under Secretary and the Administrator for External Affairs on the economic implications of policies and programs affecting the U.S. IP system. He initiates and oversees groundbreaking economic analysis in the field on the topics of IP protection and enforcement. The Chief Economist will lead the development of the national IP strategy, which will reflect the growing body of research demonstrating the importance of high-quality IP to innovation.

Throughout FY 2010, USPTO continued to seek enhanced cooperation and improved protection for IP multilaterally in several fora including the World Intellectual Property Organization (WIPO), the World Trade Organization (WTO) and several additional intergovernmental organizations

USPTO consistently promoted the adoption of improvements to the WIPO filing and registration systems in 2010 for patents (Patent Cooperation Treaty system), trademarks (Madrid system), and designs (Hague system), which continue to provide critical benefits and services to U.S. businesses that rely on the international protection of their IP. In addition, the United States supported continued implementation of WIPO's "development agenda," a set of recommendations and concrete projects aimed at enhancing WIPO's focus on development goals. In the trilateral context, USPTO played a leadership role in promoting adoption of mechanisms for reducing inefficiency in global search and examination, such as the Common Citation Document and the Common Application Format.

USPTO also actively participated with the Office of the U.S. Trade Representative (USTR) in ongoing IP discussions in the WTO, with the objective of maintaining the integrity of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). USPTO worked closely with USTR during the WTO accession process of several countries during FY 2010.

## SUMMARY OF PERFORMANCE

The following outcomes apply to this objective with the measures below them providing an indication of how well the Department is doing in achieving those outcomes.

1. Optimize patent quality and timeliness (USPTO)
2. Optimize trademark quality and timeliness (USPTO)
3. Provide domestic and global leadership to improve intellectual property policy, protection, and enforcement worldwide (USPTO)

OUTCOME	PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
1	Final rejection/allowance compliance rate	94.5%	96.3%	Met
1	Non-final in-process examination compliance rate	94.0%	94.9%	Met
1	Patent average first action pendency (months)	25.4	25.7	Slightly Below
1	Patent average total pendency (months)	34.8	35.3	Slightly Below
1	Patent applications filed electronically	90.0%	89.5%	Slightly Below
2	Trademark first action compliance rate	95.5%	96.6%	Met
2	Trademark final compliance rate	97.0%	96.8%	Slightly Below
2	Trademark first action pendency (months)	2.5-3.5	3.0	Met
2	Trademark average total pendency excluding suspended and inter partes proceedings (months)	13.0	10.5	Met
2	Trademark applications processed electronically	65.0%	68.1%	Met

(continued)

OUTCOME	PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
3	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	50%	75%	Exceeded

## FY 2010 STATUS

USPTO met seven of its 11 targets in FY 2010. USPTO was slightly below the targets for the following three patent measures and one trademark measure, though 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. USPTO continues to work to improve patent and trademark pendency.

- Patent average first action pendency
- Patent average total pendency
- Patent applications filed electronically
- Trademark final compliance rate

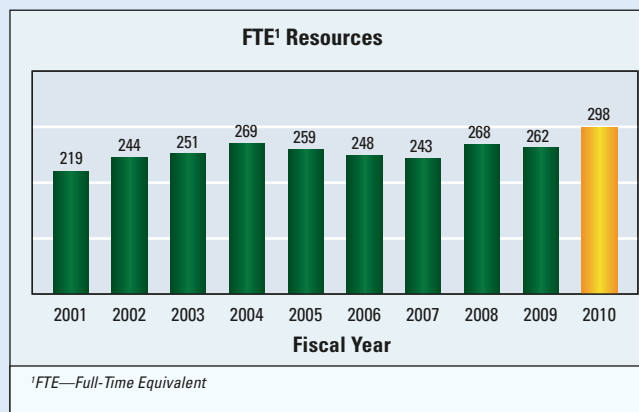
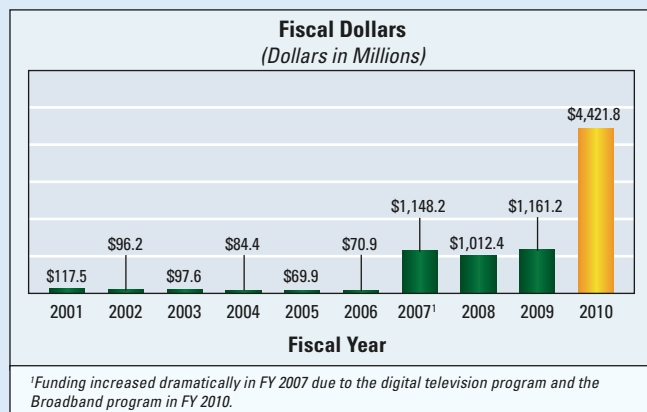
## FY 2010 MISSED TARGETS

MEASURES	<ul style="list-style-type: none"> <li>● PATENT AVERAGE FIRST ACTION PENDENCY</li> <li>● PATENT AVERAGE TOTAL PENDENCY</li> <li>● PATENT APPLICATIONS FILED ELECTRONICALLY</li> </ul>
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 additional action taken at this time.
MEASURE	TRADEMARK FINAL COMPLIANCE RATE
Explanation	First Action quality was 96.6 percent meeting the target of 95.5 percent. The quality of final decisions (approvals and rejections) was 96.8 percent as measured by statutory and compliance rates for quality of decision-making and writing, within the target range of 97 percent considering the margin of error (+/- 0.6%).
Action	To sustain these high quality levels, the trademark organization continues to emphasize and improve training, to promote electronic filing and processing, and to make greater use of online tools and enhanced processes.

## STRATEGIC OBJECTIVE 2.3

*Advance global e-commerce as well as telecommunications and information services*

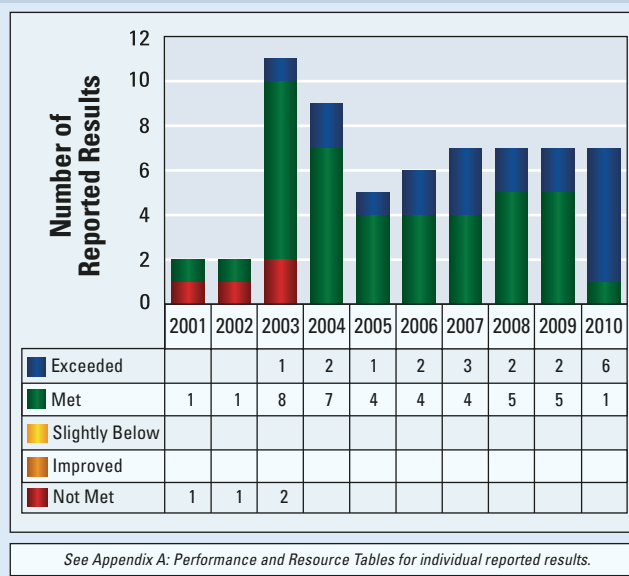
## STRATEGIC OBJECTIVE 2.3 TOTAL RESOURCES



## PUBLIC BENEFITS

In this era of technological expansion two areas where the Department provides significant benefits to the American public involve the radio frequency spectrum and broadband technology. The National Telecommunications and Information Administration (NTIA) plays a major role in radio frequency spectrum management and telecommunications standards, and 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, particularly through the following areas:

- Serving as the principal adviser to the President on domestic and international communications and information policy-making;
- Promoting access to telecommunications services for all Americans and competition in domestic and international markets;
- Managing all federal use of the electromagnetic spectrum and generally promoting efficient use of spectrum; and
- Conducting telecommunications technology research, including standards-setting in partnership with business and other federal agencies.

STRATEGIC OBJECTIVE 2.3  
PERFORMANCE RESULTS

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

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 (USDA) Rural Utilities Service (RUS) 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 will 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.

Specifically, these projects will deploy broadband infrastructure, enhance capacity at public computing centers, and support projects to encourage non-users to subscribe to broadband services. The objectives of BTOP include:

- Broadband access in unserved and underserved areas;
- Broadband education, awareness, training, access, equipment, and support;
- 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 also directed NTIA to use ARRA funding to develop a national broadband map. This unprecedented national broadband map will be available to the public no later than February 2011. It will educate consumers and businesses about broadband availability, enable broadband providers and investors to make better-informed decisions regarding the use of their private capital, and allow federal, state, and local policymakers to make more data-driven decisions on behalf of their constituents.

## ACHIEVEMENTS

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NTIA utilized approximately \$4 billion of ARRA funding for BTOP, which provides grants to support the deployment of broadband infrastructure, enhance and expand public computer centers, and encourage sustainable adoption of broadband service. The 233 BTOP projects will:

- Fund the installation or upgrade of approximately 120,000 miles of broadband networks, including fiber optics, wireless, microwave, and other technologies. Of this amount, approximately 70,000 miles involve construction of new broadband facilities.
- Provide broadband access to approximately 24,000 community anchor institutions, including schools, libraries, government offices, health care facilities, and public safety entities.
- Deploy middle mile infrastructure in areas with nearly 40 million households and four million businesses, many of which will benefit from new or improved broadband service provided by last-mile providers that are able to utilize the new, open infrastructure to extend or upgrade their service for consumer and business customers.
- Invest in more than 3,500 new or upgraded public computer centers in libraries, schools, community centers, and other public locations.



- Invest in more than 35,000 new or upgraded public computer workstations.
- Make public computer center workstations and training available to more than one million new users.

These anticipated benefits will be realized over the life of each project, which must be substantially complete within two years and fully complete within three years.

NTIA's State Broadband Data and Development grant program implements the joint purposes of ARRA and the Broadband Data Improvement Act (BDIA), which envisioned a comprehensive program to integrate broadband and information technology into state and local economies. ARRA provided up to \$350 million for implementation of the BDIA and to develop and maintain the national broadband map. NTIA has awarded a total of \$293 million in grants among all 56 eligible entities.

As part of BTOP-related initiatives, NTIA and USDA's RUS launched BroadbandMatch, a new online tool to facilitate partnerships among prospective applicants to the agencies' broadband grant and loan programs. BroadbandMatch allows potential applicants to find partners for broadband projects, helping them to combine expertise and create stronger proposals.

A primary focus of NTIA's activities is on spectrum reform. Specifically, NTIA examined spectrum sharing approaches to identify the techniques that can provide the most efficient and effective sharing of the radio spectrum through the use of intelligent radios. This research will aid NTIA, the Federal Communications Commission (FCC), the telecommunications industry, and other government agencies in the design of dynamic spectrum access schemes for cognitive radio under different communication requirements. In addition, NTIA supported the Administration's efforts to foster new wireless broadband technologies by making new spectrum available. NTIA is collaborating with FCC to develop a plan to make available 500 MHz of spectrum suitable for both mobile and fixed wireless broadband use over the next 10 years. The plan focuses on making spectrum available for exclusive use by commercial broadband providers or technologies, or for dynamic, shared access by commercial and government users.

NTIA oversees federal departments and agencies in their work to relocate systems from the 1710-1755 MHz band under the mechanism established through the Commercial Spectrum Enhancement Act. This mechanism provides a means to accommodate the next generation of wireless services. NTIA has facilitated the transition through promoting dialog between the federal agencies and the commercial license winners. The relocation effort is moving forward rapidly and commercial users have been able to enter many markets earlier than expected. NTIA will continue to explore opportunities for efficiencies and sharing that will enable spectrum to meet future demand. NTIA will also continue to pursue foreign policies that allow U.S. companies to supply broadband services and equipment in competitive markets around the world. Finally, NTIA will continue to partner with industry in cooperative research and development agreements and other fora to combine talents for the advancement of new technologies.

NTIA also coordinated the activities of the Department's Spectrum Management Advisory Committee, which met three times in FY 2010. This committee is comprised of a broad range of stakeholders, including representatives from state, regional, and local sectors; industry; academia; and consumer groups.

NTIA hosted the 11th annual International Symposium on Advanced Radio Technologies from July 27-30, 2010 in Boulder, CO. The focus of this year's conference was spectrum sharing technologies, including state-of-the-art technology developments and a dialogue on the policy implications of spectrum sharing. The conference is presented by the Institute for Telecommunication Sciences (ITS), the research and engineering laboratory of NTIA. ITS also released a collection of online training and educational videos for public viewing. These videos cover telecommunications topics ranging from an easily understandable review of the fundamentals of radio spectrum (e.g., defining decibels using common logarithms) to in-depth explanations of complex engineering issues like resolving signal-interference problems.

The FCC Chairman and NTIA Administrator met to discuss their agencies' complementary roles with respect to commercial and federal spectrum. Federal law directs the agency heads to meet biannually to conduct joint spectrum planning.

Secretary Locke announced the formation of an Internet policy task force to identify leading public policy and operational challenges in the Internet environment. NTIA is actively involved in the task force, along with participants from the Secretary's office and other Departmental bureaus, including the International Trade Administration (ITA), the National Institute of Standards and Technology (NIST), the U.S. Patent and Trademark Office (USPTO), and the Bureau of Industry and Security (BIS). The task force is conducting a comprehensive review of the nexus between privacy policy, copyright, global free flow of information, cybersecurity, and innovation in the Internet economy. The task force held three public symposiums and has published four Notices of Inquiry seeking public comment on these various aspects of Internet policy.

NTIA and NIST announced completion of an initiative with the Internet Corporation for Assigned Names and Numbers (ICANN) and VeriSign to fully deploy Domain Name System Security Extensions (DNSSEC) at the Internet's authoritative root zone, which will help protect Internet users against cache poisoning and other related cyber attacks.

NTIA also conducted an Internet Protocol Version Six (IPv6) workshop on the impact of the adoption and deployment of IPv6 addresses for industry, the U.S. government, and the Internet economy.

NTIA released a new report, "DIGITAL NATION: 21st Century America's Progress Towards Universal Broadband Internet Access," taking a first look at data collected through the Internet Usage Survey of more than 50,000 households, commissioned by NTIA and conducted by the Census Bureau in October 2009. Since 2007, the data show that while virtually all demographic groups have experienced rising broadband Internet access adoption at home, historic disparities among particular demographic groups overall continue to persist.

NTIA coordinated the activities of the Online Safety and Technology Working Group (OSTWG) pursuant to Section 214 of the Protecting Children in the 21st Century Act. OSTWG was composed of representatives of relevant sectors of the business community, public interest groups, and other appropriate groups and federal agencies. The members were selected for their expertise and experience in online safety issues, as well as their ability to represent the views of the various industry stakeholders. OSTWG published its report, "Youth Safety on a Living Internet" after a series of public meetings.

NTIA awarded \$20.45 million in funding via 126 grants from the Public Telecommunications Facilities Program to assist public radio, public television and nonbroadcast (distance learning) projects across the country. NTIA awarded \$10 million (of the \$20.45 million) to 72 grantees to replace urgently needed equipment at public radio and television stations. Thirty-one projects will provide first public radio service to over 500,000 people and provide additional service to almost 1.7 million people. NTIA also awarded \$4.1 million to assist in the digital conversion of 16 public television and three public radio stations. Among the 126 awards, NTIA gave one grant to the University of Hawaii for \$499,916 for the PEACESAT (Pan-Pacific Educational and Cultural Experiments by Satellite) Program.

NTIA has improved the timeliness of processing frequency assignment requests from a target of 12 business days to nine days or fewer. This has been accomplished through business process re-engineering and IT improvements. These frequency assignments satisfy the near-term and future spectrum requirements of the 63 federal agencies to operate radiocommunications that provide the public with national and homeland security, law enforcement, transportation control, natural resource management, and other public safety services during peacetime and emergencies.

## SUMMARY OF PERFORMANCE

The following outcomes apply to this objective with the measures below them providing an indication of how well the Department is doing in achieving those outcomes.

1. Ensure that the allocation of radio spectrum provides the greatest benefit to all people (NTIA)
2. Promote the availability, and support new sources, of advanced telecommunications and information services (NTIA)

OUTCOME	PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
1	Frequency assignment processing time (days)	9 or fewer	9	Met
1	Certification request processing time (months)	2 or fewer	.9	Exceeded
1	Space system coordination request processing time	90% in 14 days or fewer	100%	Exceeded
1	Spectrum plans and policies processing time	Comments in 15 days or fewer	11.6 days	Exceeded
1	Milestones completed from the implementation plan of the President's Spectrum Policy Initiative	11 milestones	16 milestones	Exceeded
2	Support new telecom and information technology by advocating Administration views in number of FCC docket filings, and Congressional and other proceedings	5 dockets and proceedings	17 dockets and proceedings	Exceeded
2	Number of Web site views for research publications	240,000/quarter	928,000/quarter	Exceeded

## FY 2010 STATUS

In FY 2010, NTIA exceeded six of its seven targets and met the remaining target. NTIA has consistently met or exceeded its targets dating back to FY 2006 (for several measures, data was unavailable prior to FY 2006).

## STRATEGIC GOAL 2 PROGRAM EVALUATIONS

The following program evaluations were conducted on programs related to this strategic goal in FY 2010.

BUREAU	REVIEWER	NAME	DATE	WEB SITE
NTIA	GAO	<i>Current Broadband Measures have Limitations, and New Measures are Promising but Need Improvement</i>	10/9/2009	<a href="http://gao.gov/products/GAO-10-49">http://gao.gov/products/GAO-10-49</a>
NTIA	GAO	<i>Preliminary Observations on the Implementation of Broadband Programs</i>	10/27/2009	<a href="http://gao.gov/products/GAO-10-192T">http://gao.gov/products/GAO-10-192T</a>
NTIA	GAO	<i>Agencies are Addressing Broadband Program Challenges, but Actions are Needed to Improve Implementation</i>	11/16/2009	<a href="http://gao.gov/products/GAO-10-80">http://gao.gov/products/GAO-10-80</a>
NTIA	GAO	<i>Further Opportunities Exist to Strengthen Oversight of Broadband Stimulus Programs</i>	8/4/2010	<a href="http://gao.gov/products/GAO-10-423">http://gao.gov/products/GAO-10-423</a>
NTIA	OIG	<i>NTIA Must Continue to Improve its Program Management and Pre-Award Process for its Broadband Grants Program: ARR-19842-1</i>	4/2010	<a href="http://www.oig.doc.gov/oig/reports/2010/ARR-19842-1.pdf">http://www.oig.doc.gov/oig/reports/2010/ARR-19842-1.pdf</a>

In addition, in FY 2010, the National Research Council (NRC) conducted its annual assessments of selected NIST laboratories, a summary of the results of which follows.

BUREAU	NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY (NIST)
Program	National Measurement and Standards Laboratories
Strategic Objective	Advance measurement science and standards that drive technological change
Name	National Research Council (NRC) FY 2010 Assessments
Findings	<p>Overall, the 2010 NRC assessments continue to attest to NIST's high quality programs, relevance of work to the measurement and standards needs, and impressive technical merit, as illustrated by the following quotes:</p> <ul style="list-style-type: none"> <li>● Building and Fire Research Laboratory (BFRL) – "Overall, the technical merit of the programs within the BFRL is excellent and at the state of the art, although progress is sometimes hampered by factors beyond NIST control ... The BFRL is conducting groundbreaking research in critical areas."</li> <li>● Manufacturing Engineering Laboratory (MEL) – "MEL continues to excel in measurement science, measurement services, and technical contributions to standards. ... Research by MEL staff is on the forefront of measurement sciences, enabling industry to develop and deliver products of ever-higher quality and complexity to world markets and enabling future innovative manufacturing industries and processes."</li> <li>● Materials Science and Engineering Laboratory (MSEL) – "... for the selected portion of the MSEL programs reviewed, the projects are outstanding. They are clearly focused on the mission of the MSEL and have produced results that have garnered recognition through awards and frequent citations in the literature as well as from strong support by industry and the worldwide research community for standard reference materials (SRMs) and standard reference data."</li> <li>● NIST Center for Neutron Research (NCNR) – "Through its suite of instruments—among the best in the world—for neutron scattering and fundamental neutron science, coupled with a strong staff of scientists and technicians who lead their own research programs and support those of hundreds of users both within and outside of NIST each year, the NCNR has a firm place in advancing the NIST mission. ... On the national neutron landscape of today and in the near future, the NCNR is the leading U.S. facility."</li> <li>● Physics Laboratory (PL) – "The Physics Laboratory has had two decades or more of outstanding research accomplishments because of a group of dedicated, exceptional scientists and technical staff responding to the needs of NIST, the Nation, and the world, along with an administration that fostered a collegial and intellectual climate conducive to such productivity. During this same period, the laboratory has maintained its exceptional leadership role in metrology and standards, in part because of the dedication of its staff in these areas and because of the staff's groundbreaking research."</li> </ul> <p>The FY 2010 NRC Assessment Reports are available at <a href="http://www.nist.gov/director/nrc/">http://www.nist.gov/director/nrc/</a>.</p>
Actions as a Result of Evaluation	The findings and comments by the NRC assessment panels are critical components of the NIST performance evaluation system. NIST values this input and works to assure that any identified issues are addressed.

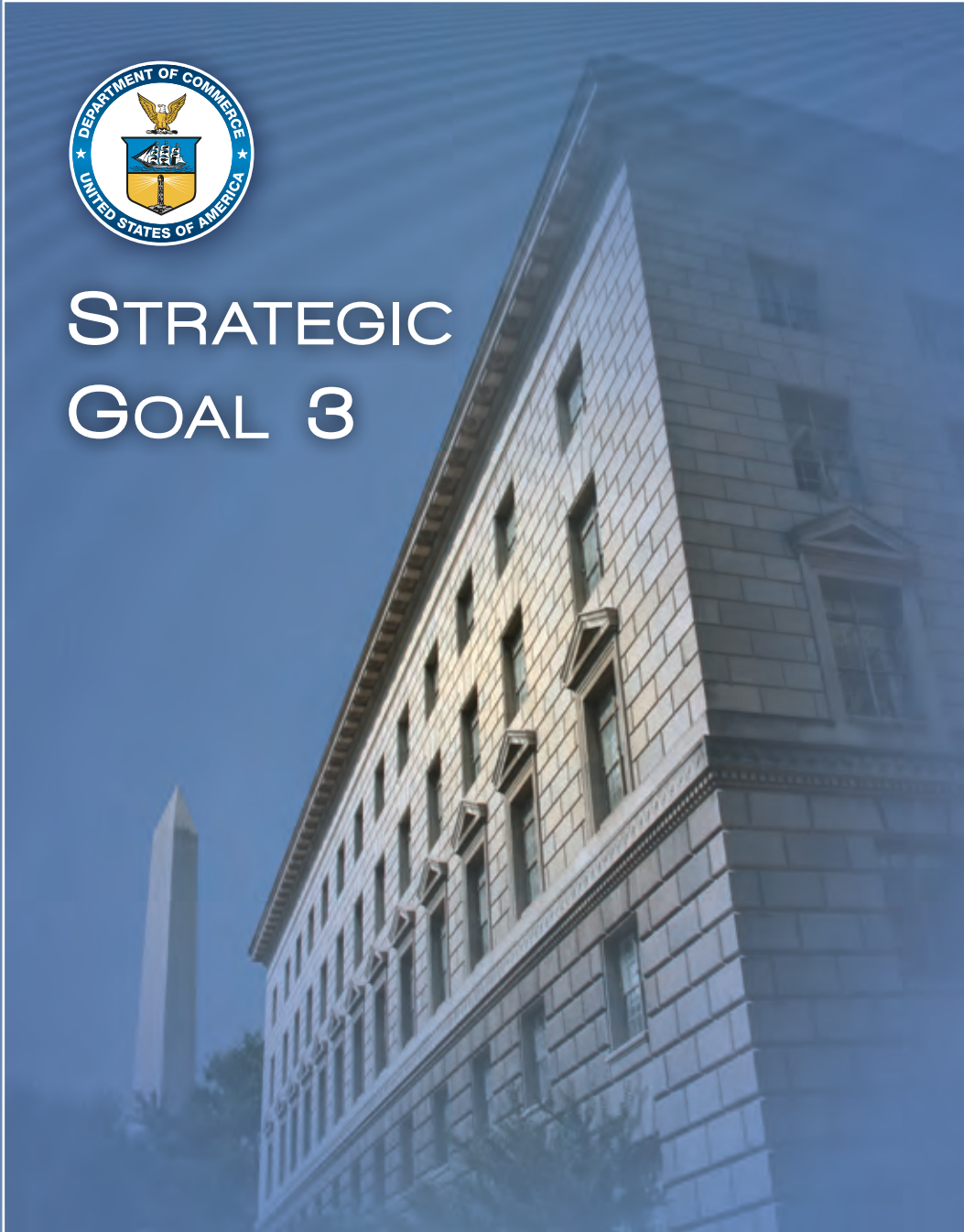




# PERFORMANCE SECTION



## STRATEGIC GOAL 3



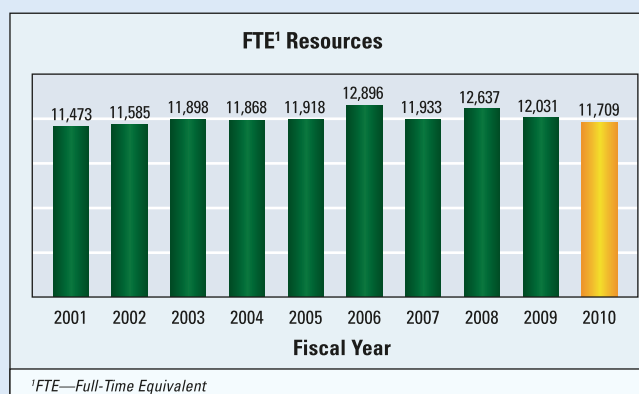
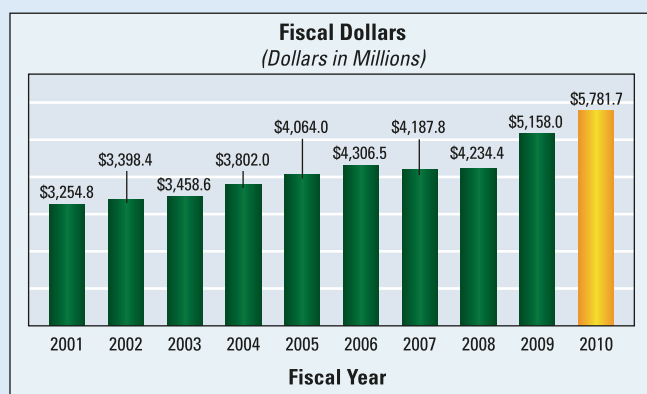
STRATEGIC OBJECTIVE	TARGETS MET OR EXCEEDED
Protect, restore, and manage the use of coastal and ocean resources (NOAA)	6 of 8
Advance understanding of climate variability and change (NOAA)	3 of 5
Provide accurate and timely weather and water information (NOAA)	9 of 11
Support safe, efficient, and environmentally sound commercial navigation (NOAA)	5 of 6



## STRATEGIC GOAL 3

### Promote environmental stewardship

#### STRATEGIC GOAL 3 TOTAL RESOURCES

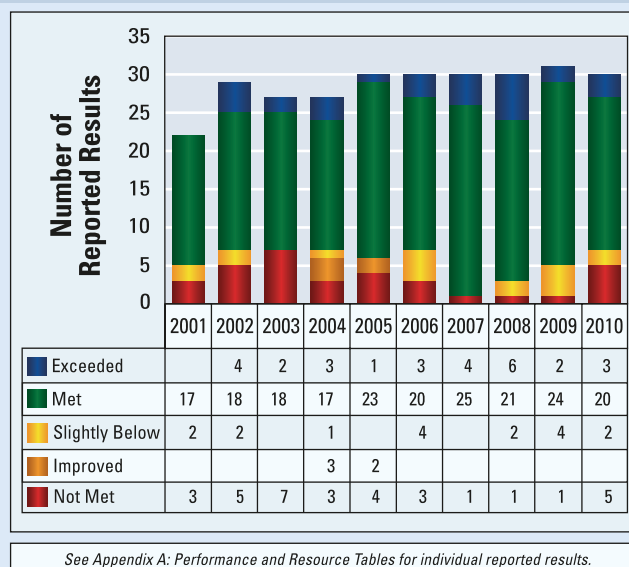


#### PUBLIC BENEFITS AND SUMMARY OF PERFORMANCE

The Department has responsibilities for the environment, ecosystems, safety, and commerce of the Nation that span oceanic, coastal, and atmospheric domains. Understanding the oceans and atmosphere is essential to sustaining U.S. environmental and economic health. The Department provides products and services that are a critical component of the daily decisions made across the United States. From hurricane tracking to El Niño and harmful algal bloom predictions, navigational charts to fish stock assessments, severe weather forecasts to coastal zone management—the Department's future-oriented science, service, and stewardship missions touch the life of every citizen in the United States and in much of the world every day.

Together the Department and its partners provide weather and climate services; conduct atmospheric, climate, and ecosystems research; manage and protect fisheries and sensitive marine

#### STRATEGIC GOAL 3 PERFORMANCE RESULTS



ecosystems; promote efficient and environmentally safe commerce and transportation; and provide emergency response and vital information in support of homeland security. The breadth and scope of these services require the Department to be responsive to both short and long-term societal needs.

Strategic Goal 3 encompasses only one bureau—the National Oceanic and Atmospheric Administration (NOAA). Within this strategic goal there are four programmatic objectives and one mission support objective. The following table shows each objective, its primary focus, its primary line office, secondary line offices (in order of percentage of the objective), the approximate objective percentage of the NOAA budget, and the objective percentage of the NOAA budget excluding the Mission Support Objective.

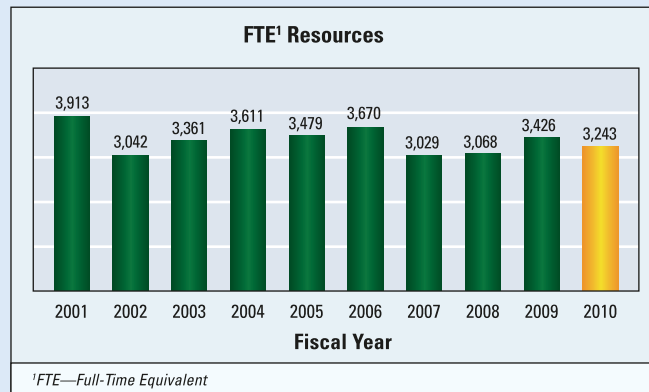
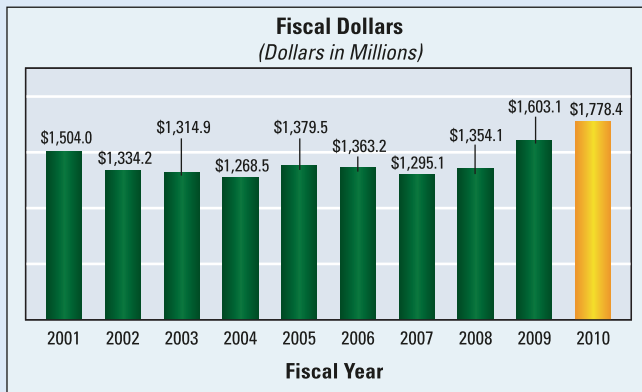
STRATEGIC GOAL 3 SUMMARY BY OBJECTIVE					
Objective	Focus	Primary Line Office	Other Line Offices (in order of percentage)	% of Total Budget	% of Total Budget (excluding mission support)
3.1	Ecosystems	NMFS	NOS, OAR, NESDIS	31%	49%
3.2	Climate	OAR	NESDIS, NWS, NMFS	6%	10%
3.3	Weather/Water	NWS	OAR, NOS, NESDIS	21%	34%
3.4	Transportation	NOS	NWS, NESDIS	4%	7%
Mission Support	N/A	NESDIS	PS, OMAO, NWS, OAR, NOS, NMFS	38%	N/A

Overall performance within this goal has been fairly strong, meeting or exceeding targets on average 81 percent per year from FY 2001 to FY 2010. Performance remained fairly level from FY 2001 to FY 2010 having met 77 percent of targets in FY 2001 and in FY 2010, with a high of 97 percent of targets in FY 2007 and a low of 74 percent of targets in FY 2003 and FY 2004.

## STRATEGIC OBJECTIVE 3.1

*Protect, restore, and manage the use of coastal and ocean resources*

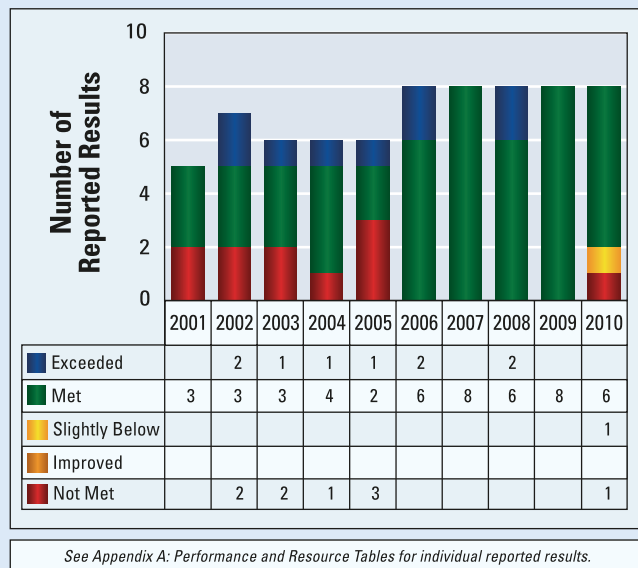
### STRATEGIC OBJECTIVE 3.1 TOTAL RESOURCES



### 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. That portion of the U.S. economy that depends directly on the ocean is also large, with 2.2 million people employed and over \$197 billion in value added to the national economy in 2000. Approximately 89 million people vacation and recreate along U.S. coasts every year. The amount added annually to the national economy by the commercial and recreational fishing industry alone is over \$43 billion with an additional \$1 billion of marine and freshwater aquaculture sales. With its Exclusive Economic Zone of 3.4 million square miles, the United States manages the largest marine territory of any nation in the world. Within this context, the National Oceanic and Atmospheric Administration (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.

### STRATEGIC OBJECTIVE 3.1 PERFORMANCE RESULTS



## ACHIEVEMENTS

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### ***Implemented a Catch Share Program in the New England Groundfish Fishery***

To help rebuild fisheries and sustain fishermen, communities, vibrant working waterfronts, and culturally important fishing traditions, NOAA also released a national catch share policy to encourage the consideration and use of catch shares. Catch share programs, which include limited access privilege programs and individual fishing quotas, dedicate a secure share of fish to individual fishermen, cooperatives or fishing communities. Catch shares are used in 14 fisheries managed by six fishery management councils from Alaska to Florida and are being developed in additional fisheries. Both here and in other countries, catch shares are helping eliminate overfishing and achieve annual catch limits, improve fishermen's safety and profits, and reduce the negative biological and economic effects of the race for fish that develops with some traditional fishery management.

### ***Rebuilt Four Fish Stocks to Optimal Levels***

During FY 2010, NOAA rebuilt the following four fish stocks, important to commercial and recreational fisheries, to optimal population levels: North Atlantic swordfish, Georges Bank haddock, Atlantic coast spiny dogfish, and St. Matthews Island blue king crab. These stocks had been under rebuilding plans due to low population levels caused by overfishing and other factors. This accomplishment ties the record set in FY 2009 for the greatest number of fish stocks rebuilt in a single year.

### ***Ended Overfishing of Red Snapper from Coast to Coast***

NOAA worked with the Gulf of Mexico and South Atlantic Fishery Management Councils to design difficult but necessary measures to end overfishing of red snapper in the Gulf of Mexico and South Atlantic. While the South Atlantic measures are undergoing final review and approval, a recent stock assessment indicates the Gulf measures have successfully ended decades of overfishing. In response, fishery managers could increase the Gulf red snapper total allowable catch quota from 5.0 to 6.95 million pounds in 2010. Although that stock has not yet fully recovered, Gulf fishermen report encountering more and larger red snapper than they have seen in years, and catching red snapper in areas where they have not been encountered in many years.

### ***Protected Marine Mammals and Sea Turtles from the Deepwater Horizon Oil Spill in the Gulf of Mexico***

Following the Deepwater Horizon oil spill, NOAA staffed the Wildlife Operations Branch which was established to minimize the effects of the spill on marine mammals and sea turtles. NOAA conducted tracking and recovery of stranded sea turtles and marine mammals, including sea turtle rescue flights to locate sea turtles for rescue by personnel on surface vessels, conducted aerial surveys of sea turtles and marine mammal populations, coordinated stranding networks; mounted rescue operations, and ensured that spill clean-up activities are performed in such a way as to minimize impacts to protected species.

### ***Protected the Public and Ensured Consumer Confidence in the Safety of Seafood in the Gulf of Mexico following the Deepwater Horizon Oil Spill***

NOAA took an active role in the response to the Deepwater Horizon oil spill to ensure continued safe supply of seafood, consumer confidence, and economic opportunity for the fisherman and seafood industry. NOAA provided service on a number of fronts including: monitoring of oil plumes, seafood sampling, effect on fish and shellfish, pre-emptive fishery closure and reopening, and outreach to the public. Seafood inspection program inspectors played an integral part of the comprehensive, coordinated, multi-agency program to ensure the safety of seafood from the Gulf of Mexico. This helped consumers know their food is safe to eat, and fishermen and seafood



processors who needed to be able to sell their products with confidence. Within a week of the spill, NOAA vessels were collecting seafood samples in the Gulf of Mexico. With a long history of responding to oil spills, NOAA sent staff to Pascagoula, MS to assist in seafood sample processing, and rapidly equipped chemistry labs to analyze samples for polycyclic aromatic hydrocarbons, the main human health concern with oil-contaminated seafood.

Under the Magnuson-Stevens Act, NOAA closed federal waters impacted by oil, developed a protocol for reopening the waters to fishing, and implemented a comprehensive testing protocol (chemical and sensory) to ensure fish and shellfish were not contaminated before reopening closed areas to fishing activity. The federal fishery closure, at its peak, covered 88,522 square miles (37 percent of Gulf federal waters) and served as the primary tool to ensure that contaminated seafood did not reach consumers. The chemistry labs analyzed hundreds of Gulf seafood samples for seafood safety. This work helped provide the science to inform the Agency's decisions to reopen federal waters for fishing as soon as they were safe. On July 22, using the NOAA protocol, NOAA reopened 26,388 square miles to fishing.

### ***NOAA Fleet Assists the Deepwater Horizon Oil Spill Response***

As NOAA responds to the Deepwater Horizon oil spill, the Office of Marine and Aviation Operations continues to provide operational expertise. Between May and September of FY 2010, seven NOAA aircraft have provided aerial support for incident response. The Twin Otter N56 conducted surveys of whales, dolphins, endangered sea turtles and other marine life in the spill; the Twin Otters N46 and N48 measured oil spill thickness and density; and, the Twin Otter N57 conducted marine surveys. The King Air N68 conducted coastal surveys in the region with its state-of-the-art mapping sensors. The WP-3D Orion N2 collected data on the Gulf of Mexico Loop Current while the WP-3D Orion N3 provided air quality surveys to collect samples through the marine boundary level, along the shore and coast. NOAA ships actively participated in the Deepwater Horizon oil spill response between May and August of FY 2010. The THOMAS JEFFERSON completed three legs of operations taking water samples and testing advanced methods for detecting submerged oil while gathering oceanographic data in the area's coastal waters. During an oil detection mission in the vicinity of the BP Deepwater Horizon well head, the GORDON GUNTER collected water samples, conducted plankton tows, and employed echo sounders, autonomous underwater vehicles, and other technologies to collect subsurface data. The PISCES performed a cruise to assess impacts of oil on Gulf of Mexico reef fish population. The PISCES used echo-sounders to monitor for oil and gas releases in the immediate vicinity of the well head. The DELAWARE II performed Pelagic Longline survey and water sampling around the periphery of the closure area and collected plankton samples at the surface and at discrete depths. The OREGON II assessed the impacts of the oil spill on summer shrimp/groundfish while the NANCY FOSTER assessed the impact of oil spill on corals in the vicinity of the well head and characterized the impact of persist oil spill to provide early warnings of oil entrainment. Finally, the BIGELOW performed well head monitoring and oil detection.

### ***NOAA Stimulates the Economy and Restores Habitat through the Implementation of the American Recovery and Reinvestment Act Habitat Restoration Projects***

In FY 2010, NOAA implemented all 50 of its habitat restoration American Recovery and Reinvestment Act (ARRA) of 2009 projects. These ARRA projects have, so far, supported 694 full-time equivalents (FTE)/quarter in the first half of FY 2010, with the potential for supporting thousands more by the end for 2010. These projects have restored 1824 acres of habitat and removed obsolete and unsafe dams that opened 329 stream miles where fish migrate and spawn. Nearly all of these projects directly benefit a wide variety of threatened and endangered fish and wildlife species, including salmon, migratory birds, and turtles.

### ***NOAA Advances Coral Reef Protection in FY 2010 with Science, Service, and Stewardship***

In FY 2010, the NOAA Coral Reef Conservation Program (CRCP) delivered the *Implementation of the National Coral Reef Action Strategy: Report on NOAA Coral Reef Conservation Program Activities from 2007 to 2009* to Congress. CRCP's recent reorganization focused its efforts to understand and address the three major threats to reefs: fishing, impacts from climate change, and land-based sources of

pollution. To advance this realignment process, in FY 2010, CRCP worked with coral reef resource managers in each of the seven U.S. coral reef jurisdictions to articulate strategic reef management priorities in each place. Looking forward, CRCP will direct its efforts and resources on these priority needs.

NOAA, other U.S. government agencies, and a consortium of nongovernmental organizations implemented the U.S. Coral Triangle Initiative Support Program—a \$40 million, five-year U.S. Agency for International Development (USAID)-funded program launched in 2010 to protect the region. A global center of marine biological diversity, the Coral Triangle is a vast ocean and coastal area in Southeast Asia and the Western Pacific. As part of this program, in FY 2010, NOAA teams led several trainings and supported the development of a manual for climate change vulnerability assessments which will assist the six nations of the Coral Triangle in early action planning to address this global threat to reefs. The Coral Triangle Initiative projects include technical support and capacity building in marine-protected areas, climate change adaptation, and ecosystem approaches to fisheries management.

### ***Marine Debris Progress Advances Detection of Derelict Fishing Gear and “Fishing for Energy” Awarded***

In conjunction with several NOAA line offices, other federal agencies, the state and University of Hawaii, and the private sector, the NOAA Marine Debris Program, increased the capacity to detect derelict fishing gear in the open ocean. NOAA Hawaii offices worked with the National Aeronautics and Space Administration (NASA), NOAA's Unmanned Aerial Systems Program, the Coastal Storms Program, and the Office of Marine and Aviation Operations to develop and test sensor-and-platform systems to detect and ultimately remove derelict fishing gear before it enters sensitive nearshore environments. In FY 2010, the Fishing for Energy partnership was awarded the Coastal America Partnership Award that cited innovative efforts to provide fishermen with a no-cost disposal option for old or derelict fishing gear to reduce its likelihood of entering the marine environment, and to convert it into clean, renewable energy. The partnership collected over 350 tons of old fishing gear between February 2008 and May 2010, and included ports in Maine, Massachusetts, New York, Rhode Island, New Jersey, Virginia and Oregon (with three ports added to the partnership in FY 2010 and more expected). In 2010, the partnership expanded to include grant programs that directly support efforts to remove derelict fishing gear from U.S. coastal waters, and it will continue to partner with new ports to promote the collection of retired or derelict fishing gear through community education and outreach. For more information on the partnership visit [www.nfwf.org/fishingforenergy](http://www.nfwf.org/fishingforenergy).

### ***NOAA Expands Digital Coast Datasets and Users***

The Digital Coast Web site now includes access to 24 national-level datasets, 35 geospatial tools, 12 training courses, and over 50 case studies. Over the past year more than 69,000 users accessed the Digital Coast site, an increase of almost 300 percent over the previous year. Over the next 10 years, NOAA expects the use of the Digital Coast to result in \$26.5 million of benefits to over 450,000 users. Digital Coast now has a Coastal Inundation Toolkit with resources from inundation and risk assessment basics to detailed technical guidance on inundation mapping methods, as well as Coastal County Snapshots which provide easy-to-understand hazard information and social science data for local officials.

### ***NOAA Launches State of the Coast Web site***

The National Ocean Service launched NOAA's State of the Coast Web site in June 2010. It is a source for quick facts and more detailed statistics offered through interactive indicator visualizations that provide highlights of information about coastal communities, coastal ecosystems, the coastal economy, and how climate change might impact the coast, together in one simple Web destination. The State of the Coast Web site launched with 15 national level topics, telling a broad suite of stories ranging from the gross domestic product (GDP) generated in coastal counties, the population in the 100-year coastal flood zone, and the overall health of the Nation's coastal waters.

### ***Harmful Algal Bloom Forecasts in North Atlantic and Gulf of Mexico Help Communities Prevent Shellfish Poisonings***

The Gulf of Maine Toxicity project issued an advisory for an unusually large bloom of toxic alga *Alexandrium* to recreational shellfish harvesters via NOAA weather radio warnings. These toxins can cause paralytic shellfish poisoning in people. In 2008, bed closures from Maine to Martha's Vineyard caused an estimated \$50 million in losses to the Massachusetts shellfish industry alone. Effective monitoring by state agencies succeeded in no illnesses from legally harvested shellfish in recent years. In the Western Gulf of Mexico, bloom of *Dinophysis* (a toxic algal species) caused the Texas Department of State Health Services to temporarily close areas to shellfish harvesting to prevent severe gastric distress in people who eat affected shellfish based on the National Centers for Coastal Ocean Science harmful algal bloom forecast. The harmful algal bloom forecast also provides advance warnings for *Karenia brevis*, a more common toxic species in the Gulf known for its distinctive red blooms that have plagued Texas for many years.

#### **SUMMARY OF PERFORMANCE**

The measures below provide an indication of how well the Department is doing in achieving this NOAA objective.

PERFORMANCE MEASURE (NOAA)	TARGET	ACTUAL	STATUS
Fish stock sustainability index (FSSI)	580	582.5	Met
Percentage of living marine resources with adequate population assessments and forecasts	34.3%	34.7%	Met
Number of protected species designated as threatened, endangered, or depleted with stable or increasing population levels	25	29	Met
Number of habitat acres restored (annual/cumulative)	8,875/67,849	6,907/65,881	Not Met
Annual number of coastal, marine, and Great Lakes ecological characterizations that meet management needs	50	48	Slightly Below
Cumulative number of coastal, marine, and Great Lakes issue-based forecasting capabilities developed and used for management	42	42	Met
Percentage of tools, technologies, and information services that are used by NOAA partners/customers to improve ecosystem-based management	86%	88%	Met
Annual number of coastal, marine, and Great Lakes habitat acres acquired or designated for long-term protection	2,000	2,000 <sup>1</sup>	Met

<sup>1</sup> Estimate.

#### **FY 2010 STATUS**

NOAA met six of its eight targets in FY 2010. It did not meet the target for the "Number of habitat acres restored," and was slightly below the target for "Annual number of coastal, marine, and Great Lakes ecological characterizations that meet management needs."

## FY 2010 MISSED TARGETS

MEASURE	NUMBER OF HABITAT ACRES RESTORED
Explanation	The acres break down as follows: 5,083 from the base program and 1,824 with ARRA funds. The targets were 7,000 from the base program and 1,875 with ARRA funds, so both targets were missed.
Action	No additional action taken.
MEASURE	ANNUAL NUMBER OF COASTAL, MARINE, AND GREAT LAKES ECOLOGICAL CHARACTERIZATIONS THAT MEET MANAGEMENT NEEDS
Explanation	Due to shipboard problems (replacement of Z-drive on NOAA Ship RONALD H. BROWN), NOAA moved the Gulf of Mexico Lophelia project to the first quarter of FY 2011.
Action	NOAA anticipates that it will complete the characterizations not done in FY 2010 in FY 2011.

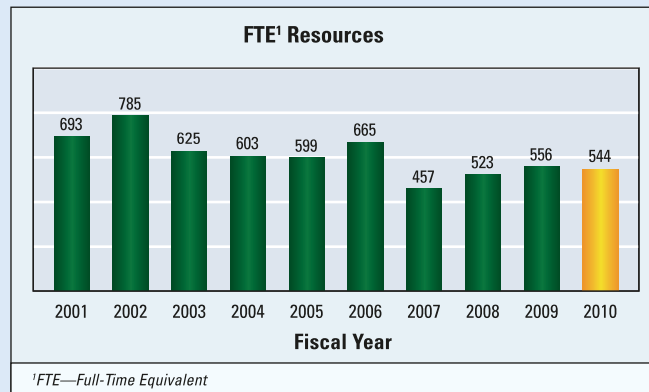
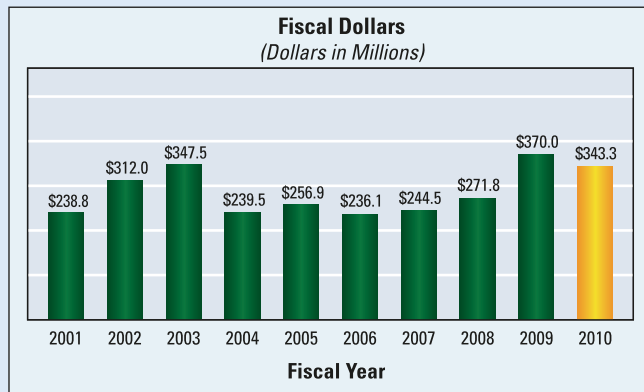
## HISTORICAL TRENDS

NOAA has consistently met the targets for the measures within this objective. The results for "Number of habitat acres restored" is unusual in that for the seven years prior to FY 2010, NOAA has met or exceeded its targets.

## STRATEGIC OBJECTIVE 3.2

*Advance understanding of climate variability and change*

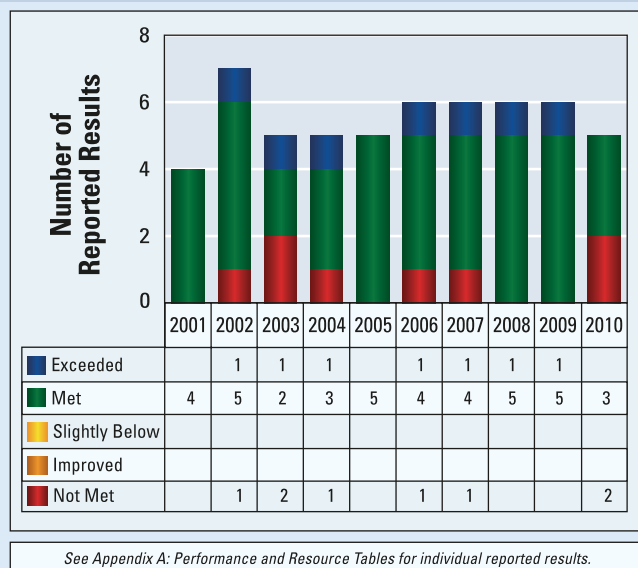
## STRATEGIC OBJECTIVE 3.2 TOTAL RESOURCES



## PUBLIC BENEFITS

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 freshwater, it is essential for NOAA to provide reliable observations, forecasts, and assessments of climate, water, and ecosystems to enhance decisionmakers' ability to minimize climate risks. This information supports decisions regarding community planning, business management, and natural resource and water planning.

In FY 2010, NOAA continued its efforts to obtain the best science through the U.S. Global Change Research Program (USGCRP, formerly the Climate Change Science Program) and NOAA Climate Program. NOAA accomplished this through its continuing role as lead agency of the interagency USGCRP. In addition, NOAA increased the production of climate information and services for decisions, including completion of the USGCRP Synthesis and Assessment Reports, and implementation of the National Integrated Drought Information System (NIDIS).

STRATEGIC OBJECTIVE 3.2  
PERFORMANCE RESULTS

## ACHIEVEMENTS

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### ***The 2009 State of the Climate Report***

On July 28, 2010, NOAA's National Climatic Data Center issued the *State of the Climate in 2009* report. The report is a result of the contributions of more than 300 scientists from 160 research groups in 48 countries. This climate report is unique in that it is the first comprehensive report of observations from the upper atmosphere to the depths of the ocean. Data was collected from diverse sources, including satellites, weather balloons, weather stations, ships, buoys, and field surveys. The report emphasizes that human society has developed for thousands of years under one climatic state, and now a new set of climatic conditions are taking shape. These conditions are consistently warmer, and some areas are likely to see more extreme events like severe drought, torrential rain, and violent storms. Based on comprehensive data from multiple sources, the report defines 10 measurable planet-wide features used to gauge global temperature changes. The relative movement of each of these 10 key climate indicators proves consistent with a warming world. Seven indicators are rising: humidity, sea level, ocean heat, sea-surface temperature, air temperature over land, air temperature over oceans, and tropospheric temperature in the "active-weather" layer of the atmosphere closest to Earth's surface. Three indicators are declining: glaciers, arctic sea ice, and spring snow cover in the Northern hemisphere. National Climatic Data Center's *State of the Climate* is published as a special supplement to the Bulletin of the American Meteorological Society. To help keep citizens and businesses informed about climate, NOAA created the Climate Portal at <http://www.climate.gov>. The portal features a short video that summarizes some of the highlights of the State of the Climate report.

### ***America's Climate Choices***

NOAA supported a major national study by the National Academy of Science called "America's Climate Choices," the most comprehensive study by the Academy of climate change to date. As part of this study, the National Research Council issued three reports in May 2010, and then a fourth report in July. The reports found that climate change is occurring, is caused largely by human activities, and poses significant risks for a broad range of human and natural systems. The reports also emphasize why the United States should develop a national strategy to adapt to the impacts of climate change. A final overarching report, which will be released later this year, will build on each of the previous reports to offer a scientific framework for shaping the policy choices underlying the Nation's efforts to confront climate change.

### ***NOAA Study Finds Warming Upper Ocean***

On May 20, 2010, scientists from NOAA's Pacific Marine Environmental Laboratory, the Joint Institute for Marine and Atmospheric Research at the University of Hawaii, NASA, and international partners published a study in *Nature* on upper ocean heat content. The study found that there has been significant warming of the upper layer of the ocean over the past 15 years and that the ocean is now storing more heat than it is giving off. Warming oceans are a direct cause of global sea level rise, since seawater expands as it gets warmer. The scientists say that this expansion accounts for about one-third to one-half of global sea level rise.

### ***NOAA Study Suggests Increase in Category 4 and 5 Hurricanes this Century***

On January 22, 2010, *Science* published the results of a new hurricane study from NOAA's Geophysical Fluid Dynamics Laboratory. The team of scientists used a unique downscaling approach to model hurricane activity through the end of this century, and their results produced nearly a doubling of the frequency of category 4 and 5 storms. Most climate models are incapable of reproducing storms of category 3 or higher, so the scientists used a two-step approach to modeling hurricane activity, employing an ensemble of 18 climate models, then downscaling those results using the laboratory's operational hurricane model.



### ***NOAA Releases Expanded World Ocean Database***

In November 2009, NOAA released the World Ocean Database 2009, the largest, most comprehensive collection of scientific information about the oceans with records dating as far back as 1800. The 2009 database, an updated version of the 2005 edition, provides approximately 9.1 million temperature profiles and 3.5 million salinity reports. It also captures 29 categories of scientific information from the oceans, including oxygen levels and chemical tracers. It also includes information on gases and isotopes that can be used to trace the movement of ocean currents. Climate scientists use the World Ocean Database to track changing conditions, which adds to the international science community's understanding of global climate change. Forecast centers, such as NOAA's Ocean Prediction Center, also use the information for quality control of real-time oceanographic information. The database is a crucial part of the Integrated Ocean Observing System (IOOS) and the Global Earth Observation System of Systems (GEOSS) in that it provides a reliable source of oceanic information. The information was compiled by scientists at National Oceanographic Data Center's Ocean Climate Laboratory, part of the NOAA Satellite and Information Service.

### ***Commerce Secretary Gary Locke and NOAA Administrator Jane Lubchenco Unveil Landmark Climate.gov Portal***

On February 8, 2010, NOAA unveiled a new Web site, [www.climate.gov](http://www.climate.gov), which serves as a single point of entry for NOAA's climate information, data, products, and services. The site is in response to growing user demand for useful climate information and will continue to develop based on user demand, comments, and feedback as it expands into a fully operational resource over the course of this year. One feature is the new Web-based climate science magazine, *ClimateWatch*, featuring videos, images, and articles of scientists in their own words, discussing their recent work in the field. Known as the NOAA Climate Services Portal, the site addresses the needs of four key audiences: educators, decisionmakers and policy leaders, scientists and applications-oriented data users, and business users and the public.

### ***CalNex 2010 Campaign on Emissions and Climate Processes***

NOAA led a three-month joint field study with the California Air Resources Board and the California Energy Commission and other partners to investigate atmospheric emissions and processes over California and the eastern Pacific coastal region. The study answered questions about emissions, chemical transformations, climate processes, transport, and meteorology. Participants included NOAA's Earth System Research Laboratory's Chemical Sciences Division, Pacific Marine Environmental Laboratory, Air Resources Laboratory, Climate Program Office, and the Cooperative Institute for Research in Environmental Sciences. The goal of this study was to provide scientific information regarding the synergies and trade-offs faced by decisionmakers when addressing the interrelated issues of air quality and climate change. In addition, the P3 aircraft science team interrupted the California study for a week to provide much needed information about air chemistry in the Gulf of Mexico to examine the effects of the Deepwater Horizon oil spill.

### ***Regionally Integrated Science and Assessment Teams Expand***

NOAA's Climate Program Office has nearly doubled funding for Regionally Integrated Science and Assessment (RISA) teams and expanded the network by nearly 20 percent since 2009. RISAs are expected to play a critical role in both climate science and service development by providing integrated assessment in 11 different regions of the United States and the National Climate Assessment identifying vulnerabilities, needs, and capabilities of users. RISAs are regional "centers of excellence" that work with users (policymakers, resource managers, communities, etc) to co-develop climate science and services. Aside from being user-driven, other critical elements of the RISAs over the past 15 years are sustained regionally-based interactions, interdisciplinary assessment and science (not just climate science), ongoing climate literacy efforts, a focus on both climate variability and climate change, and interagency partnerships that leverage different capabilities and resources. In future years, the sustained regional capacity of RISAs can help NOAA address the Nation's priorities for climate service and adaptation.

### NOAA Scientists Support National Geographic's The JASON Project

NOAA scientists are working on *National Geographic's* The JASON Project on a new climate mission for teachers and students focused on observing the ocean to understand climate. Two NOAA scientists served as NOAA host researchers and worked side by side with JASON students. NOAA will develop an entire climate curriculum to focus solely on climate which will be available for teachers around the world to use. This program will challenge students and the public to apply their knowledge to the real-world scenarios scientists face every day so that they can make wise choices that will benefit society. For more information, visit [www.jason.org](http://www.jason.org). The JASON Project Climate Mission in the Channel Islands allowed student and teacher "Argonauts" to deploy drifting buoys and an autonomous underwater vehicle to study ocean temperature and circulation.

#### SUMMARY OF PERFORMANCE

The measures below provide an indication of how well the Department is doing in achieving this NOAA objective.

PERFORMANCE MEASURE (NOAA)	TARGET	ACTUAL	STATUS
U.S. temperature forecasts (cumulative skill score computed over the regions where predictions are made)	24	18	Not Met
Uncertainty in the magnitude of the North American carbon uptake	0.40 GtC/year	0.45 GtC/year <sup>1</sup>	Not Met
Uncertainty in model simulations of the influence of aerosols on climate	15% improvement	18% improvement	Met
Error in global measurement of sea surface temperature	0.53°C	0.50°C	Met
Regionally focused climate impacts and adaptation studies communicated to decisionmakers	41 assessments/evaluations	41 assessments/evaluations	Met

<sup>1</sup> Estimate.

#### FY 2010 STATUS

NOAA met three of its five targets in FY 2010. It did not meet the target for the "U.S. temperature forecasts" and "Uncertainty in the magnitude of the North American carbon uptake."

## FY 2010 MISSED TARGETS

MEASURE	U.S. TEMPERATURE FORECASTS
Explanation	Four years ago, the Climate Prediction Center scores were excellent because that year was one where the observed temperatures matched the long-term trends quite well—those scores are now dropping out of the 48-month running mean (MRM). FY 2006 averaged 47 (well above the targets) as strong trends played a role in very high scores. In contrast, FY 2010 averaged around an 8, as NOAA experienced record-breaking negative values of the Arctic Oscillation during the first half of the year, which resulted in much colder temperatures over the United States than NOAA forecasted. This has resulted in the 48 MRM decreasing from around 27 at the beginning of the fiscal year to about 18.
Action	In FY 2008, the planned upgrade to the Coupled Forecast System (CFS) was expected to improve forecasts. But implementation was delayed because of delays in completing a re-analysis and re-forecast. The implementation of the upgraded CFS will now take place in FY 2011. As anticipated, scores have slipped recently, as the delay in implementing the next version of the CFS has resulted in the Climate Prediction Center not having access to a more skillful forecast model.
MEASURE	UNCERTAINTY IN THE MAGNITUDE OF THE NORTH AMERICAN CARBON UPTAKE.
Explanation	The target was missed by only 2.5 percent in a purely statistic evaluation. Results for this measure are calculated on an annual basis. Improvement of the Carbon Observation and Analysis System has been stalled over the past few years due to a delay in the installation of additional tall towers and aircraft sites that monitor CO <sub>2</sub> that would reduce the uncertainty. These improvements are started in the FY 2011 President's Budget. With respect to the calculations of scientific uncertainty, to be off by 50 million tons (2.5 percent of the total flux of carbon) between two uncertainty values (400 versus 450) when viewed from the big picture is small with both values yielding success in improving the model and providing the necessary information to society and decisionmakers. With the uncertainties at play, the 50 million difference is difficult to validate as statistically significant when compared to the total flux of 1,210 million of carbon.
Action	<p>Going forward, NOAA will report all uncertainties to two digits which can be done using planned model improvements and expanded observational datasets that will be provided as the network is built out. As these improvements are added, the accuracy of measuring the North American carbon sink and evaluation and quantification of the uncertainty value will improve.</p> <p>Despite these challenges, the program has successfully reduced uncertainty over the longer term through the continuation of base monitoring and minor enhancements of climate models. The program projects further improvements in confidence in the future as anticipated resources increase.</p>

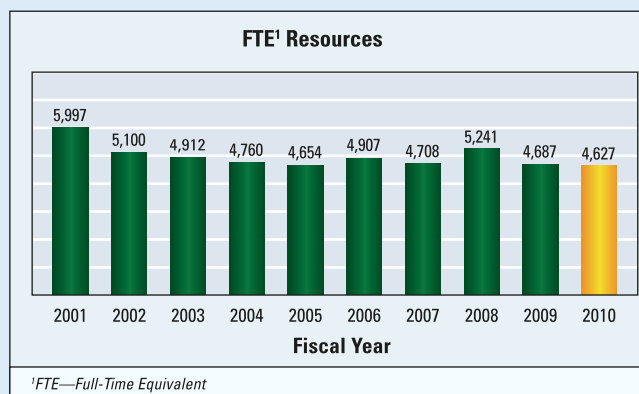
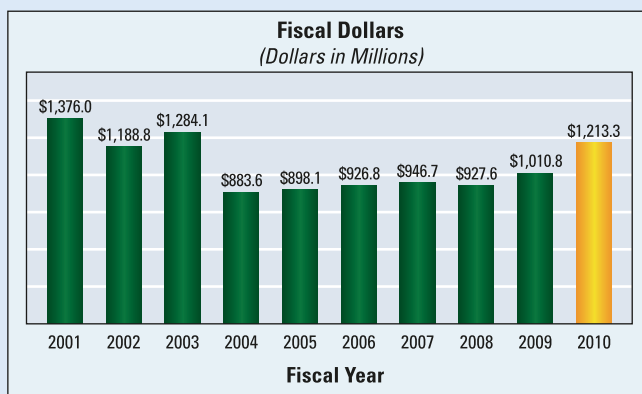
## HISTORICAL TRENDS

NOAA has consistently met the targets for three of the measures in this objective since FY 2006, the year they were introduced. For the last four years, NOAA has exceeded the target for U.S. temperature forecasts, the reason as noted above. For the North American carbon uptake measure has consistently missed the target though in each year has been quite close to the target as noted in the explanation above.

## STRATEGIC OBJECTIVE 3.3

*Provide accurate and timely weather and water information*

### STRATEGIC OBJECTIVE 3.3 TOTAL RESOURCES

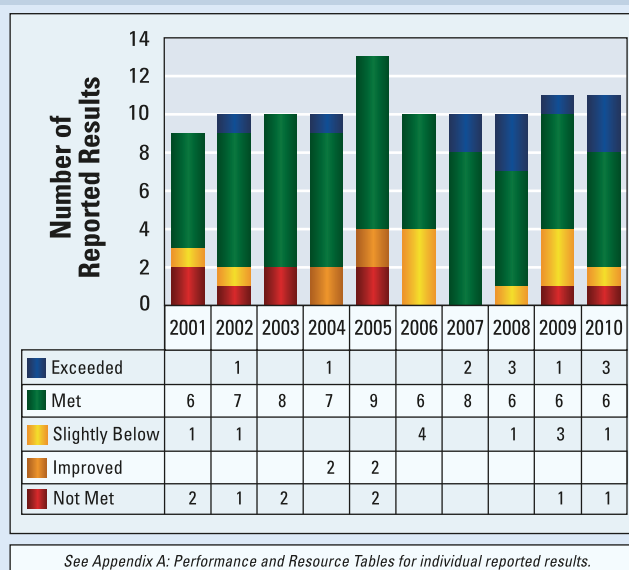


### PUBLIC BENEFITS

**W**eather affects all facets of society, impacting the economy in ways ranging from agricultural preparation to transportation planning to disaster response. In certain situations, 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 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.

The Department's role in understanding, observing, forecasting, and warning of weather events is expanding. The Department is conducting sound, scientific research and providing integrated observations, predictions, and advice for decisionmakers who manage environmental resources, ranging from fresh water supplies to coastal ecosystems to air quality.

### STRATEGIC OBJECTIVE 3.3 PERFORMANCE RESULTS



Realizing that the Department's information and services bridge both weather and climate timescales, the Department will continue to collect and analyze environmental data and issue forecasts and warnings that help protect life and property and enhance the U.S. economy. The Department is committed to excellent customer service and depends on its partners in the private sector, academia, and government to add value and help disseminate critical weather and climate information. The Department will expand services to support evolving national needs, including those associated with space weather, freshwater and coastal ecosystems, and air quality prediction.

## ACHIEVEMENTS

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### ***NOAA's National Weather Service Provides Early Warnings for Historic 2010 Mid-Atlantic "Snowmageddon" Snowstorms***

During a five-day period in early February 2010, two snowstorms of historic proportions struck the Mid-Atlantic region. The first storm hit February 5-6 and produced record crippling snowfalls in excess of 20 inches at two of the Washington, DC area airports (Baltimore-Washington International and Washington Dulles International). It was the second all time snowfall record at Philadelphia, PA (Philadelphia International) airport and fourth at the Pittsburgh, PA airport (Pittsburgh International). NOAA's National Weather Service (NWS) issued accurate outlooks for the storms three days in advance with an unprecedented forecast of 20 to 30 inches before the first flakes were observed. NOAA forecast the average winter storm watch lead time to be 42 hours, which provided local emergency managers almost two days of preparation time. NOAA issued winter storm warnings an average of 30 hours ahead of the first flakes—again, nearly double its national goal (16 hours) for winter storms. Three days later, a second blizzard struck the same region with an additional foot and a half to three feet of snow, which brought the total snow accumulation on the ground to three to five feet in places. NOAA accurately foretold this second storm four days in advance, with an average winter storm watch lead time of 47 hours and an average winter storm warning lead time of 32 hours. NOAA's Weather Forecast Office (WFO) staff provided heroic service during the consecutive, extreme events even as the back-to-back events brought the region to a complete stop as governments, schools, businesses, roads, and airlines shut down.

### ***NWS Prepares Public and Partners for El Niño***

In 2009 and 2010, NWS launched an aggressive geographically targeted public information campaign to prepare the public and communities to deal with the wintertime effects expected from a developing El Niño. El Niño impacts the weather and climate and, in turn, affects local precipitation amounts (too much and too little), increases number of tornadoes, and can affect such areas as agriculture and recreation. NWS held about 40 public outreach activities dubbed "El Niño Road Show" for the media and NWS partners in Texas, California, Washington, District of Columbia, North Carolina, Florida, Arizona, Hawaii, Guam, and other Pacific islands. Experts from the Climate Prediction Center and Pacific ENSO (El Niño-Southern Oscillation) Application Climate Center joined local NWS WFO staff in providing in-person briefings and media interviews with state partners. News media, representatives from the governors' offices, and emergency management officials were invited to the briefings. Media coverage was strong with dozens of news clips resulting. Each road show event focused on the specific impact on the visited region. For example, in Florida, NOAA focused the presentation on how El Niño would impact the area noting that the state's manufactured home parks and campgrounds were at higher risk due to high density and high winter occupation rates. The briefings included assistance in making family tornado plans. In the Northeast, ski lodge owners could prepare for the possibility of less natural snow for skiing and NOAA made retail businesses aware that fewer winter consumer goods, such as heavy clothing and plows, might be needed. This customization helped people prepare productively for the winter El Niño. Although not all losses could be avoided, outreach allowed individuals, industries, and public officials to take timely actions based on the forecast to mitigate and reduce losses or to capitalize on the information to improve economic outcomes.

### ***NOAA's Provides Decision Support for the Deepwater Horizon Oil Spill***

Within hours of the explosion of the Deepwater Horizon the NWS Southern Region Operations Center (ROC) began coordinating decision support services for emergency response entities and personnel responding to conduct containment and recovery operations. The Southern Region ROC and 10 Southern Region WFOs along the Gulf Coast provided Deepwater Horizon decision support. By early July, a total of 13 NWS meteorologists were deployed to the Deepwater Horizon area of operations. Southern Region Headquarters personnel have scheduled approximately 60 meteorologists from 32 different WFOs to deploy to the Deepwater Horizon theater, with the anticipation that an additional 40 will need to be identified to fulfill Deepwater Horizon operational requirements adequately through November

2010. Onsite, NWS emergency response meteorologists provided 24x7 decision support to the U.S. Coast Guard, BP command, and response staffs at the Houma, LA and Mobile, AL, Incident Command Centers. NWS also provided record spot, wind, and wave; special aviation; long range; and hurricane forecasts. NOAA provided additional dedicated decision support shifts at WFOs in New Orleans and Mobile. One NWS incident meteorologist remains deployed to the BP Forward Operating Base in Venice, LA to provide detailed decision support to company response teams. WFOs elsewhere along the Gulf Coast are providing regular briefings to local, state, and federal decisionmakers in their areas, participating in oil spill response planning efforts, and maintaining strong situational awareness of spill trajectories and impacts. The Lower Mississippi and West Gulf River Forecast Centers (RFC) continue to provide guidance to the oil spill trajectory models.

### ***NWS Deploys New River Forecasting System Community Hydrologic Prediction System to NWS RFCs***

In February 2010, NWS deployed the Community Hydrologic Prediction System (CHPS) to the nine remaining of the 13 risk-reduction RFCs in preparation for pre-operational use at all locations by December 2010. CHPS replaces the aging NWS river forecast modeling software system with a new system based on modern software architecture principles, which will provide RFCs with the necessary tools to expand and enhance existing water forecasting services. The project plan calls for all 13 RFCs to be operational on CHPS by end of FY 2011.

Operational forecasting benefits of CHPS were demonstrated by the Northeast RFC for the March 29–31, 2010, flooding in Rhode Island. CHPS graphical displays allowed forecasters to generate one, two, five and 30-day precipitation forecast totals across the service area. This information provided forecasters with added confidence to provide the record river-level forecast watches and warnings before the event. Furthermore, the graphics were used in pre and post-event coordination briefings.

### ***NWS Provides Key Integrated Decision Support Services for Spring 2010 Red River Flooding***

A year after record flooding swamped many locations in the basin of the Red River of the North, conditions once again became favorable for another round of potential record flooding. In early November 2009, according to the U.S. Geological Survey, the flow of the Red River at Fargo was at its highest level ever recorded for the month of November. Key decisionmakers became concerned about the potential for a repeat of flooding in 2010 similar to that of 2009 since conditions "produced an imminent risk of major flooding along the Red River of the North." NWS offices in the Central Region responded to this evolving threat as early as December 2009, with a closely coordinated effort using a multi-tier approach to provide Integrated Decision Support Services to a multitude of customers. ROC focused on providing video teleconference and telephone briefings to personnel at Federal Emergency Management Agency (FEMA) Regions V, VII, and VIII. ROC also coordinated the overall decision support mission for the state and local levels. Two RFCs (North Central and Missouri Basin) collaborated closely with the U.S. Coast Guard and the U.S. Army Corps of Engineers with respect to their modeling efforts. Five local WFOs provided staffing to the state Emergency Operations Centers in North Dakota, South Dakota, and Minnesota, and the local WFO in Grand Forks provided personnel to the cities of Fargo and Moorhead to address decision support needs specifically at this high impact location. Senators from both North Dakota and Minnesota visited the Fargo/Moorhead area and had the opportunity for face-to-face briefings from WFO Grand Forks Meteorologist-In-Charge Mark Frazier. Focused Integrated Decision Support Services yielded many positive results within the Red River Valley, including FEMA approval of a disaster declaration for North Dakota prior to the actual onset of flooding along the Red River.

### ***NWS Upgrades Global Forecast System Modeling***

On July 28, 2010, NWS implemented sweeping changes that will improve the National Centers for Environmental Prediction (NCEP) Global Forecast System (GFS). These new improvements are the culmination of three years of development, evaluation and testing by NCEP's Environmental Modeling Center's Global Modeling Branch and Physics Team. NOAA expects the changes to improve accuracy



of a wide range of weather forecasts, including hurricane intensity forecasts. The Gridpoint Statistical Interpolation analysis changes include assimilating tropical storm pseudo sea-level pressure observations for improved hurricane forecasts, adding NOAA-19 HIRS/4 and AMSU-A brightness temperature observations and European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT-9) atmospheric motion vectors, and improving the assimilation of global positioning system (GPS) radio occultation data. The new version significantly enhances GFS forecasts of hurricane track and intensity. In the eastern Pacific, when NOAA reran the 2008 and 2009 hurricane seasons, NOAA observed an improvement of 50 percent in both track and intensity in GFS forecasts at day 5. In the Atlantic, NOAA observed a 10 percent improvement in the five-day track forecast and a 30 percent improvement in intensity at day 5 in GFS forecasts over the same time period. NOAA also made improvements to the model's ability to represent physical atmospheric processes. These improvements include an upgraded radiation and cloud package, upgraded specification of gravity wave drag, a higher resolution grid for hurricane relocation, an upgraded boundary layer scheme, the use of a higher resolution snow analysis, a new mass flux shallow convection scheme, and an updated deep convection scheme. Changes to the convection and radiation improve the realism of cloud processes in the new system. Another major change is an increase in the model's horizontal resolution from approximately 35 km to 27 km. The result of this set of changes is improvement in the overall accuracy of the model's forecasts.

### ***NWS Developed 4-D Weather Data Cube for Next Generation Air Transportation System***

The FY 2010 Capability Evaluation for the NOAA next generation 4-D Weather Data Cube (Cube) represents a major move forward in developing improved weather capabilities for a safer, more efficient and effective air transportation system. NOAA has scheduled the evaluation for the end of September 2010 and will conduct it in conjunction with the Federal Aviation Administration's (FAA) William J. Hughes Technical Center in Atlantic City, NJ. To date, the telecommunications hardware is installed and under testing. The evaluation will build on the previous years' successes; providing lessons learned before NWS goes into acquisition to build the Cube capabilities.

For this demonstration, NWS provided Web-enabled data from a suite of products through a single point of reference to the FAA next generation Network Enabled Weather processor. Using Web-enabled capabilities will allow the data to reach FAA in a timelier manner and will allow for a single point of access rather than scattered sources and eventually facilitate verification of the integrity of delivery. This event will also show how the Cube will function, allowing the users to maximize the proposed system's potential. The evaluators will see the progress made toward achieving an Initial Operating Capability of the Cube at the end of FY 2013. Evaluators will use and evaluate the architecture that more closely resembles the proposed architecture intended to be acquired next fiscal year. They will gain experience as to the system behavior and characteristics, allowing for lessons learned in the stand-up of operational processes and best methods for security implementations.

### ***NWS Implements New National Architecture for Level II Radar Distribution***

On July 7, 2010, the NWS Telecommunication Gateway (NWSTG) and the Radar Operations Center completed the transition of all radars from the previous four regional data collection and distribution concept, to a national central collection and distribution concept at the NWSTG. The former regional communications architecture for collection and dissemination of the NEXRAD Level II data did not meet the needs of customers due to occasional extended regional outages. The new architecture allows centralized 24/7 monitoring and support needed to eliminate the regional single points of failure. To address even larger outages to the user community, the NWSTG server was upgraded to include on-site backup, as well as a geographically separate secondary system to ensure continuity of operations.

Reliable Level II data is essential for commercial weather providers that use Level II data as a key dataset for building value-added products for commercial and public dissemination. These products include most of the radar graphics used for television broadcasts warning the public to take protective actions during severe weather. NWS has several severe weather warning goals. These warning operations are supported by the numerical model outputs. The Level II data are used as input into the models; therefore, reliable collection and dissemination of Level II data may indirectly contribute to improving model performance.

## SUMMARY OF PERFORMANCE

The measures below provide an indication of how well the Department is doing in achieving this NOAA objective.

PERFORMANCE MEASURE (NOAA)	TARGET	ACTUAL	STATUS
Percentage of U.S. coastal states and territories demonstrating 20% or more annual improvement in resilience capacity to weather and climate hazards (%/year)	29%	29%	Met
Severe weather warnings for tornadoes (storm-based) – Lead time (minutes)	12	14 <sup>1</sup>	Met
Severe weather warnings for tornadoes (storm-based) – Accuracy (%)	70%	74% <sup>1</sup>	Met
Severe weather warnings for tornadoes (storm-based) – False alarm rate (%)	72%	74% <sup>1</sup>	Slightly Below
Severe weather warnings for flash floods (storm-based) – Lead time (minutes)	38	76	Exceeded
Severe weather warnings for flash floods (storm-based) – Accuracy (%)	72%	82%	Met
Hurricane forecast track error (48 hours) (nautical miles)	107	70 <sup>2</sup>	Exceeded
Hurricane forecast intensity error (48 hours) (difference in knots)	13	18 <sup>2</sup>	Not Met
Accuracy (%) (threat score) of day 1 precipitation forecasts	30%	35%	Met
Winter storm warnings – Lead time (hours)	15	21	Exceeded
Winter storm warnings – Accuracy (%)	90%	90%	Met

<sup>1</sup> Estimate.

<sup>2</sup> Reflects FY 2009 target and actual results. FY 2010 results not available until February 2011.

## FY 2010 STATUS

NOAA met nine of its 11 targets in FY 2010. It was slightly below the target for "False alarm rate for tornados," and did not meet the target for the "Hurricane forecast intensity error."

## FY 2010 MISSED TARGETS

MEASURE	FALSE ALARM RATE FOR TORNADOS
Explanation	Tornado false alarm rate (FAR) missed the target by 2 percent. Storm-based tornado measures have a 75-day lag time. The 2010 convective season produced a near-average number of tornadoes, with more frequent tornado outbreaks than observed during the 2009 season. The FAR is typical of performance observed over the past decade. Forecasters tend to overwarn throughout the fiscal year for public safety.
Action	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. No additional action taken at this time.
MEASURE	HURRICANE FORECAST INTENSITY ERROR
Explanation	The 48 hour Atlantic hurricane intensity error was 18 knots for the 2009 hurricane season, missing the 2009 goal of 13 knots by 5 kts. Failure to reach the 2009 GPRA goal can be attributed in part to a higher level of difficulty in forecasting intensity in 2009 (as measured by a climatology and persistence skill baseline). In addition, the GPRA goals were set in 2008 assuming that modeling advances would immediately lead to intensity forecast improvements, even though hurricane intensity forecasts have shown essentially no improvement over the past 20 years.
Action	NOAA's Hurricane Forecast Improvement Program (HFIP), one of whose main goals is to reduce hurricane intensity errors significantly over the next 10 years, was first funded in 2009. It will take several years for HFIP research and development to be conducted successfully and then additional time for results of the HFIP research to be fully integrated into operations. Until then, annual official intensity errors will tend to rise and fall with forecast difficulty.

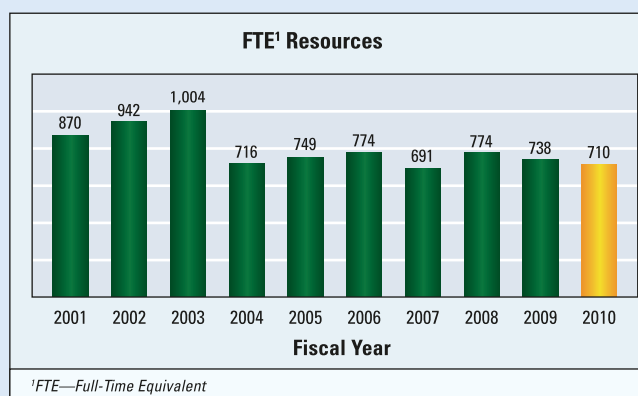
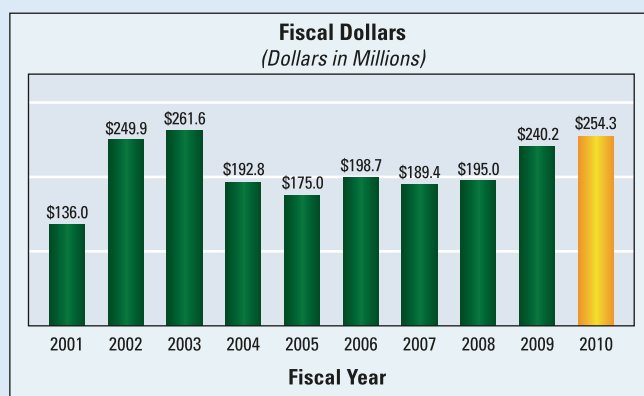
## HISTORICAL TRENDS

Regarding this objective, NOAA has consistently met their forecast targets with the exception of the FAR for tornados. However, as noted above, forecasters tend to overwarn in the occurrence of tornados in the interest of public safety.

## STRATEGIC OBJECTIVE 3.4

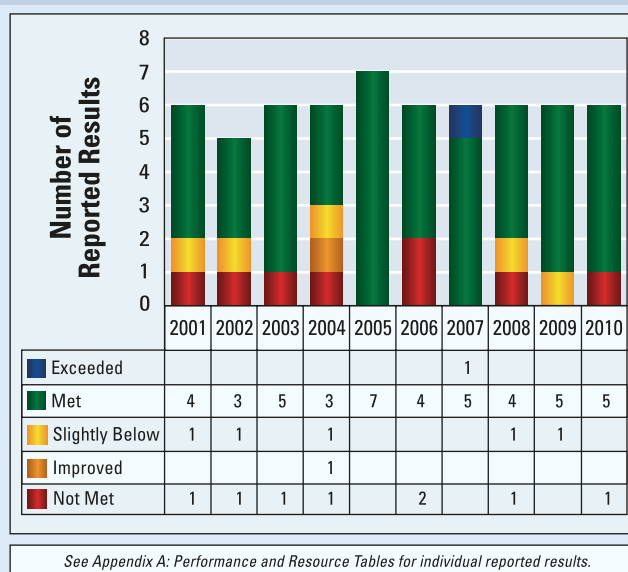
*Support safe, efficient, and environmentally sound commercial navigation*

## STRATEGIC OBJECTIVE 3.4 TOTAL RESOURCES



## PUBLIC BENEFITS

U.S. transportation systems are economic lifelines for the Nation. For both air transportation safety and efficiency, it is essential to have accurate wind forecasts. Likewise, the shipping industry depends on accurate nautical charts when transporting goods in and out of U.S. ports. As U.S. dependence on surface and air transportation grows over the next 20 years, and as maritime trade doubles, better navigation and weather information provided by NOAA will be critical to protect lives, cargo, and the environment. For example, better aviation weather information could significantly reduce the \$4 billion lost through economic inefficiencies as a result of weather-related air traffic delays. Improved surface forecasts and specific user warnings would likely reduce the 7,000 weather-related fatalities and 800,000 injuries annually from vehicle crashes.

STRATEGIC OBJECTIVE 3.4  
PERFORMANCE RESULTS

## ACHIEVEMENTS

***NOAA's Expertise and Experience Proved Indispensable for Response to the BP Deepwater Horizon Oil Spill Disaster and Mitigation of Impacts***

As the leading U.S. scientific resource for oil spills, NOAA's Office of Response and Restoration (OR&R) responded within hours of the Gulf of Mexico BP Deepwater Horizon oil spill to support U.S. Coast Guard and Unified Command with 24-hour risk and trajectory assessments, reports of chemical changes from the oil, recommended cleanup methods using over-flights to verify model trajectories, and accurate models of past spills. NOAA's Shoreline Cleanup and Assessment Technique (SCAT) planners, aerial observers, and 15 field teams worked with BP

and state teams. NOAA-wide Damage Assessment, Remediation, and Restoration Program experts worked with partners to protect and restore threatened coastlines, assessing injuries to natural resources and damages, as well as trying to minimize harm to natural resources to accelerate recovery of coastal communities (potentially vulnerable fish, shellfish, bottom dwelling biota, birds, marine mammals and turtles in wetlands, submerged aquatic vegetation, beaches, mudflats, and deep and shallow corals). For more than three months, 40 teams conducted daily ramp and shore fishing counts and economic studies to ensure accurate compensation for lost use of resources. A Web-based situation awareness tool called ERMA (Environmental Response Management Application), with a public version called GeoPlatform.gov/gulfresponse, provided integrated data management for response and natural resource damage assessment across multiple states on NOAA's response (fishery closures, wildlife data, oiled shoreline, and deployed research ships). Deepwater Horizon was the first oil spill where Integrated Ocean Observing System (IOOS) and partners used underwater, unmanned gliders and coastal high frequency radar stations to daily track oil flows in the water column and on the surface. At relatively low cost and no risk to human life, IOOS measured surface current speed and direction in near real time in trajectory models that OR&R provided to coastal communities to prepare for impacts of oil coming ashore. The Office of Coast Survey produced nautical charts that displayed oil spill zone forecasts based on OR&R spill projections to help vessels avoid spill areas. The Center for Operational Oceanographic Products and Services (CO-OPS) modified existing products to display real-time data and predictions in the Gulf of Mexico including hurricane-based, NOAA Storm QuickLook, to include an OR&R spill graphic and detailed view of CO-OPS water levels and meteorological data in potentially affected areas. CO-OPS displayed Physical Oceanographic Real-Time System (PORTS®) data from Gulfport, Pascagoula, and Mobile Bay PORTS® and used MyPORTS, a customizable PORTS® application, to show ocean current speeds and directions and weather observations in the spill region. A high-resolution northern Gulf of Mexico hydrodynamic model system produced three-day forecasts of water levels and three-dimensional currents from the Florida Panhandle to the Rio Grande River. NOAA's Office of Coast Survey product called NowCOAST, a map-based online gateway to ocean and weather observations and forecasts, displayed real-time observations on interactive maps accessible from a smart phone or background maps like Google® Maps. NowCOAST use spiked from two million hits a month in January to more than eight million during response to the BP Deepwater Horizon oil spill.

NOAA addressed other major spills and improved disaster preparedness for the Gulf and the Arctic regions. At least 424,000 gallons of crude oil spilled from an 807-foot tank ship near Port Arthur, TX, where OR&R assessed oil movement and impacts, provided weather forecasts and cleanup plans, and aided assessment of natural resource damages, economic impacts, and restoration. CO-OPS provided real-time data from a new Sabine-Neches PORTS® station to OR&R for tide prediction to enable limited opening of the waterway to prevent roughly \$5 million in economic losses from restricted entry by barges and deep draft vessels. For future disaster preparedness, response, and recovery from Brownsville, TX to Key West, FL, NOAA started construction of the Gulf of Mexico Disaster Response Center in Mobile, AL, a facility that can withstand a major hurricane. The Office of Coast Survey conducted hydrographic surveys off the coasts of Alabama and Mississippi for bathymetry data for a new northern Gulf of Mexico circulation model. The Office of Coast Survey, CO-OPS, and the National Geodetic Survey improved predictive capabilities in oil and hazardous material spills. These will aid forecasts for harmful algal blooms in the northern Gulf of Mexico and contribute to more accurate models for inundation from storm surge, tsunamis, and sea-level rise. NOAA and the Oil Spill Recovery Institute worked to assess data gaps to predict how increases in ship traffic and oil exploration would impact the Arctic and affect Arctic natural resource damage assessments planning, coordination, and outreach.

### ***Hydrographic Surveys Address Backlog in Continental United States, Alaska, and Arctic***

The Office of Coast Survey continued addressing the survey backlog with updated hydrographic surveys of critical areas of the United States as NOAA ships THOMAS JEFFERSON, FAIRWEATHER, and RAINIER alongside contractors surveyed more than 3,100 square nautical miles of U.S. waters. In addition to reducing critical survey backlogs and surveying fairways for maritime safety, the ships mapped habitat in three national marine sanctuaries and responded to numerous requests for surveys. Without the surveys, NOAA will not locate, identify, and place on nautical charts ocean bottom conditions that are hazardous to navigation to help mariners navigate safely and avoid accidents, spills, loss of life and cargo, and damage to the environment. At the request of the U.S. Navy, U.S. Coast Guard, Alaska Maritime Pilots, and the commercial shipping industry, The Office of Coast Survey sent the NOAA ship FAIRWEATHER to survey 350 square nautical miles of Arctic waters around the Bering Straits. Since 1960, NOAA has not mapped most of the shoreline along Alaska's northern and western coasts and confidence in

the region's nautical charts is extremely low. NOAA ship FAIRWEATHER, whose homeport is Ketchikan, AK, spent July and August examining seafloor features, measuring ocean depths, and supplying data for updating NOAA's nautical charts. These data also support scientific research on essential fish habitat and establishes new tidal datums in the region. The Office of Coast Survey conducted extensive surveys in U.S. waters off the coast of northern Maine in response to requests for assistance from fishing communities to discover why several fishing vessels have gone down recently in Maine's Cobscook Bay. Fishing communities in the area have lost 16 men in vessel sinkings over the past five years. Last year, NOAA located the wrecks of two vessels and identified other potential dangers to navigation using hydrographic data to update nautical charts. Using side-scan imaging, a NOAA Navigation Response Team searched for the wreckage of a 34-foot urchin dragger that sank in late October with three fishermen on board. In a continuing effort to prevent vessel collisions with North Atlantic right whales, the Office of Coast Survey conducted a hydrographic survey to help mariners avoid whale calving areas in and around Brunswick, GA, during the winter months. NOAA will incorporate the survey data into nautical charts used for both commercial shipping and recreational boating. The survey will cover a proposed new route for vessel traffic that will bypass the areas of highest North Atlantic right whale density during the winter calving months. NOAA ultimately seeks to reduce conflicts between maritime trade and wildlife protection.

### ***NOAA Implements New and Improved Hydrodynamic Model, Creates Innovative PORTS® Technology, and Gets a High Customer Satisfaction in CO-OPS Survey***

CO-OPS improved operational coastal models in the Great Lakes with new hydrodynamic models for mariners, port managers, and emergency response teams with present and future conditions of water levels, currents, temperature and salinity. The hydrodynamic "nowcast" (for present conditions) and "forecast" (for future conditions) products are generated by a three-dimensional hydrodynamic model that uses real-time PORTS® data and NWS forecast products to predict this information at locations throughout the United States. Port managers and shippers can better determine maximum tonnage and passage times without compromising safety. On this and other products, CO-OPS surveyed customer satisfaction with current products and services and gained insight for future areas of focus. CO-OPS scored 82, which was significantly higher than other federal agencies who conducted the American Customer Satisfaction Index (ACSI), scoring 68.9. Accuracy and timeliness were repeatedly the highest scoring attributes of CO-OPS products and services. CO-OPS will use this data to improve how NOAA turns oceanographic data into meaningful information to protect life, property, and the environment.

## **SUMMARY OF PERFORMANCE**

The measures below provide an indication of how well the Department is doing in achieving this NOAA objective.

PERFORMANCE MEASURE (NOAA)	TARGET	ACTUAL	STATUS
Reduce the hydrographic survey backlog within navigationally significant areas (square nautical miles surveyed per year)	5,160	4,395	Not Met
Percentage of U.S. counties rated as fully enabled or substantially enabled with accurate positioning capacity	74.0%	79.0%	Met
Marine wind speed accuracy (%)	69%	74%	Met
Marine wave height accuracy (%)	74%	75%	Met
Aviation forecast accuracy of ceiling/visibility (3 mile/1,000 feet or less) (%)	65%	66%	Met
Aviation forecast FAR for ceiling/visibility (3 mile/1,000 feet or less) (%)	42%	36%	Met

<sup>1</sup> Estimate.



## FY 2010 STATUS

NOAA met five of its six targets in FY 2010. It did not meet the target for "Reduce the hydrographic survey backlog within navigationally significant areas."

## FY 2010 MISSED TARGETS

MEASURE	REDUCE THE HYDROGRAPHIC SURVEY BACKLOG WITHIN NAVIGATIONALLY SIGNIFICANT AREAS (SQUARE NAUTICAL MILES (SNM) SURVEYED PER YEAR)
Explanation	The 4,395 snm reflects a combined total estimate for both GPRA (2,515 snm) and ARRA performance for FY 2009 and FY 2010 (1,880 snm). Based on best information available at the time, NOAA's Office of Coast Survey set the FY 2010 Annual Performance Plan target at 3,260 snm in January 2009 to address hydrographic survey backlog, and included the ARRA FY 2009-FY 2010 target of 1,940 snm for a total target of 5,200. However, at onset of FY 2010, NOAA requested a revised target of 2,600 snm because RANIER went into an unplanned but welcome major repair period upon receiving ARRA funding. Consequently, projects for the RANIER were deferred to the outyears. Also since the setting of FY 2010 targets, the program has been impacted by a reduction in FY 2010 NOAA ship time to support hydrographic survey operations. Furthermore, the program anticipated FERDINAND HASSLER operations in 2010, but this vessel's delivery has been delayed. Higher costs for Alaska survey work reduced total planned contract areas in FY 2010. The THOMAS JEFFERSON was also redirected to provide Gulf support during the BP Deepwater Horizon spill response. The total target for ARRA funds was 1,940 snm over FY 2009 and FY 2010; the program actually acquired roughly 1,190 snm of ARRA acquisition in FY 2009, and 690 snm in FY 2010.
Action	NOAA's National Ocean Service will continue to track this metric closely in FY 2011.

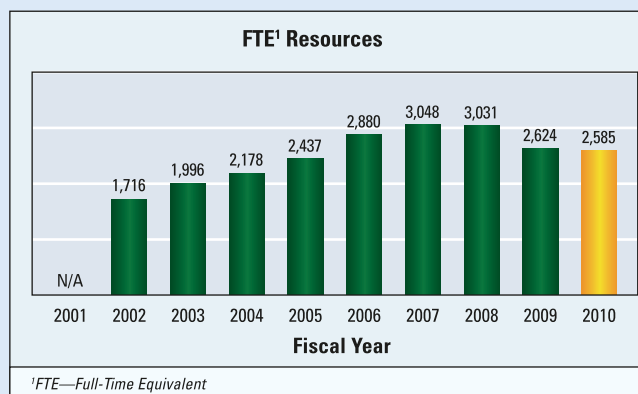
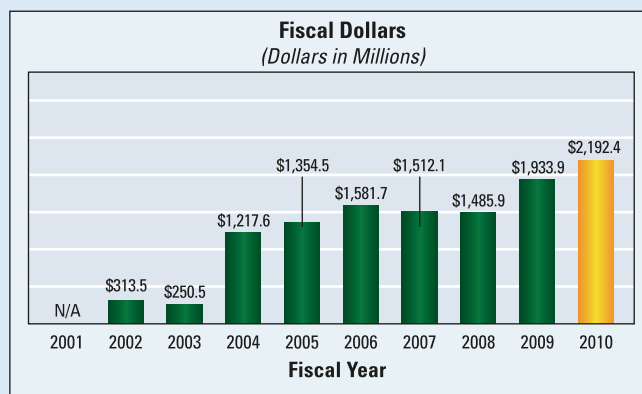
## HISTORICAL TRENDS

Within this objective, NOAA has consistently met the targets for some of the measures including accurate positioning capability, marine wind speed, marine wave height, and aviation forecast FAR. The status of aviation forecast accuracy has varied, however, it should be noted that the targets for this measure have risen every year from FY 2002 onward, and the actuals have correspondingly improved as well.

## MISSION SUPPORT OBJECTIVE

*Provide critical support for NOAA's mission*

## MISSION SUPPORT TOTAL RESOURCES



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

## ACHIEVEMENTS

### *Newest NOAA Geostationary Satellite Reaches Orbit*

On March 4, 2010, NOAA successfully launched Geostationary Operational Environmental Satellite Series P (GOES-P) from Cape Canaveral, FL. GOES-P, renamed GOES-15 once it reached final orbit, underwent a series of tests for approximately six months before completing its "check-out" phase. After check-out, GOES-15 was placed into orbital storage mode and remains ready for activation if one of the operational GOES fail. GOES-15 took its first infrared image of Earth on April 26, 2010. GOES-15 is the final spacecraft in the latest series of NOAA geostationary satellites. It joined three other NOAA operational GOES spacecraft that help the Agency's forecasters more accurately track life-threatening weather—from tornadoes, floods, and hurricanes to solar activity that can impact the satellite-based electronics and communications industry. GOES-15 will capture higher resolution images of weather patterns and atmospheric measurements than those provided by earlier satellites. The higher resolution imagery allows forecasters to pinpoint the location of severe weather with greater accuracy. GOES-15 will also provide better data for space and solar weather thanks to its Solar X-Ray Imager (SXI). SXI data will improve forecasts and warnings for solar disturbances, protecting billions of dollars of commercial and government assets in space and on the ground. This vital information will also reduce the effect of power surges for the satellite-based electronics and communications industry.

### *NOAA Selects Harris Corporation to Develop GOES-R Antenna System*

NOAA selected Harris Corporation in Melbourne, FL, in July 2010, to develop the antenna system that will support NOAA's GOES-R. This new series of spacecraft, set to begin launching in 2015, is expected to double the clarity of today's satellite imagery and provide at least 20 times more atmospheric observations. Harris will develop and NOAA will operate the GOES-R antenna system at NOAA's Wallops Command

and Data Acquisition Station in Wallops, VA, and at NOAA's GOES R Remote Backup facility in Fairmont, WV. The antenna system will be designed to ensure continuity of operations during severe weather and other threat scenarios, including storms as severe as a Category 2 hurricane with winds ranging from 96–110 mph. Four existing receive-only antennas located at the NOAA Satellite Operations Facility in Suitland, MD, will also have their feed systems upgraded. The antenna system will include six new, large-aperture antennas capable of receiving and transmitting radio signals in multiple frequencies. Harris Corporation will upgrade four existing antennas and integrate the entire antenna system into the overall GOES-R ground system. NOAA will fund, manage, and operate the GOES-R satellites.

### ***NOAA Deactivates GOES-10 and GOES-12 Begins Coverage of South America***

In December 2009, NOAA deactivated GOES-10 after 12 years of service. Launched in April 1997, GOES-10 surpassed its original five-year mission by providing coverage as NOAA's primary GOES satellite in the West until 2006. In 2006, in an effort to enhance international cooperation and improve hurricane forecasting efforts in South America, NOAA repositioned GOES-10 to cover South America. NOAA deactivated GOES-10 from service on December 1, 2009. To replace GOES-10, NOAA repositioned GOES-12 over South America in May 2010. The repositioning of GOES satellites over South America is pivotal because these satellites supply forecasters in South America with more imagery and data to track dangerous storms—including tropical cyclones—and the storms that can trigger potentially deadly mudslides. Moving GOES-12 is a significant contribution to the emerging GEOSS. This global, public infrastructure allows managers and decisionmakers to respond more effectively to the many environmental challenges facing society. GEOSS links individual observing systems into a sustained, comprehensive global system.

### ***NOAA Satellites Help Rescue 277 People in 2010***

NOAA's fleet of satellites played a vital role in the rescues of 277 people during life-threatening situations throughout the United States and its surrounding waters in 2010. In each incident, NOAA satellites pinpointed these downed pilots, shipwrecked mariners, or stranded hikers by detecting a distress signal from an emergency beacon and relaying the information to first responders on the ground. NOAA's polar-orbiting and geostationary satellites, along with Russia's Cospas spacecraft, are part of the international Search and Rescue Satellite-Aided Tracking system (COSPAS-SARSAT). This system uses a network of satellites to quickly detect and locate distress signals from emergency beacons onboard aircraft and boats, and from smaller, handheld personal locator beacons. When a NOAA satellite finds the location of a distress signal within the United States or its surrounding waters, the information is relayed to the COSPAS-SARSAT Mission Control Center based at NOAA's Satellite Operations Facility in Suitland, MD. From there, it is sent to a Rescue Coordination Center operated by either the U.S. Air Force for land rescues or the U.S. Coast Guard for water rescues. Now in its 29th year, COSPAS-SARSAT has been credited with supporting more than 28,000 rescues worldwide, including over 6,400 in the United States and its surrounding waters.

### ***NOAA Responds to the Devastating Earthquake in Haiti***

Right after the quake, the Office of Marine and Aviation Operations began preparations to support the response effort. After receiving a request for aerial imagery, the NOAA Aircraft Operations Center and National Geodetic Survey dispatched the NOAA Cessna Citation II aircraft to conduct surveys of quake-ravaged areas to give responders the data they need to assess damage and plan recovery efforts.

### ***NOAA Aircraft, Ship Provide Survey Support Following Nor'easter***

NOAA's Cessna Citation (N52) acquired remote sensing imagery along the Hampton Roads, VA shoreline following a major storm that impacted the Mid-Atlantic region November 12–14, 2009. The aircraft documented changes in shoreline due to flooding at Whalehead Beach and a grounded barge in Virginia Beach. Meanwhile, NOAA ship THOMAS JEFFERSON conducted hydrographic surveys in Cape Henry and the Elizabeth River to locate submerged debris, shoals, and other potential hazards to navigation caused by the nor'easter. The surveys provided critical aerial and underwater imagery to the port community, local officials, and residents impacted by the storm and resulting flooding in Hampton Roads.

### ***NOAA Aircraft Gather Observations in Flooded Red River Region***

NOAA Shrike Commander and NOAA Jet Prop Commander aircraft stationed in Minneapolis, MN helped the North Central RFC improve its flood forecasts with real-time observations. The Red River, along the Minnesota-North Dakota border, approached record flood levels. The aircraft took video and photographic footage of the river in flood stage. They were able to observe ice jams, standing water in farm fields, and other conditions in the watershed. The hydrologists can use this data to refine their models.

### ***NOAA G-IV Aircraft Dispatched to Gather Winter Storm Data***

NOAA's Gulfstream IV-SP aircraft conducted flights over the North Pacific Ocean to help fill gaps in atmospheric observations. During that period NOAA crew flew 310.8 hours, covering 134,000 nautical miles. 634 GPS dropwindsondes were launched, of which 97.2 percent provided good, detailed data on 12 intensifying winter storms. Flying out of Yokota Air Force Base in Japan, the Office of Marine and Aviation Operations-operated plane collected wind speed and direction, pressure, temperature, and humidity information from data-sparse regions. The data was sent via satellite to global operational weather forecasting centers and fed into sophisticated computer forecast models.

### ***NOAA Commissioned the NOAA Ship BELL M. SHIMADA***

NOAA commissioned the BELL M. SHIMADA, the fourth of a new class of fisheries survey vessels on August 25. The ship's primary mission will be to study, monitor, and collect data on a wide range of sea life and ocean conditions, primarily off the West Coast. The 208-foot vessel will also observe environmental conditions; conduct habitat assessments; and survey marine mammal, sea turtle, and marine bird populations. The ship's state-of-the-art design allows for quieter operation and movement of the vessel through the water, giving scientists the ability to study fish and marine mammals without significantly altering their behavior.

### ***NOAA Awards Contract for New Fisheries Research Vessel***

NOAA has awarded a \$73.6 million American Recovery and Reinvestment Act (ARRA) of 2009 contract to Marinette Marine Corporation located in Marinette, WI. This is for the construction of a new fisheries survey vessel, FSV 6, which will dramatically improve NOAA's ability to conduct surveys for fish, marine mammals, and turtles off the West Coast and in the eastern tropical Pacific Ocean. FSV 6 will be the fifth state-of-the-art OSCAR DYSON-class ship built for the Agency.

### ***50th Anniversary of the Satellite that "Forever Changed Weather Forecasting"***

The Television Infrared Observation Satellite (TIROS-1) celebrated its 50th anniversary on April 1, 2010. The first image from TIROS-1, the world's first weather satellite, was a fuzzy picture of thick bands and clusters of clouds over the United States. TIROS-1, a polar-orbiting satellite, weighed 270 pounds and carried two cameras and two video recorders. An image captured a few days after its lift-off from Cape Canaveral, FL, revealed a typhoon about 1,000 miles east of Australia. Though the satellite only lasted 78 days, its impact is still visible today. Throughout the 1960s, each TIROS spacecraft carried increasingly advanced instruments and technology. By 1965, meteorologists combined 450 TIROS images into the first global view of the world's weather. When the more advanced TIROS-N satellite series were launched between 1978 and 1981, the name of the spacecraft changed to Polar-orbiting Operational Environmental Satellite (POES). POES orbits the Earth at an altitude of about 500 miles and circle the poles once every 102 minutes.

## STRATEGIC GOAL 3 PROGRAM EVALUATIONS

The following program evaluations were conducted on programs related to this strategic goal in FY 2010.

BUREAU	REVIEWER	NAME	DATE	WEB SITE
NOAA	GAO	<i>NOAA has Expanded its Tsunami Programs, but Improved Planning Could Enhance Effectiveness</i>	4/2010	<a href="http://gao.gov/products/GAO-10-490">http://gao.gov/products/GAO-10-490</a>
NOAA	GAO	<i>Agencies Must Act Quickly to Address Risks that Jeopardize the Continuity of Weather and Climate Data</i>	5/2010	<a href="http://gao.gov/products/GAO-10-558">http://gao.gov/products/GAO-10-558</a>
NOAA	GAO	<i>Planning Required to Mitigate Near-term Risks and Ensure Long-term Continuity</i>	6/29/2010	<a href="http://gao.gov/products/GAO-10-858T">http://gao.gov/products/GAO-10-858T</a>
NOAA	OIG	<i>FY 2009 FISMA Assessment of the Environmental Satellite Processing Center (ESPC)</i>		<a href="http://www.oig.doc.gov/oig/reports/2010/OAE-19730.pdf">http://www.oig.doc.gov/oig/reports/2010/OAE-19730.pdf</a>
NOAA	OIG	<i>Review of NOAA Fisheries Enforcement Programs and Operations</i>	1/2010	<a href="http://www.oig.doc.gov/oig/reports/2010/OIG-19887.pdf">http://www.oig.doc.gov/oig/reports/2010/OIG-19887.pdf</a>
NOAA	OIG	<i>Review of NOAA's Marine Operations Center-Pacific Lease Decision</i>	6/28/2010	<a href="http://www.oig.doc.gov/oig/reports/marine_operations_centerpacific/index.html">http://www.oig.doc.gov/oig/reports/marine_operations_centerpacific/index.html</a>
NOAA	OIG	<i>Review of NOAA Fisheries Enforcement Asset Forfeiture Fund</i>	7/1/2010	<a href="http://www.oig.doc.gov/oig/reports/correspondence/2010.07.01_IG_to_NOAA.pdf">http://www.oig.doc.gov/oig/reports/correspondence/2010.07.01_IG_to_NOAA.pdf</a>
NOAA	OIG	<i>Review of NOAA's Efforts to Modernize U.S. Historical Climatology Network: STL-19846</i>	7/29/2010	<a href="http://www.oig.doc.gov/oig/reports/correspondence/2010.07.01_IG_to_NOAA.pdf">http://www.oig.doc.gov/oig/reports/correspondence/2010.07.01_IG_to_NOAA.pdf</a>

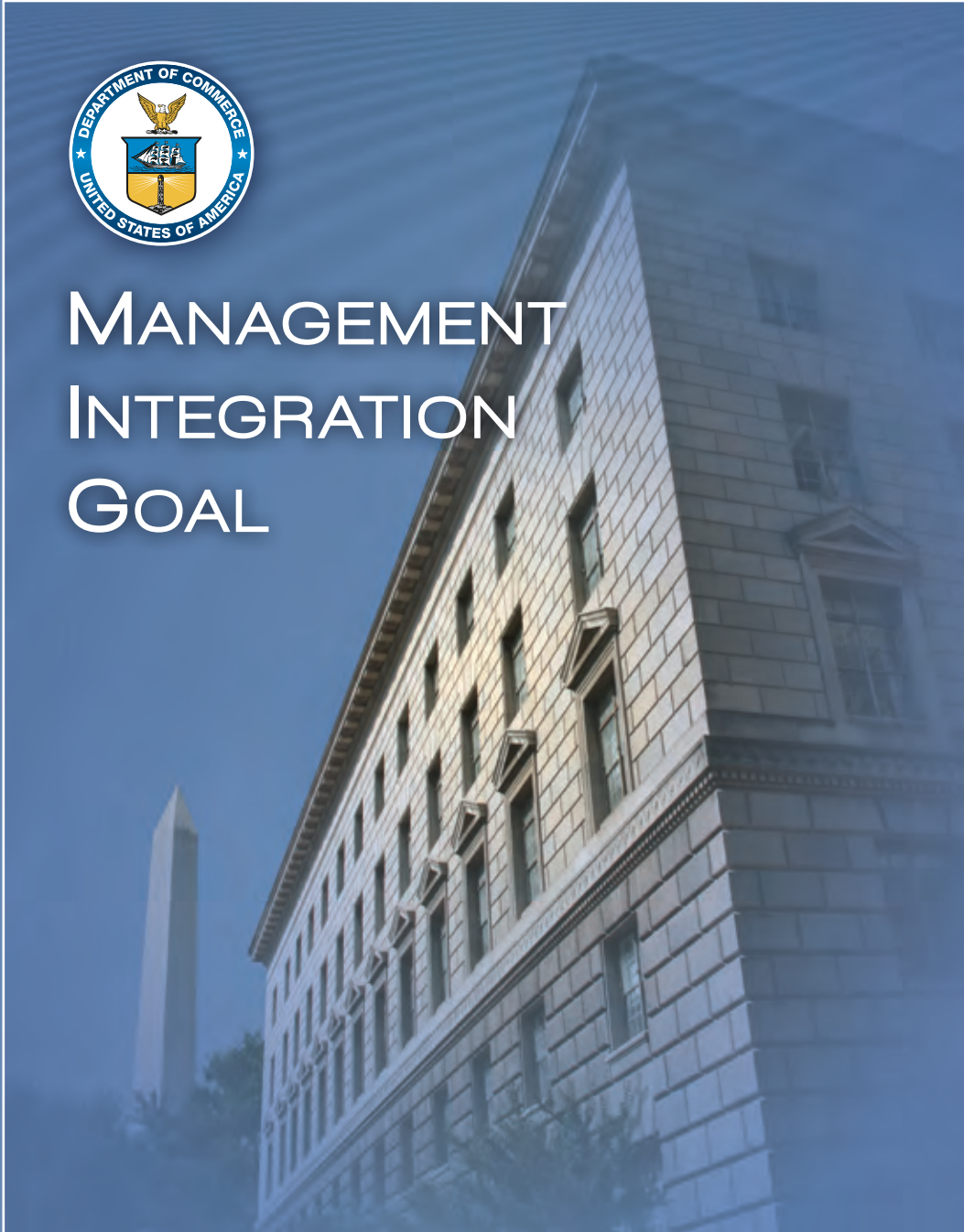




# PERFORMANCE SECTION



## MANAGEMENT INTEGRATION GOAL



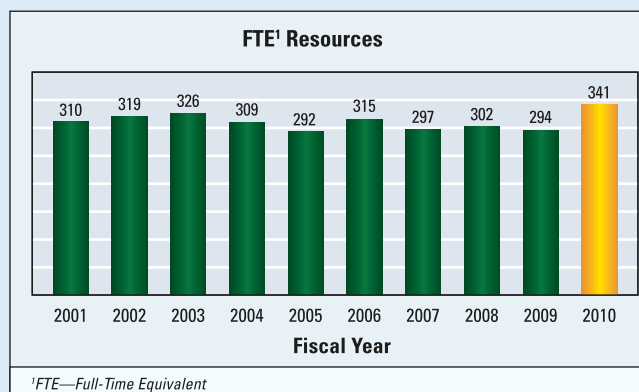
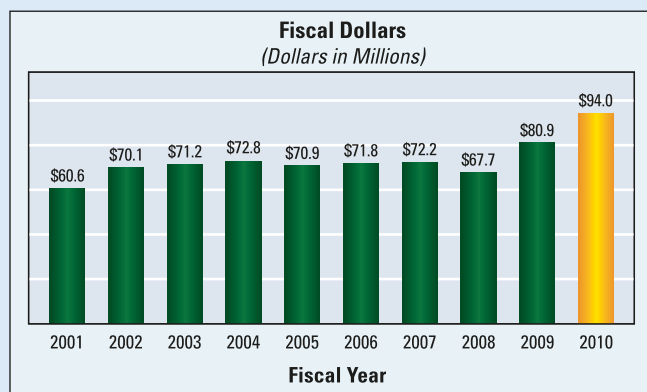
PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
Ensure effective resource stewardship in support of the Department's programs (DM)	0 of 2
Ensure retention of highly qualified staff in mission-critical positions (DM)	1 of 1
Acquire and manage the technology resources to support program goals (DM)	1 of 1
Promote improvements to Department programs and operations by identifying and completing work that (1) promotes integrity, efficiency, and effectiveness; and (2) prevents and detects fraud, waste, and abuse (OIG)	2 of 3



## MANAGEMENT INTEGRATION GOAL

*Achieve organizational and management excellence*

### MANAGEMENT INTEGRATION GOAL TOTAL RESOURCES

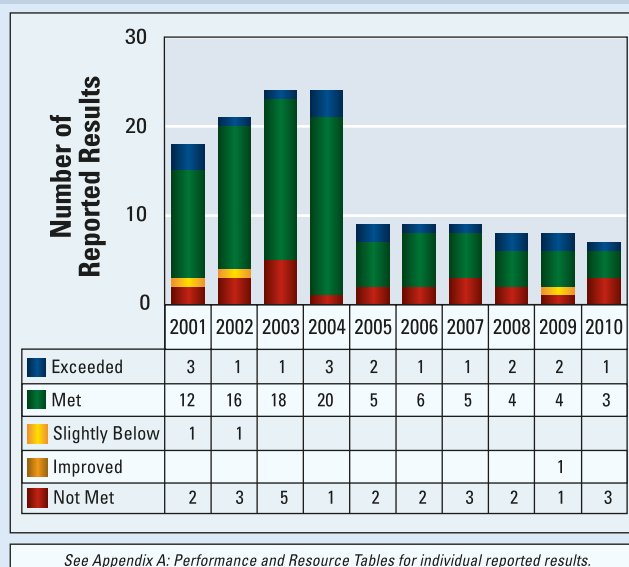


### PUBLIC BENEFITS

**A**chieving organizational and management excellence is a goal that requires extensive interaction and coordination among entities throughout the Department. Departmental Management (DM)—consisting of the Offices of the Secretary, Deputy Secretary, Chief Financial Officer (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. In addition, the Office of Inspector General (OIG) audit and inspection programs help promote consistency and integrity throughout the Department. Most of DM's and the OIG's work can be characterized as "behind-the-scenes," contributing to the efficiency with which operating units throughout the Department administer their programs.

The Department must have the capacity to do business with the public and its partner agencies, both as a more than \$8 billion

### MANAGEMENT INTEGRATION GOAL PERFORMANCE RESULTS



worldwide enterprise, and as 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 (HR), and the implementation of laws and regulations that govern the use of those resources. This performance outcome represents the Department's commitment to ensuring the wise stewardship of its resources. Because this goal encompasses a wide range of administrative and operational tasks, the measures used to assess progress are highly diverse.

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. Training and development programs are based on competency assessments for mission-critical occupations such as meteorologist, statistician, acquisition, engineer, and chemist.

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.

The OIG's criminal, civil, and administrative investigations continue to disclose instances of misconduct by employees, contractors, and grantees that threaten the integrity of the Department's programs and operations. In addition, auditors or inspectors frequently identify investigative issues, such as fraud and conflicts of interest, and refer such matters to the OIG's investigators.

## ACHIEVEMENTS

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### *Acquisitions and Grants*

DM provided proactive and timely guidance and oversight to the acquisition and grants community in the Department to ensure smooth implementation and execution of the American Recovery and Reinvestment Act (ARRA) of 2009, and has been recognized for the superior performance of its oversight of recipient reporting.

DM developed, through a cross-agency working group, agency-specific implementation guidance for effective management of the multi-sector workforce, including development of guidance, an assessment template, and the institution of annual multi-sector workforce planning tied to operating unit advance acquisition plans.

DM developed, with commitment from all operating units, an acquisition savings plan with a target goal of saving 3.5 percent of planned acquisition spending through better acquisition practices.

DM updated Department acquisition policy, including publication of an updated Commerce Acquisition Regulation and developing formal acquisition planning, use and management of incentive contracting provisions, and minimizing use of high-risk acquisition authorities policy.

DM instituted a formal acquisition and grant management review policy and conducted its first set of reviews (National Institute of Standards and Technology (NIST) acquisition and grants) under this oversight program.

## ***Human Resources***

DM exceeded the government-wide average for positive responses on 69 out of 77 eligible items on the 2010 Federal Employee Viewpoint Survey, administered by the Office of Personnel Management (OPM) to gauge employee perceptions on critical work-life areas which drive employee satisfaction, commitment, and retention. No Department averages for positive responses were "notably" (i.e., five percentage points or more) below the government-wide averages for any items.

DM instituted an aggressive Return-To-Work Pilot Program to reduce Workers' Compensation costs, resulting in \$4.4 million in savings for the Department over the lifetime of four cases that have received resolution determinations from the Department of Labor. HR is pursuing an additional 11 cases to achieve a possible total lifetime savings of \$22.5 million.

DM implemented Executive Order 13522, "Creating Labor-Management Forums to Improve Delivery of Government Services," by receiving plan certification from the National Council on Federal Labor-Management Relations, assisting the 18 Department unions in determining their membership on the Department's Labor-Management Forum, obtaining approval from all members on the Forum charter, providing guidance and assistance on the establishment of bargaining unit councils, and evaluating and providing feedback to the Forum Management Team on proposed pilot projects.

DM created and submitted seven comprehensive action plans to OPM and the Office of Management and Budget (OMB) in response to the President's Memorandum, "Improving the Federal Recruitment and Hiring Process." The plans identify goals, targets, time lines, and indicators of progress for hiring reform implementation by November 1, 2010.

DM expanded leadership development programs for both Department and federal employees by launching the non-competitive Leadership Education and Development Certificate Program Pilot for Department employees with an immediate need to enhance their leadership skills and redesigning the Senior Executive Service Candidate Development Program to offer opportunities to employees within other federal agencies, including the Department of Education, Department of Energy, and Environmental Protection Agency.

DM formulated and presented the business case for acquiring an HR management system to greatly enhance the efficiency and effectiveness of workforce planning, analysis, and reporting efforts. The HR management system has been included in the Secretary of Commerce's FY 2012 budget submission.

## ***Financial Management***

DM achieved an unqualified audit opinion for the twelfth consecutive year in FY 2010, and plans to maintain the same in FY 2011 and beyond.

DM successfully completed an upgrade to the Office of Financial Management's (OFM) Corporate Database, 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.

DM continued work on the Future Financial and Administrative Planning Business Analysis that will assist the Department in analyzing its current financial and administrative environment, determining the long-term viability of its Commerce Business Systems (CBS) platform, and evaluating CBS against other potential options to support its financial management environment.



DM migrated the OFM/CBS Solutions Center (CSC) Development and Test instances of CBS from the CSC in Gaithersburg, MD to the OMB-designated Shared Service Center, Department of Transportation/Federal Aviation Administration/Enterprise Services Center (DOT/FAA/ESC) in Oklahoma City, OK.

### ***Administrative Services***

In February 2010, the Department received a green score from OMB, the highest level, for both progress and status in energy and environmental management. For transportation management, the Department received a green in progress and a yellow for status, a significant improvement from its prior scorecard. As a result, the Department ranked second overall in the federal government.

The Department has been working with the General Services Administration to coordinate the Herbert C. Hoover Building's eight-phase renovation project. The renovation improves building safety and security; enhances quality of life, restores some historical building features; and replaces aging machinery, electrical systems piping, and HVAC systems.

Phase 1 installed new cooling towers for the building's air conditioning system and built out new office spaces in Courtyard 6 to house operating units during the construction of their phases. This phase was completed in October 2009.

Phase 2 is currently underway. This phase cleans and restores the building facade; and installs new site utilities, air conditioning chill water plant, a main electrical power distribution system, and emergency generators. Office spaces will receive a new heating, ventilation and air conditioning system as well a new lighting system, carpeting, and painting. The exterior of the building will receive new perimeter security, hardscaping, and landscaping.

On August 6, 2010, the Department submitted the Department's Real Property Cost Savings and Innovation Plan to OMB. This plan was developed in response to a July 1 request from OMB for executive branch agencies to identify ways of collectively achieving \$3 billion in savings by eliminating excess real property. As a result of initiatives in its plan, DM estimates that the Department can realize approximately \$7.7 million in savings annually. To do so, however, will involve up-front investments totaling approximately \$8.0 million for necessary information technology (IT) infrastructure and equipment, and open systems furniture.

### ***Information Office***

DM reinstituted the Department IT Investment Review Board to ensure that Department major IT investments utilize sound project management practices and exhibit risk-based approaches. The reinvigorated board will ensure that Department investments are well-managed and of value to the taxpayer. As part of the Department's transparency efforts, DM evaluated and submitted 51 business cases to the federal IT Dashboard, demonstrating to the public the sound management of the Department's IT investments. On average, DM achieved within five percent of its cost, schedule, and performance targets for the major IT investments undergoing development and enhancement. DM developed solid business cases for major IT investments with the business cases ensuring that DM managed and wisely invested those IT funds.

DM established the Department Web Advisory Council to ensure that the Department Web presence reflects the appropriate use of social media and Web 2.0 technologies while maintaining the privacy of its Web users. DM approved Privacy Impact Assessments, including procedures to log and verify extracts of sensitive information, and posted them to the Web.

DM developed an IT security strategic plan to strengthen its IT security posture and operations and conducted rigorous IT security compliance reviews based on federal standards and guidelines, and previous OIG certification and accreditation (C&A) recommendations; 90 percent of the Department's 280 information systems have Authority to Operate (ATO) status.



DM implemented monthly reviews of Department information systems utilizing information within the automated IT security tool, Cyber Security Assessment and Management (CSAM). DM used scorecards to develop quarterly trend analysis, and provided them to the Department's CIO Council. DM also implemented Department-wide plans of action and milestones (POA&M) management monitoring program using CSAM. Dashboards are sent to operating unit CIOs tracking POA&M status; by implementing this monitoring program, DM has improved operating unit POA&M management.

DM worked with OFM to create the IT Audit Working Group to address and resolve Financial Statements Audit IT findings, develop enterprise-wide solutions, and prepare for future financial statements audits. The group developed and implemented a tracking and management procedure to provide monthly progress reports on the resolution of audit findings. By July 2010, the group reported nearly 84 percent of the 70 FY 2009 IT findings as closed.

DM coordinated with the Federation of Computer Incident Response Team (CIRT), the U.S. Computer Emergency Readiness Team (US-CERT) at the Department of Homeland Security, to receive timely security alerts and notifications. As a result, the Department detected malicious cyber attacks against its network and developed plans to remediate and prevent potential threats and vulnerabilities.

Almost all of the OIG's recommendations made were accepted by senior Agency leadership; implementation of these recommendations will result in significant improvements to the Department's operations. The OIG's inspections and audits also captured significant financial benefits for the Department, including recovery of funds returned to the Department, expenditures that were not supported by adequate documentation, recoveries from criminal and civil investigations, future financial benefits from recommendations for more efficient use of Department funds, and expenditure of funds that may have been inconsistent with applicable laws and regulations.

## SUMMARY OF PERFORMANCE

The following outcomes apply to this objective with the measures below them providing an indication of how well the Department is doing in achieving those outcomes.

1. Ensure effective resource stewardship in support of the Department's programs (DM)
2. Ensure retention of highly qualified staff in mission-critical positions (DM)
3. Acquire and manage the technology resources to support program goals (DM)
4. Promote improvements to Department programs and operations by identifying and completing work that (1) promotes integrity, efficiency, and effectiveness; and (2) prevents and detects fraud, waste, and abuse (OIG)

OUTCOME	PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
1	Provide accurate and timely financial information and conform to federal standards, laws, and regulations governing accounting and financial management	<ul style="list-style-type: none"> <li>Eliminate any significant deficiency within 1 year of determination</li> <li>Complete FY 2010 A-123 assessment of internal controls</li> </ul>	<ul style="list-style-type: none"> <li>Significant deficiency not eliminated</li> <li>Completed FY 2010 A-123 assessment of internal controls</li> </ul>	Not Met
1	Effectively use commercial services management	<ul style="list-style-type: none"> <li>Increase use of competition by 2%, measured by procurement dollars awarded</li> <li>Decrease procurement dollars awarded on a cost-reimbursement, time and materials, and labor hours contracts by 10%</li> </ul>	<ul style="list-style-type: none"> <li>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</li> </ul>	N/A
1	Obligate funds through performance-based contracting (% of eligible service contracting \$)	50%	37%	Not Met
2	Acquire and maintain diverse and highly qualified staff in mission-critical occupations	<ul style="list-style-type: none"> <li>Have new competency models in place for three mission-critical occupations for use in workforce recruitment, training, and development activities</li> <li>Meet or exceed the 80-day hiring goals mandated by OPM</li> <li>Train up to 50-70 participants on leadership development programs via ALDP, ELDP and APDP, and 180-200 participants via Careers in Motion</li> <li>Integrate Commerce Learning Center in program administration to enhance tracking and progress monitoring</li> </ul>	<ul style="list-style-type: none"> <li>Produced competency models for four mission-critical occupations</li> <li>Established hiring process baseline at 133 days</li> <li>Trained 98 ALDP, ELDP, and APCP participants via leadership development programs, and 181 employees via the Careers in Motion Program</li> <li>Integrated Commerce Learning Center in program administration to enhance measurement of results</li> </ul>	Met
3	Improve the management of information technology	<ul style="list-style-type: none"> <li>IT investments have cost/schedule overruns and performance shortfalls averaging less than 10%</li> <li>Perform IT security compliance review of all operating units, and 10 FISMA systems in CSAM</li> <li>Deploy an enterprise-wide role-based cybersecurity training program</li> <li>Deploy national security and emergency network initial operating capability</li> </ul>	<ul style="list-style-type: none"> <li>For the year, IT investments had cost/schedule overruns and performance shortfalls averaging less than 10%</li> <li>Completed security assessments and vulnerability assessments for all operating units. Submitted findings and recommendations to operating units and OCIO for review</li> <li>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.</li> <li>Deployed national security and emergency network in the development environment. Received official approval to connect from Defense Intelligence Agency.</li> </ul>	Met

(continued)

OUTCOME	PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
4	Percentage of OIG recommendations accepted by Departmental and bureau management	95%	95%	Met
4	Dollar value of financial benefit identified by the OIG	\$38.0M	\$47.8M	Exceeded
4	Percentage of criminal and civil matters that are accepted for prosecution	75%	42%	Not Met

## FY 2010 STATUS

DM and the OIG met or exceeded four of seven applicable targets in FY 2010. DM did not meet the targets for "Obligate funds through performance-based contracting (% of eligible service contracting \$) and "Provide accurate and timely financial information and conform to federal standards laws, and regulations governing accounting and financial management." The OIG did not meet the target for "Percentage of criminal and civil matters that are accepted for prosecution."

## FY 2010 MISSED TARGETS

MEASURE	OBLIGATE FUNDS THROUGH PERFORMANCE-BASED CONTRACTING (% OF ELIGIBLE SERVICE CONTRACTING \$) (DM)
Explanation	37.28% of obligated dollars (\$815,883.198) were awarded on performance-based contracts. While DM did not meet the goal of 50%, they are making progress in that Census Bureau exceeded the 50% goal and USPTO missed it by only 1.3%.
Action	DM will continue to seek to award more performance-based contracts.
MEASURE	PROVIDE ACCURATE AND TIMELY FINANCIAL INFORMATION AND CONFORM TO FEDERAL STANDARDS, LAWS, AND REGULATIONS GOVERNING ACCOUNTING AND FINANCIAL MANAGEMENT
Explanation	The significant deficiency was not eliminated. However, the other portion of the measure, "Complete FY 2010 A-123 assessment of internal controls," was done.
Action	DM continues to make progress in this area, though the significant deficiency in IT controls remained in FY 2010.
MEASURE	PERCENTAGE OF CRIMINAL AND CIVIL MATTERS THAT ARE ACCEPTED FOR PROSECUTION (OIG)
Explanation	Notwithstanding that the U.S. Attorneys have thresholds for accepting cases, due to the sensitivity of the Decennial Census, the OIG advocated for prosecution of a number of census-related cases that otherwise would not normally have been referred to the U.S. Attorney.
Action	No additional action taken.

## HISTORICAL TRENDS

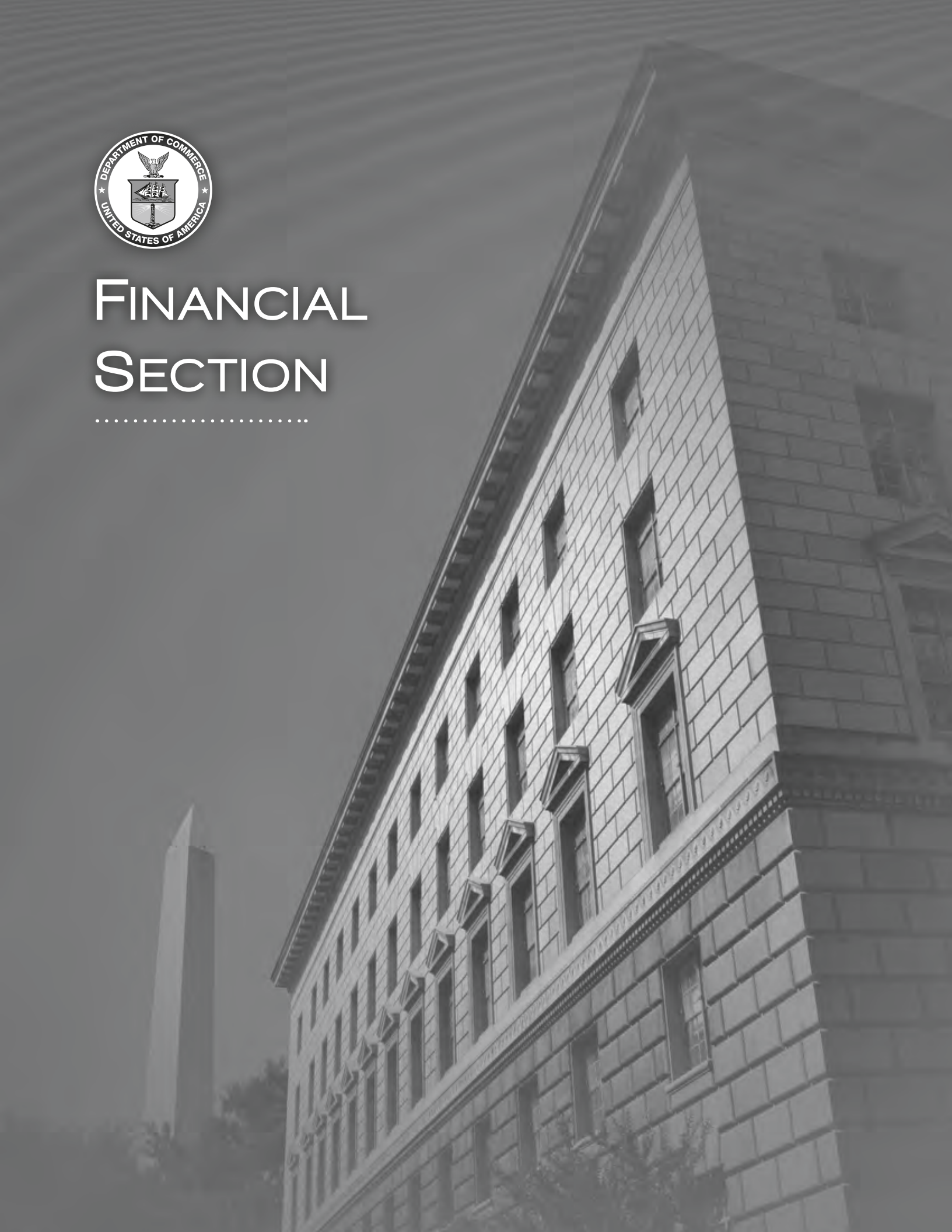
DM has consistently achieved its IT and human resources targets since they began reporting in FY 2005. The OIG has met or exceeded all of its targets (with the exception of one—see FY 2010 Missed Targets above) since it began reporting them in FY 2003.





# FINANCIAL SECTION

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# MESSAGE FROM THE CHIEF FINANCIAL OFFICER

This FY 2010 Performance and Accountability Report provides financial and program performance information to enable the Department's stakeholders to understand and evaluate the achievements that have been made relative to its mission and the resources with which it is entrusted. The report summarizes highlights of the Department's performance, provides detailed financial information, and fulfills the requirements of the Reports Consolidation Act of 2000, the Chief Financial Officers Act, the Government Performance and Results Act, the Federal Managers' Financial Integrity Act, and the Government Management Reform Act.

We are proud to report that in FY 2010 the Department of Commerce achieved an unqualified audit opinion for the twelfth consecutive year. However, the Department is continuing work to resolve a significant deficiency concerning information technology security controls that relate to financial systems.

Other highlights from FY 2010 include the completion of the phased migration of the Chief Financial Officer and Assistant Secretary for Administration's (CFO/ASA) financial and enterprise application systems from the Consolidated Business Systems (CBS) Solutions Center in Gaithersburg, MD and the Office of Computer Services in Springfield, VA. These systems were seamlessly consolidated and relocated to a dedicated, certified data center operated by the Department of Transportation's Enterprise Services Center in Oklahoma City, OK.

During the past fiscal year, the Department also upgraded its Consolidated Financial Reporting Corporate Database and continued work on the Future Financial and Administrative Planning Business Analysis. This effort will assist in analyzing the current financial and administrative environment, determining the long-term viability of its CBS platform, and evaluating CBS against other potential options to support the financial management environment. We also continued to support the Information Technology Modernization Blueprint effort, which involves a critical review and prioritization of the Department's administrative business systems, and provides a framework for managing projects from start through operation.

The Department also established a new long-term approach to the budget process. To accomplish this, we created a task force composed of representatives from all of the bureaus as well as the Office of Budget and Office of the Chief Information Officer. The team re-invented the Secretarial budget formulation process to ensure that each bureau's budget request reflects the strategic goals of the Department and the priorities of the Secretary. The ultimate objective is to align budget decision-making with strategic planning, and to transform the budget process into a program-based approach.

In support of this initiative, the Department established the Office of Risk Management and Program Evaluation, which leads multi-disciplinary, Department-level teams to analyze and evaluate selected programs on a regularly scheduled basis throughout the year. The first of these reviews, which was completed in August, highlighted a need for revised metrics, identified operational efficiencies, and recommended new approaches to aligning programs with Secretarial priorities.

Further strengthening new approaches to the budget process and Department-wide performance, we established an enterprise risk management program in FY 2010. For the first time, the Department will manage risks from a formally-structured, Department-wide perspective. The new enterprise risk management program will work in concert with program evaluation efforts to identify operational issues and elevate them to the attention of senior leadership to ensure the best use of Department resources.

The Department also continued to participate in the government-wide initiative to strengthen internal controls under the Federal Managers' Financial Integrity Act and OMB Circular A-123, and we are currently engaged in enhancing both financial and non-financial controls. These efforts are a reflection of our commitment to excellence in managing financial systems and safeguarding financial resources and investments. The Department's assessment for FY 2010 identified no material weaknesses in its financial internal controls. Additionally, based on the work that has been done to strengthen IT security certification and accreditation documentation and processes, the Department considers the material weakness that has been previously reported in this area to be resolved. Overall IT security will, however, continue to receive considerable attention throughout the Department as it works to maintain and further enhance its security profile as needed to protect its IT resources.

The Department remains committed to maximizing the effectiveness of its programs and ensuring their efficient delivery to the American people. During FY 2011, we will continue to support mission-related programs with strong and effective financial management and internal controls.



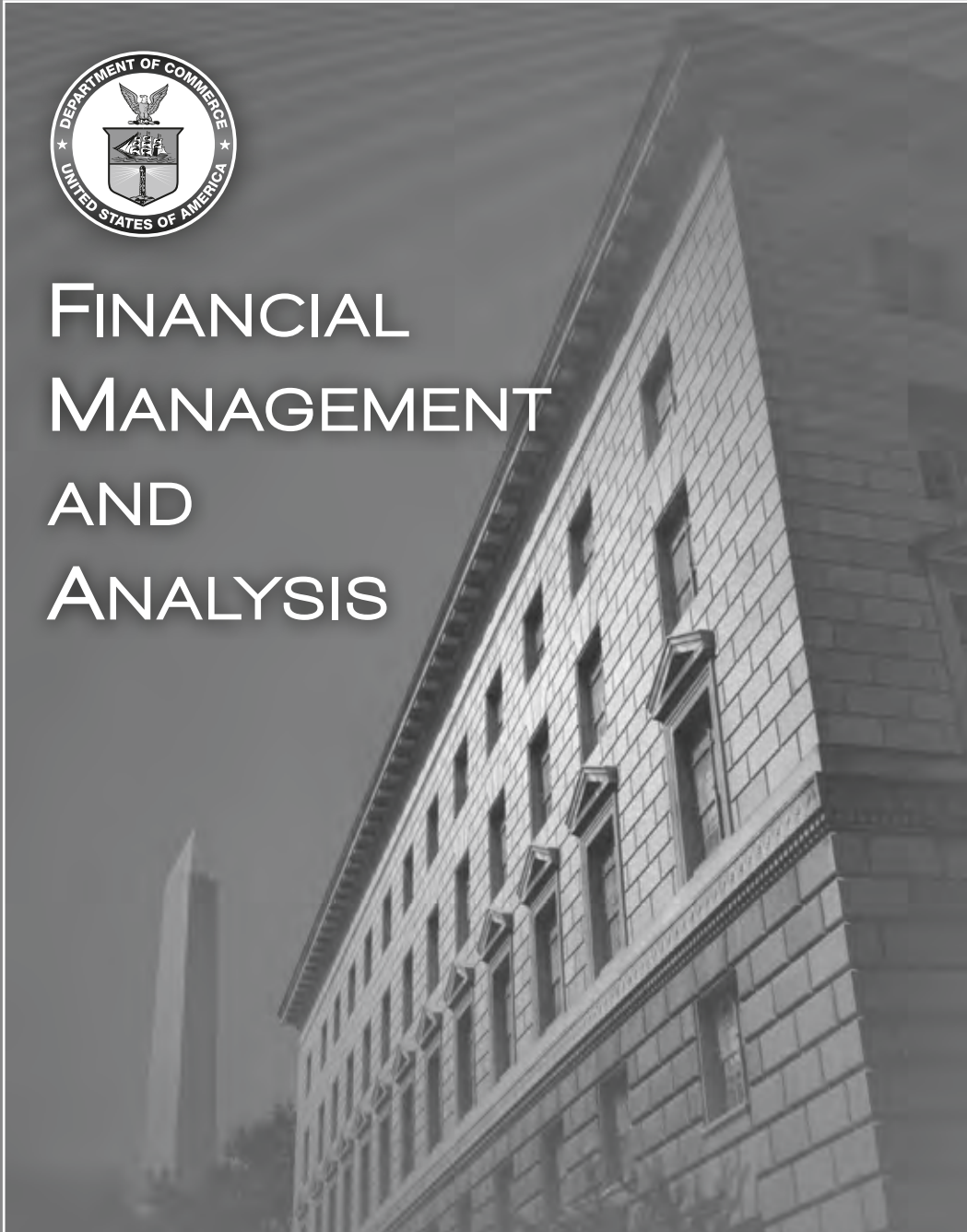
Scott Quehl  
Chief Financial Officer  
and Assistant Secretary for Administration  
November 15, 2010



# FINANCIAL SECTION



## FINANCIAL MANAGEMENT AND ANALYSIS





## FINANCIAL MANAGEMENT AND ANALYSIS

**U**nder 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 2010 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 replaced non-compliant legacy financial management systems. The financial information from these systems and CBS is integrated in the Corporate Database (as discussed further below) for consolidated financial reporting, resulting in a single integrated financial management system.

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 Office of Financial Management/CBS Solutions Center (OFM/CSC) successfully migrated CBS to Web-based software architecture (Oracle 10g). This utilization of the Oracle Portal technology simplified and consolidated access and password control. During FY 2009, the Census Bureau, National Oceanic and Atmospheric Administration (NOAA), and the National Institute of Standards and Technology (NIST) successfully migrated their production instances of CBS from Oracle client-server architecture to a Web-based application built upon Oracle 10g. As a result, the life expectancy of CBS is extended to 2023, with at least one upgrade to a later version of Oracle.

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 2010, the Department accomplished the following initiatives:

- Completed the upgrade of the Department's consolidated financial reporting corporate database to version 11.1.1.3;
- Continued Operations and Maintenance activities for CBS;
- Continued work on the Future Financial and Administrative Planning Business Analysis that will assist the Department in analyzing its current financial and administrative environment, determining the long-term viability of its CBS platform, and evaluating CBS against other potential options to support its financial management environment;

- Initiated standardization of all Office of Management and Budget (OMB) and non-OMB object classes to be utilized by all Department bureaus;
- Continued to monitor bureau efforts in implementing standardized processes for identified accounting events, and track and measure the bureaus' performance through performance metric reports;
- Continued to support the key areas of the Modernization Blueprint effort. This initiative facilitates a critical review and prioritization of the Department's administrative business systems and provides a framework for managing projects from start through operation;
- Completed the phased migration planning and implementation for the Chief Financial Officer/Assistant Secretary for Administration (CFO/ASA) Financial and Enterprise Application Systems from the CSC in Gaithersburg, MD, and the Office of Computer Services in Springfield, VA, to a dedicated, certified data center operated by the Department of Transportation's Enterprise Services Center (DOT/ESC) in Oklahoma City; and
- Finalized architecture and tentative deployment timeframe for each bureau to standardize the CBS architecture.

In FY 2011 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;
- Complete the Future Financial and Administrative Planning Business Analysis and use this information and data to analyze the Department's financial and administrative environment, determine the long-term viability of its CBS platform, evaluate CBS against other potential options to support its financial management environment;
- Continue the Modernization Blueprint program, focus on maintaining a comprehensive inventory of programs, initiatives, and systems across the CFO/ASA in order to enable Department managers to prioritize and plan resources, and perform better analyses of programs and initiatives that are underway or planned through FY 2013;
- Finalize standard OMB and non-OMB object classes and implement in all Department bureaus;
- Maintain and possibly enhance the OFM/CSC Portal that provides for a unified gateway for access to Department administrative applications, including single sign-on and self-service administration, as well as hosting the Modernization Blueprint program; and
- Continue to monitor bureau efforts in implementing standardized processes for identified accounting events, and track and measure the bureaus' performance through performance metrics reports.

## 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. The Department met the financial statement submission deadlines for FY 2010. These achievements resulted from the Department's commitment to strong management controls and accountability for its resources. One significant deficiency cited relating to deficiencies in general information technology (IT) controls remained from prior years. The Department has corrective action plans (CAP) in progress to address these deficiencies. In FY 2010, 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. The final report, which reported no material weaknesses, was incorporated into management's overall assurance statement provided under the requirements of the Financial Managers' Financial Integrity Act (FMFIA). In addition, the Department conducted an improper payment sample testing; the results revealed no significant improper payment 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 payment in the Department are immaterial, and the risk of improper payment is low. See Appendix D 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:

- Held meetings throughout the fiscal year with the Office of Inspector General (OIG) and independent auditors to ensure timely completion of the audit and issuance of the financial statements;
- Prepared and monitored CAPs for the significant deficiency and management letter comments and monitored progress toward their completion throughout the year;
- Each of the Department's bureaus/reporting entities has completed an entity-level controls assessment as required by OMB Circular A-123, Appendix A. Further control assessment testing was conducted for Control Environment;
- 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;
- Each of the Department's bureaus/reporting entities have currently completed or are performing, over a one to three-year period (depending on the size of the entity), improper payment risk assessments covering all of its 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 corporate control, procurement, and grants management environments, and will thereafter be updated or revised on a periodic basis;
- Finalized revised capitalization thresholds and new bulk purchase thresholds for several bureaus/reporting entities for property, plant, and equipment acquisitions, effective FY 2011;
- Held monthly or quarterly meetings led by the Department's Deputy CFO with individual bureau CFOs to discuss financial management issues, including financial statements, OMB Circular A-123, and financial performance metrics. These meetings were in addition to the Department's monthly CFO Council meetings led by the Department's CFO and the monthly Finance Officer meetings led by the Deputy CFO;
- Monthly financial metrics were compiled, analyzed, and reported in the government-wide consolidated CFO measurement tracking system. Individual bureaus were provided with a monthly status report comparing and analyzing their results with the Department's goals, and the Department and government-wide results. The results of bureaus' metrics and any corrective actions needed were discussed at the bureau CFOs' individual monthly meetings; and
- 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.

Although the Department has accomplished much in the area of financial management, there is still a need to improve upon these accomplishments to ensure that the Department continues to produce and report accurate, reliable, and timely financial information.

In FY 2011 and beyond, the Department plans to accomplish the following:

- Continue to enhance OMB Circular A-123, *Management's Responsibility for Internal Controls*, process and monitor the implementation of the CAPs for any identified deficiencies as a result of the A-123 and financial statement audit process;
- Continue to identify areas that will facilitate the acceleration of providing accurate, reliable financial information to Department managers and central agencies. This will be achieved through ongoing meetings and workgroups among the Department's financial managers and participation in government-wide financial management committees and workgroups;
- Continue to monitor and minimize improper payments, and continue to work with OMB and Treasury Department on implementations of Presidential Memorandums regarding "Do Not Pay List" screening requirements, and regarding recapturing improper payments through payment recapture audits; and
- Continue to work with OMB, Treasury Department, and the government-wide Central Reporting Team to improve the intragovernmental transactions reconciliation process.

## 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.

Integral to the Department's effort to move aggressively into the world of electronic grants is the continued utilization of NOAA's Grants Online system, a back-office solution to the Grants.gov storefront. The system 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 Grants Online system has also been identified as the 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. This standardization effort is successfully aligning internal processes for the Federal Grants Management Line of Business system consolidation efforts.

During the prior year, operational grants management responsibilities for grant programs of the International Trade Administration (ITA), Minority Business Development Administration (MBDA), and the Office of the Secretary were transferred from OAM to NOAA. This action was taken pursuant to the recommendation of the Optimal Services Delivery Initiative, a Department taskforce charged with streamlining Departmental operations and introducing new efficiencies into the management of its programs. This reorganization moves the management of these programs from a manual, paper-driven process to the automated environment of Grants Online. These three agencies are fully operational in integrating their grant management functions into the electronic processes of Grants Online. The Department's Grants Management Line of Business Implementation Plan calls for the consolidation of NIST's Grants Management Information System (GMIS) and the Economic Development Administration (EDA) Operations Planning and Control System (OPCS) to Grants Online by 2011. An intradepartmental working group has developed a project plan for the performance



of a fit gap analysis between bureau grants management systems and Grants Online which should be completed by June 2011. Active incorporation of the functions of these two systems into Grants Online should begin sometime in mid-2011.

The OAM Grants Management Division (GMD) will focus the Department's work in improving efficiency through continued progress in implementation of the streamlining and automation goals of Public Law (PL) 106-107. Key to that effort will be the creation of a Department-wide training and certification program for grants staff that will align over time with that being developed by the Grants Policy Committee work group on training and certification.

During FY 2010, the intra-departmental project team acting under the authority of the Departmental Grants Council continued its workforce development efforts by creating an interactive Web-based course on administrative requirements for grants and cooperative agreements. This course has been completed and deployed in FY 2010 on the Commerce Learning Center Web site.

OAM coordinates quarterly Departmental Grants Council meetings and works closely with the OIG and the Office of General Counsel to implement sound policy and ensure consistency for the Department's financial assistance programs. The Department is committed to the goal of strengthening its grant operations and improving its business processes to provide better services to its customers in the federal grant recipient community. OAM has formally instituted a process of Grant Management Reviews which requires that the respective grants divisions at NOAA, NIST, and EDA undergo a review of its functions and processes once every three years. The reviews will be conducted by multi-bureau teams lead by OAM. The first of these reviews was completed at NIST in FY 2010.

The OAM Director and the Director of GMD serve on the Grants Executive Board and the Grants Policy Committee, participating in workgroups and pilot activities. The Department is now fully compliant with Grants.gov milestones and has revised its Grants and Cooperative Agreements Manual and Standard Grants Terms and Conditions to recognize the emerging growth of electronic government. Continued review and updating of the manual 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.

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 2010, the Department is 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. Additionally, the responsibility for coordinating and processing Individual Background Screenings utilizing from CD-346 (Applicant for Funding Assistance) has been passed from the OIG to OAM/GMD in FY 2010. As of mid-August, GMD had processed over 600 Individual Background Screenings for Department bureaus through a Federal Bureau of Investigation database.

The passage of the American Reinvestment and Recovery Act (ARRA) of 2009 posed a major challenge to the Department's grants and acquisitions personnel and those in other government agencies. This legislation placed historic administrative and reporting burdens on agencies as the Department prepared to award the stimulus funds authorized by this act to mitigate the damage of the worst national recession in 50 years. During FY 2010, the Department extended its efforts to obligate all ARRA funds by September 30, 2010. As of the end of September the Department has obligated 99.6 percent of its ARRA funding.

This effort includes a rigorous and demanding standard of monitoring and accuracy in ARRA recipient reporting which is managed by GMD. OAM has produced detailed and extensive guidance for client bureaus for ARRA reporting. As a result, the Department has established and achieved high standards of accuracy in data quality and timeliness in recipient reporting for more than 400 ARRA

awards by mid August 2010. GMD produces a daily download and summary of the status of ARRA awards. GMD provides daily guidance and support to bureaus of questions related to ARRA recipient reporting.

GMD also provides an advisory in its communiqués to the bureaus of the status of Central Contractor Registry (CCR) for all ARRA recipients. CCR registration is required of all recipients annually. This advisory is provided as a risk management tool to prevent registrations from expiring. Expiration of the CCR sets in motion a long and onerous process of re-registration which can adversely impact an award. Additionally, data quality monitoring of bureau reporting of ARRA awards to USASpending.gov is performed by GMD.

OAM has taken further steps to provide guidance to improve accuracy in data quality for all Department financial assistance programs. Grants officers and subordinate supervisors along with program offices are required to verify that data reported to the Federal Assistance Awards Data System (FAADS) and USASpending.gov are accurate and consistent. This element will be a performance metric in grants management reviews conducted by GMD.

OAM is a central player in Department efforts and has responded by establishing core work groups within the Department and participating in intergovernmental forums to collaborate with the Department's federal colleagues in the largest economic stimulus program ever undertaken by the federal government. OAM has led or teamed with collateral Department units to develop numerous guidance documents on reporting, internal controls, and award terms and conditions specifically targeted to ARRA awards. Web sites dedicated to ARRA have been established and significant outreach efforts undertaken to support prospective applicants for ARRA awards. Oversight processes have been developed to meet the requirements of ARRA and to support the continuing goals of the Administration and Congress with respect to transparency and accountability.

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. In FY 2010, GMD expects to approve in excess of 100 IDCs. 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.

In FY 2010, the Department continued to recruit college-level graduates interested in pursuing a career in federal accounting through the Federal Career Intern Program (FCIP). Created under Executive Order 13162, the FCIP has assisted federal agencies, including the Department, in the effort to recruit the highest caliber people to the federal government, develop their professional abilities, and retain them through a possible conversion to permanent appointments in the competitive service. The FCIP is a two-year program through which interns are appointed to GS-5, 7, 9 (and equivalent) grade level positions allowing them to develop and/or enhance competencies essential to the Department's mission and needs. The program consists of an initial assignment, rotational assignments, formal classroom training, and mentoring sessions. Supervisors establish individual development plans, in conjunction with the training officers and interns, to ensure that the two years of formal training offer opportunities to gain knowledge and skills relevant to accomplishing organizational goals and necessary to perform successfully in the program. During the two-year internship, supervisors closely monitor interns to assess their potential for continued employment in the federal government. Contingent upon satisfactory performance throughout the internship program, interns are non-competitively converted to career or career-conditional appointments. During FY 2010, a class of four interns in financial management occupations graduated from the program, and a new class of nine interns in financial management occupations entered the program to begin the two-year term. There are a total of 12 interns in FY 2010.

The Department also continued its recruitment efforts in the area of financial management by maintaining its partnership with the National Academy Foundation (NAF) Academy of Finance (AOF). The NAF AOF students are brought on-board 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 2010, the Department recruited 14 AOF high school students for the summer 2010 term across eight bureaus and organizational units.

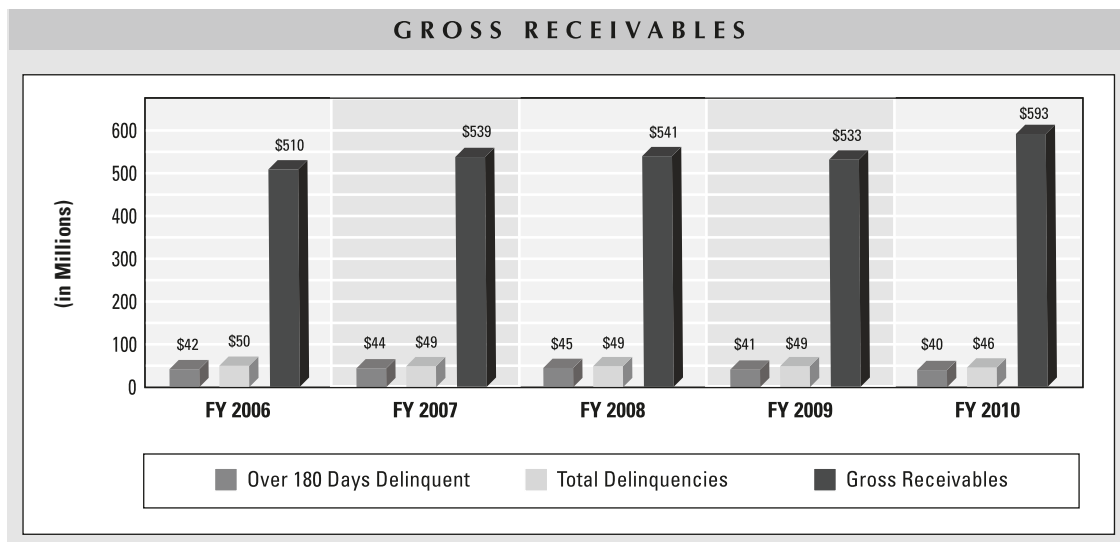
In addition to the recruitment efforts being implemented to attain a highly-skilled workforce in the area of financial management, the Department has succession planning strategies in place, including the development of competencies within the current workforce. As one of the Department's recognized 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: Leadership Education and Development Certificate Program, Aspiring Leaders Development Program, 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. In FY 2010, a total of six employees in the financial management workforce participated in the Department's formal leadership development programs.

Approximately 225 financial management professionals from all levels in the operating units participated in various training sessions during the three-day Department 2010 Annual Financial Management Conference. The theme "Spring into Action" was actualized through interactive training modules and information sessions in areas such as strategic planning to produce results; teambuilding; and recruitment, development, and retention of employees. Additionally, special sessions were held to discuss major Administration priorities including OMB performance measurements, government-wide and Department ARRA implementation, and the Department balanced scorecard and performance excellence program.

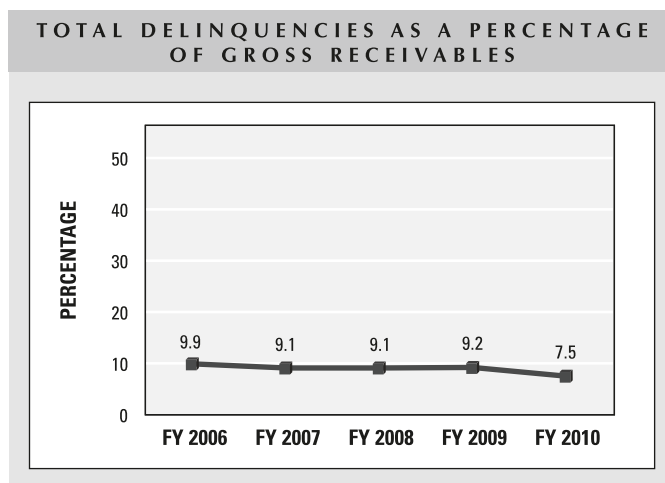
## DEBT MANAGEMENT

## RECEIVABLES AND DEBT MANAGEMENT

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



The Department's gross receivables increased 11.2 percent, from \$533 million at September 30, 2009 to \$593 million at September 30, 2010, 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 slightly from \$41 million at September 30, 2009 to \$40 million at September 30, 2010. Total delinquencies as a percentage of gross receivables decreased from 9.2 percent at September 30, 2009 to 7.5 percent at September 30, 2010, due to the decrease in total delinquencies.



The Debt Collection Improvement Act of 1996 established the Treasury Department as the collection agency for eligible federal agency debts that are more than 180 days delinquent. It also established Treasury's Financial Management Service as the federal government's debt collection center. Over \$29 million in delinquent debt has been referred to Treasury for cross-servicing since FY 2002. Currently, over 68 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 A-129, *Policies for Federal Credit Programs and Non-Tax Receivables*, provided agencies greater latitude to maximize the effectiveness of federal debt collection procedures. Since then, the Department has utilized all the tools available to improve the management of its debt.

## PAYMENT PRACTICES

### ***Electronic Funds Transfer (EFT)***

The Debt Collection Improvement Act of 1996 requires the use of EFT for most federal payments, with the exception of tax refunds. The Department closely monitors its monthly EFT performance, and submits consolidated monthly EFT activity reports to OMB, as part of the Department's Performance Metrics data.

The Department's vendor EFT percentage decreased slightly from 99 percent for FY 2009 to 98 percent for FY 2010. The Department worked closely with its bureaus to identify opportunities for new or improved business processes. These efforts allowed the Department in FY 2010, on average, to consistently exceed OMB's vendor EFT performance goal of 96 percent. The Department's overall EFT percentage decreased from 98 percent for FY 2009 to 96 percent for FY 2010. This is primarily due to the need for non-EFT payroll payments to certain 2010 Decennial Census temporary employees. The Department believes its continued efforts to implement new or improved business processes will lead to future increases in vendor and overall EFT percentages.

The Department's achievements in this area are illustrated in the table below:

Payment Category	EFT Percentage		Total Volume (Actual Number of Transactions — EFT and Non-EFT)	
	FY 2010	FY 2009	FY 2010	FY 2009
Grants	100%	100%	35,497	30,577
Payroll	96%	98%	8,331,574	2,471,408
Retirement Benefits	99%	99%	5,896	6,081
Vendor	98%	99%	383,228	562,441
<b>Overall</b>	<b>96%</b>	<b>98%</b>	<b>8,756,195</b>	<b>3,070,507</b>

The substantial increase in the total volume of payroll transactions from FY 2009 to FY 2010 is due to increased FY 2010 payments to 2010 Decennial Census temporary employees. The decrease from FY 2009 to FY 2010 in the total volume of vendor payments is primarily due to a large decrease in reimbursement payments to retailers for coupons redeemed under the National Telecommunications and Information Administration's (NTIA) Digital-to-Analog Converter Box Program. The program provided households in the U.S. with forty-dollar coupons (two per household maximum) that could have been applied toward the purchase of digital-to-analog converter boxes. The program was substantially completed by mid-November 2009.

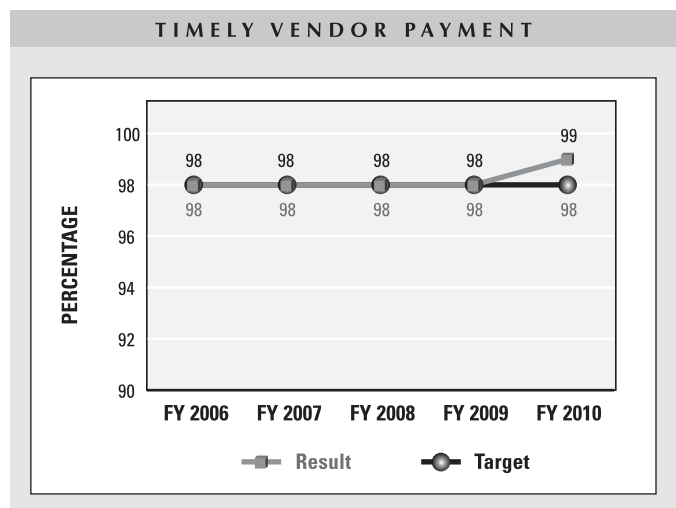
### **Bankcards**

The Department is committed to the use of bankcards (purchase cards) as a means of streamlining Departmental procurements. Bankcard usage is closely monitored, and those that are no longer needed are promptly closed. This has resulted in an overall decrease, over the past nine fiscal years, in the number of bankcards in use, from 6,405 at September 30, 2001 to 5,020 at September 30, 2010. The Department's emphasis on EFT-compliant payment methods has contributed to an overall increase over the past nine fiscal years, in bankcard purchases, from \$131.6 million in FY 2001 to \$167.1 million in FY 2010. The Department continues to monitor the internal controls surrounding bankcard purchases to ensure that all such purchases are legal and proper.

### **Prompt Payment**

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

The Department has increased slightly its prompt payment performance to 99 percent in FY 2010 from 98 percent in FY 2009. Furthermore, the number of invoices with late-payment interest penalties remained steady with 5,014 in FY 2009 and 5,102 in FY 2010. The Department continues to focus on improving its prompt payment percentage by working closely with its bureaus to identify opportunities for new or improved business processes.





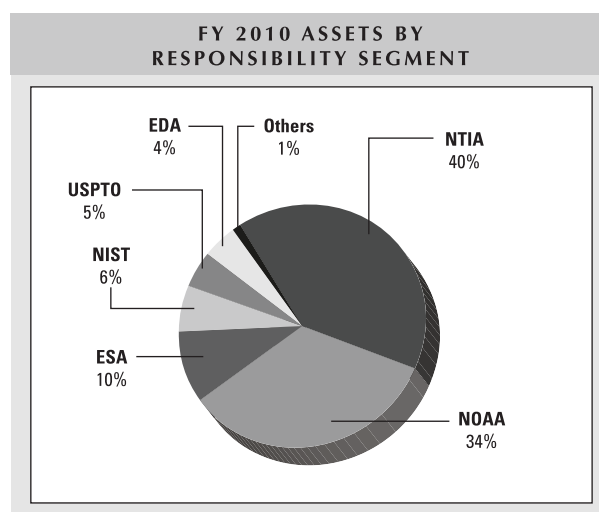
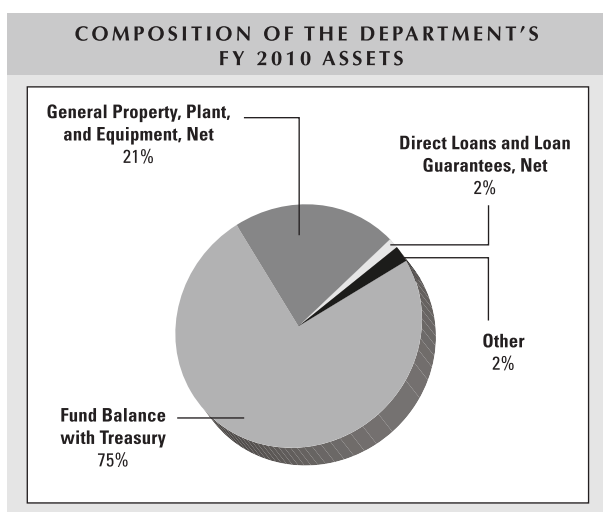
## ANALYSIS OF FY 2010 FINANCIAL CONDITION AND RESULTS

### Composition of Assets and Assets by Responsibility Segment



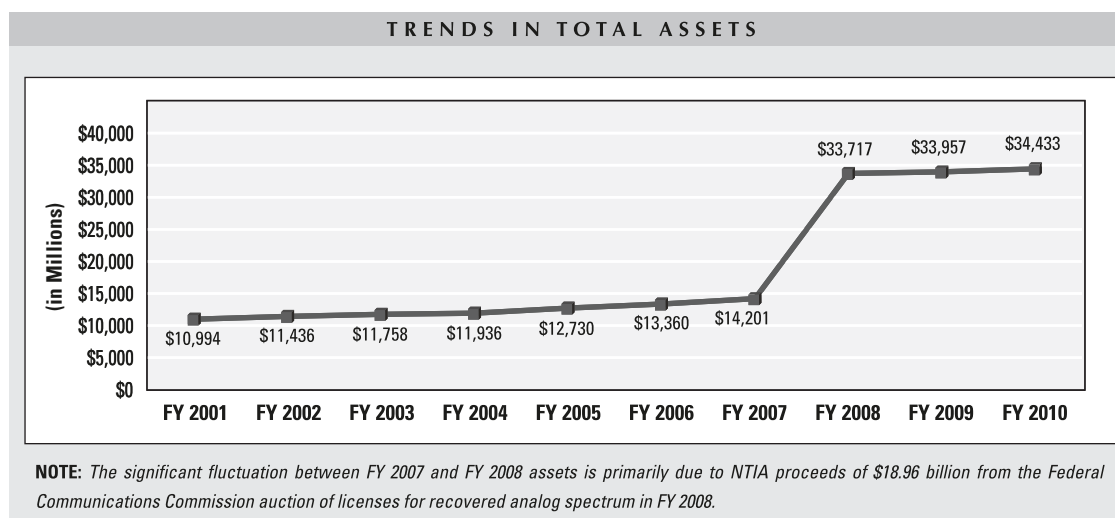
The composition (by percentage) and distribution (by responsibility segment) of the Department's assets remained consistent from September 30, 2009 to September 30, 2010.

Total assets amounted to \$34.43 billion at September 30, 2010. Fund Balance with Treasury of \$25.79 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 \$7.39 billion includes \$4.21 billion of Construction-in-progress, primarily of satellites and weather measuring and monitoring systems; \$1.42 billion of satellites and weather systems; \$886 million of structures, facilities, and leasehold improvements; and \$871 million of other General PP&E. Direct Loans and Loan Guarantees, Net of \$540 million primarily relates to NOAA's direct loan programs. Other Assets of \$712 million primarily includes Advances and Prepayments of \$447 million; Accounts Receivable, Net of \$155 million; and Inventory, Materials, and Supplies, Net of \$98 million.



### Trends in Assets

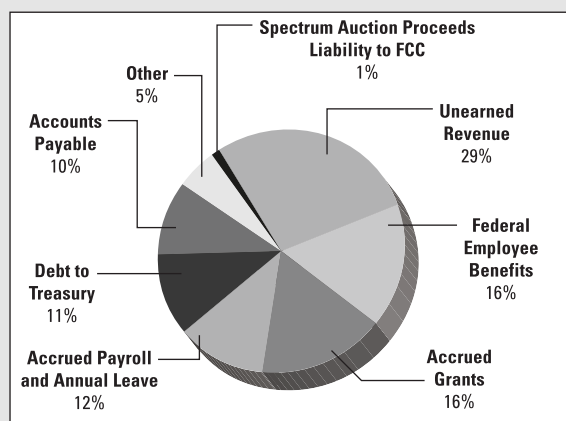
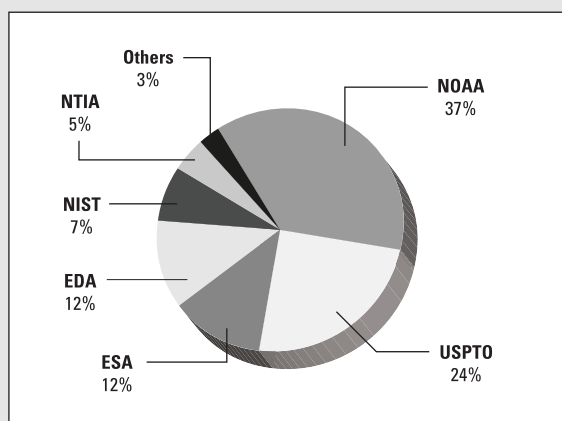
Total Assets increased \$476 million or 1 percent, from \$33.96 billion at September 30, 2009 to \$34.43 billion at September 30, 2010. General PP&E, Net increased \$636 million or 9 percent, from \$6.76 billion to \$7.39 billion, mainly due to an increase in Satellites/Weather Systems personal Property of \$648 million. Fund Balance with Treasury increased \$114 million or 0.5 percent, from \$25.67 billion to \$25.79 billion. Other Assets decreased by \$303 million or 30 percent, from \$1.02 billion to \$712 million, primarily due to a decrease of \$264 million in Advances and Prepayments to another federal agency for NTIA's Public Safety Interoperable Communications grant program.



### ***Composition of Liabilities and Liabilities by Responsibility Segment***

The composition (by percentage) and distribution (by responsibility segment) of the Department's liabilities somewhat changed from September 30, 2009 to September 30, 2010. Accrued Grants increased from 10 percent of total liabilities at September 30, 2009 to 16 percent of total liabilities at September 30, 2010, and Spectrum Auction Proceeds Liability to the Federal Communications Commission (FCC) decreased from 9 percent of total liabilities at September 30, 2009 to 1 percent of total liabilities at September 30, 2010. As a result of the above fluctuations (explained in *Trends in Liabilities* section below), EDA's liabilities increased from 8 percent of total liabilities at September 30, 2009 to 12 percent of total liabilities at September 30, 2010, and NTIA's liabilities decreased from 11 percent of total liabilities at September 30, 2009 to 4 percent of total liabilities at September 30, 2010.

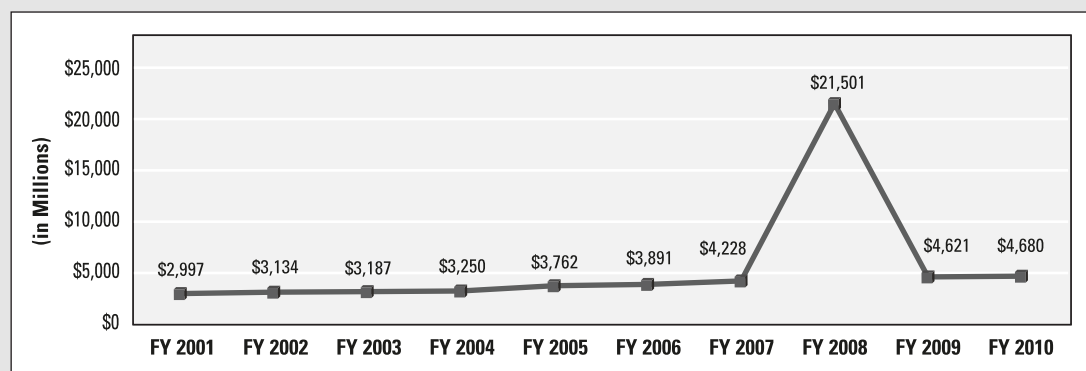
Total liabilities amounted to \$4.68 billion at September 30, 2010. Unearned Revenue of \$1.33 billion represents the portion of monies received from customers for which goods and services have not been provided or rendered by the Department. Federal Employee Benefits Liability of \$769 million is composed of the actuarial present value of projected benefits for the NOAA Corps Retirement System (\$503 million) and the NOAA Corps Post-retirement Health Benefits (\$56 million), and Actuarial FECA Liability (\$210 million), which represents the actuarial liability for future workers' compensation benefits. Accrued Grants of \$766 million, which relates to a diverse array of financial assistance programs and projects, includes EDA's accrued grants of \$487 million for its economic development assistance funding to state and local governments. Accrued Payroll and Annual Leave of \$561 million includes salaries and wages earned by employees, but not disbursed as of September 30, 2010. Accounts Payable of \$463 million consists primarily of amounts owed for goods, services, or capitalized assets received, progress on contract performance by others, and other expenses due. Debt to Treasury of \$518 million consists of monies borrowed primarily for NOAA's direct loan programs. Other Liabilities of \$237 million primarily includes Environmental and Disposal Liabilities of \$55 million, Accrued FECA Liability of \$44 million, Accrued Benefits of \$44 million, Resources Payable to Treasury of \$19 million, Employment-related Liability of \$18 million, and Contingent Liabilities of \$12 million.

COMPOSITION OF THE DEPARTMENT'S  
FY 2010 LIABILITIESFY 2010 LIABILITIES BY  
RESPONSIBILITY SEGMENT

### Trends in Liabilities

Total Liabilities increased \$59 million or 1 percent, from \$4.62 billion at September 30, 2009 to \$4.69 billion at September 30, 2010. Accrued grants increased by \$320 million or 72 percent, from \$446 million to \$766 million, primarily resulting from EDA's Accrued Grants increase of \$209 million which resulted from additional funding under ARRA and a FY 2010 supplemental appropriation for a major storms and flooding disaster that occurred in 2010. NTIA's Accrued Grants also increased by \$90 million, primarily for the Broadband Technology Opportunities Program. Federal Employee Benefits increased \$82 million or 12 percent, from \$687 million to \$769 million, primarily from the effects of changes in economic and other assumptions on the actuarial valuation for NOAA Corps Retirement System, and also from the effect of increased Decennial Census employees on the valuation of the Department's Actuarial FECA Liability. Debt to Treasury increased \$31 million or 6 percent, from \$487 million to \$518 million, mainly due to new borrowings in FY 2010 for NOAA's direct loan programs. There was a large decrease of \$367 million or 92 percent, from \$401 million to \$34 million, in NTIA's Spectrum Auction Proceeds Liability to FCC. This liability represents FCC auction proceeds for which licenses have not yet been granted by FCC. During FY 2010, the liability was primarily reduced by net auction proceeds for which licenses have been granted, and by FCC administrative fees.

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 were not been granted by FCC, as of September 2008, but were granted in 2009.

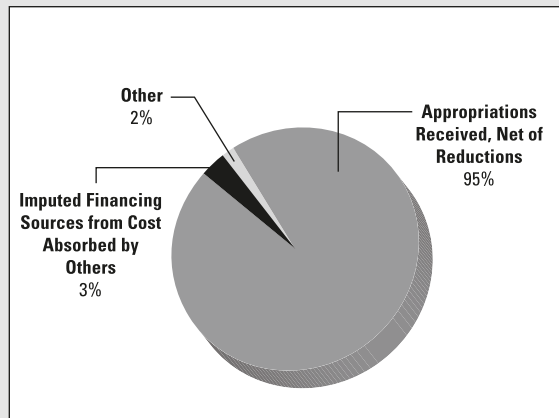
### Composition of and Trends in Financing Sources

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 composition (by percentage) and dollar amount of the Department's financing sources changed significantly, however, from FY 2009 to FY 2010, mainly due to the large decrease of \$16.49 billion, from \$16.69 billion for FY 2009 to \$197 million for FY 2010, in the transfers in of spectrum auction proceeds from FCC from the auction of licenses for recovered analog spectrum held in March 2008. When a license is granted by FCC, a financing source is recognized on the Consolidated Statement of Changes in Net Position for the earned net auction proceeds.

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.

Total Financing Sources decreased \$12.87 billion or 48 percent, from \$26.95 billion for FY 2009 to \$14.08 billion for FY 2010. There was a \$16.49 billion decrease in the transfers in of spectrum auction proceeds, as explained above. Appropriations Received, Net of Reductions decreased by \$3.93 billion or 23 percent, from \$17.34 billion for FY 2009 to \$13.41 billion for FY 2010, primarily due to ARRA Appropriations Received of \$7.92 billion being received in FY 2009, whereas there were not any ARRA Appropriations Received in FY 2010. The above decrease in Appropriations Received is mainly offset by an increase in Appropriations Received of \$4.06 billion in Census Bureau's Periodic Censuses and Programs budget account. On September 30, 2009, NTIA's Digital Television and Transition Public Safety Fund transferred \$7.36 billion to the General Fund of the Treasury (FY 2009 negative financing source), whereas no similar transfer was made in FY 2010. All other Financing Sources had a net increase of \$36 million, from \$284 million for FY 2009 to \$320 million for FY 2010.

COMPOSITION OF THE DEPARTMENT'S  
FY 2010 FINANCING SOURCES

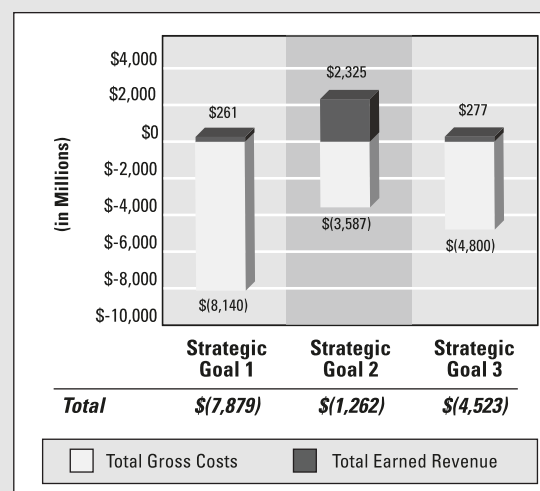


### FY 2010 Net Cost of Operations by Strategic Goal

In FY 2010, Net Cost of Operations amounted to \$13.66 billion, which consists of Gross Costs of \$16.52 billion less Earned Revenue of \$2.86 billion.

*Strategic Goal 1, Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers*, includes Net Program Costs of \$6.47 billion (Gross Costs of \$6.70 billion less Earned Revenue of \$229 million) for Census Bureau. Census Bureau carries out the Decennial Census, periodic censuses, and demographic and other surveys, and prepares and releases targeted data products for economic and other programs. ITA's programs and activities also support Strategic Goal 1, with Net Program Costs of \$478 million (Gross Costs of \$495 million less Earned Revenue of \$17 million). ITA assists the export growth of small and medium-sized businesses, enforces U.S. trade laws and trade agreements, monitors and maintains trading

FY 2010 NET COST OF OPERATIONS  
BREAKDOWN OF GROSS COSTS AND  
EARNED REVENUE BY STRATEGIC GOAL



relationships with established markets, promotes new business in emerging markets, and improves access to overseas markets by identifying and pressing for the removal of trade barriers. Strategic Goal 1 also includes Net Program Costs of \$560 million (Gross Costs of \$578 million less Earned Revenue of \$18 million) for EDA. EDA helps distressed communities address problems associated with long-term economic distress, as well as sudden and severe economic dislocations including recovering from the economic impacts of natural disasters, the closure of military installations and other federal facilities, changing trade patterns, and the depletion of natural resources.

*Strategic Goal 2, Promote U.S. Innovation and Industrial Competitiveness*, includes Net Program Costs of (\$141) million (Gross Costs of \$1.96 billion less Earned Revenue of \$2.10 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. NTIA's programs and activities also support Strategic Goal 2, with Net Program Costs of \$570 million (Gross Costs of \$600 million less Earned Revenue of \$30 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. Strategic Goal 2 also includes Net Program Costs of \$516 million (Gross Costs of \$644 million less Earned Revenue of \$128 million) for NIST's Measurement and Standards Laboratories. These laboratories are the stewards of the Nation's measurement infrastructure, and provide measurement methods, reference materials, test procedures, instrument calibrations, fundamental data, and standards that comprise essential tools for research, production, and buyer-seller transactions.

*Strategic Goal 3, Promote Environmental Stewardship*, includes Net Program Costs of \$1.67 billion (Gross Costs of \$1.78 billion less Earned Revenue of \$110 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, *Financial statements of agencies*, item(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.

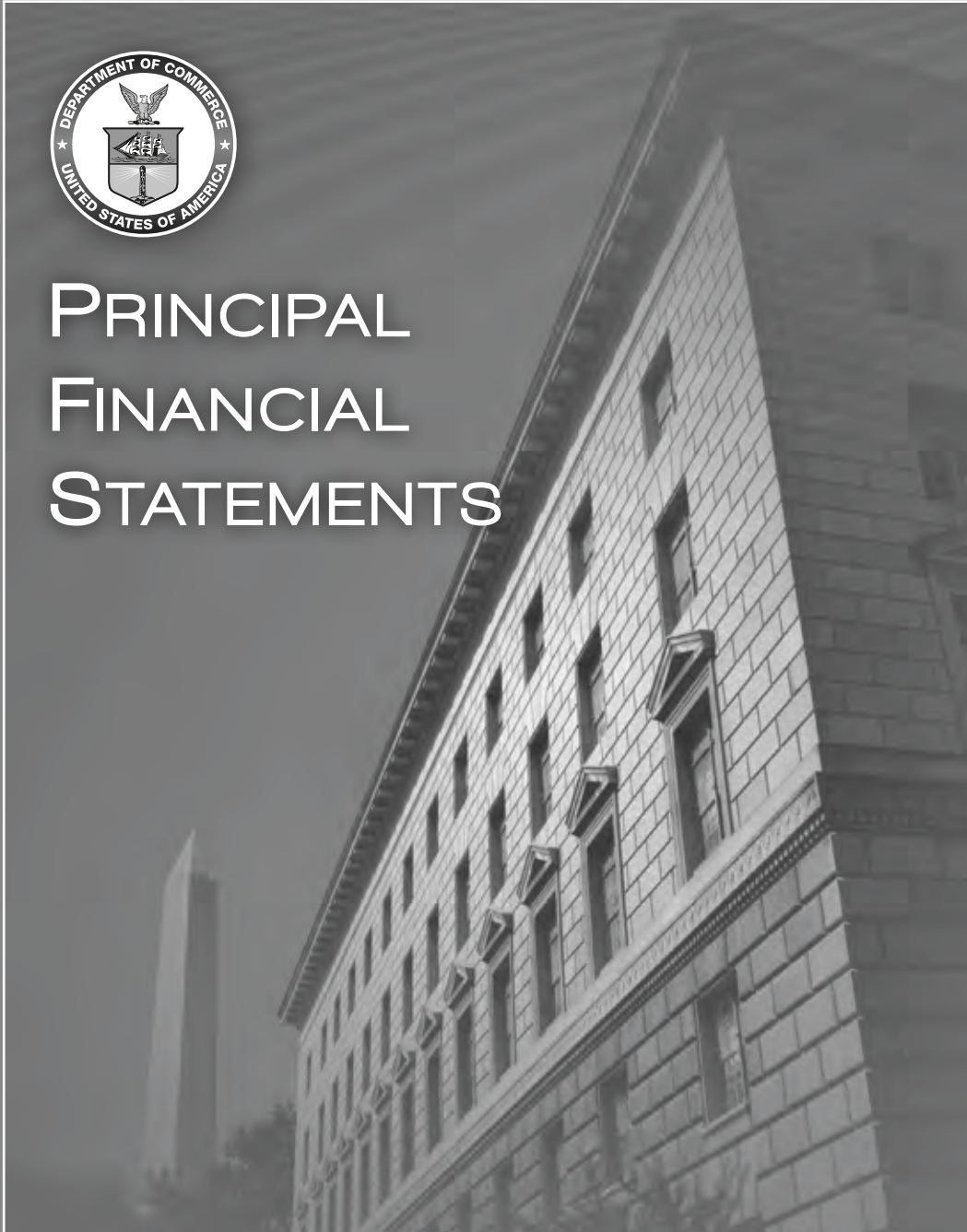




# F I N A N C I A L   S E C T I O N



## PRINCIPAL FINANCIAL STATEMENTS





**United States Department of Commerce Consolidated Balance Sheets**  
**As of September 30, 2010 and 2009 (In Thousands)**

	FY 2010	FY 2009
<b>ASSETS</b>		
<b>Intragovernmental:</b>		
Fund Balance with Treasury (Notes 2 and 18)	\$ 25,785,547	\$ 25,671,762
Accounts Receivable, Net (Note 3)	84,479	78,111
Other - Advances and Prepayments	400,042	696,068
<b>Total Intragovernmental</b>	<b>26,270,068</b>	<b>26,445,941</b>
Cash (Note 4)	3,616	3,572
Accounts Receivable, Net (Note 3)	70,780	31,429
Direct Loans and Loan Guarantees, Net (Note 5)	540,147	511,092
Inventory, Materials, and Supplies, Net (Note 6)	98,326	145,903
General Property, Plant, and Equipment, Net (Note 7)	7,394,711	6,758,827
Other (Note 8)	55,122	60,021
<b>TOTAL ASSETS</b>	<b>\$ 34,432,770</b>	<b>\$ 33,956,785</b>
Stewardship Property, Plant, and Equipment (Note 23)		
<b>LIABILITIES</b>		
<b>Intragovernmental:</b>		
Accounts Payable	\$ 60,088	\$ 134,877
Debt to Treasury (Note 10)	517,930	487,275
Other		
Spectrum Auction Proceeds Liability to Federal Communications Commission (Note 18)	33,838	400,451
Resources Payable to Treasury	18,899	22,689
Unearned Revenue	373,921	337,255
Other (Note 11)	104,344	77,795
<b>Total Intragovernmental</b>	<b>1,109,020</b>	<b>1,460,342</b>
Accounts Payable	402,605	371,067
Loan Guarantee Liabilities (Notes 5 and 16)	565	589
Federal Employee Benefits (Note 12)	769,035	687,434
Environmental and Disposal Liabilities (Note 13)	54,649	60,995
Other		
Accrued Payroll and Annual Leave	561,154	540,082
Accrued Grants	766,204	446,207
Accrued Coupons for Digital-to-Analog Converter Box Program	-	24,489
Capital Lease Liabilities (Note 14)	9,278	12,589
Unearned Revenue	958,474	974,015
Other (Note 11)	49,181	42,956
<b>TOTAL LIABILITIES</b>	<b>\$ 4,680,165</b>	<b>\$ 4,620,765</b>
Commitments and Contingencies (Notes 5, 14, and 16)		
<b>NET POSITION</b>		
Unexpended Appropriations		
Unexpended Appropriations - Earmarked Funds (Note 21)	\$ 4,099,319	\$ 4,890,417
Unexpended Appropriations - All Other Funds	8,782,873	8,246,105
Cumulative Results of Operations		
Cumulative Results of Operations - Earmarked Funds (Note 21)	10,189,816	10,155,041
Cumulative Results of Operations - All Other Funds	6,680,597	6,044,457
<b>TOTAL NET POSITION</b>	<b>\$ 29,752,605</b>	<b>\$ 29,336,020</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 34,432,770</b>	<b>\$ 33,956,785</b>

The accompanying notes are an integral part of these statements.

**United States Department of Commerce Consolidated Statements of Net Cost  
For the Years Ended September 30, 2010 and 2009 (Note 17) (In Thousands)**

	FY 2010	FY 2009
<b>Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers</b>		
Gross Costs	\$ 8,140,086	\$ 4,074,978
Less: Earned Revenue	(261,482)	(280,564)
<b>Net Program Costs</b>	<b>7,878,604</b>	<b>3,794,414</b>
<b>Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness</b>		
Gross Costs	3,586,729	4,047,583
Less: Earned Revenue	(2,324,724)	(2,167,582)
<b>Net Program Costs</b>	<b>1,262,005</b>	<b>1,880,001</b>
<b>Strategic Goal 3: Promote Environmental Stewardship</b>		
Gross Costs	4,800,594	4,417,956
Less: Earned Revenue	(277,123)	(265,632)
<b>Net Program Costs</b>	<b>4,523,471</b>	<b>4,152,324</b>
<b>NET COST OF OPERATIONS</b>	<b>\$ 13,664,080</b>	<b>\$ 9,826,739</b>

The accompanying notes are an integral part of these statements.

**United States Department of Commerce Consolidated Statements of Changes in Net Position  
For the Years Ended September 30, 2010 and 2009 (In Thousands)**

	FY 2010			FY 2009		
	Earmarked Funds (Note 21)	All Other Funds	Consolidated Total	Earmarked Funds (Note 21)	All Other Funds	Consolidated Total
<b>Cumulative Results Of Operations:</b>						
Beginning Balance	\$ 10,155,041	\$ 6,044,457	\$ 16,199,498	\$ 1,646,557	\$ 5,388,893	\$ 7,035,450
<b>Budgetary Financing Sources:</b>						
Appropriations Used	249,598	13,406,937	13,656,535	364,718	8,939,344	9,304,062
Non-exchange Revenue	18,515	1,028	19,543	21,432	-	21,432
Donations and Forfeitures of Cash and Cash Equivalents	-	1,335	1,335	-	846	846
Transfers In of Spectrum Auction Proceeds from Federal Communications Commission (Note 18)	196,613	-	196,613	16,689,557	-	16,689,557
Transfer Out of Spectrum Auction Proceeds to Treasury General Fund (Note 18)	-	-	-	(7,363,000)	-	(7,363,000)
Transfers In/(Out) Without Reimbursement, Net	18,613	107,179	125,792	15,240	83,201	98,441
Other Budgetary Financing Sources/(Uses), Net	-	817	817	-	1,540	1,540
<b>Other Financing Sources (Non-exchange):</b>						
Donations and Forfeitures of Property	-	461	461	-	55	55
Transfers In/(Out) Without Reimbursement, Net	(349)	(4,455)	(4,804)	-	4,254	4,254
Imputed Financing Sources from Cost Absorbed by Others	22,990	323,782	346,772	981	234,763	235,744
Downward Subsidy Reestimates Payable to Treasury	-	(8,087)	(8,087)	-	(3,509)	(3,509)
Other Financing Sources/(Uses), Net	-	18	18	(27)	1,392	1,365
<b>Total Financing Sources</b>	<b>505,980</b>	<b>13,829,015</b>	<b>14,334,995</b>	<b>9,728,901</b>	<b>9,261,886</b>	<b>18,990,787</b>
<b>Net Cost of Operations</b>	<b>(471,205)</b>	<b>(13,192,875)</b>	<b>(13,664,080)</b>	<b>(1,220,417)</b>	<b>(8,606,322)</b>	<b>(9,826,739)</b>
<b>Net Change</b>	<b>34,775</b>	<b>636,140</b>	<b>670,915</b>	<b>8,508,484</b>	<b>655,564</b>	<b>9,164,048</b>
<b>Cumulative Results of Operations – Ending Balance</b>	<b>10,189,816</b>	<b>6,680,597</b>	<b>16,870,413</b>	<b>10,155,041</b>	<b>6,044,457</b>	<b>16,199,498</b>
<b>Unexpended Appropriations:</b>						
Beginning Balance	4,890,417	8,246,105	13,136,522	462	5,179,925	5,180,387
<b>Budgetary Financing Sources:</b>						
Appropriations Received (Note 18)	-	14,109,905	14,109,905	5,350,000	12,012,359	17,362,359
Appropriations Transferred In/(Out), Net	-	14,387	14,387	(95,328)	39,123	(56,205)
Other Adjustments (Note 18)	(541,500)	(180,587)	(722,087)	1	(45,958)	(45,957)
Appropriations Used	(249,598)	(13,406,937)	(13,656,535)	(364,718)	(8,939,344)	(9,304,062)
<b>Total Budgetary Financing Sources</b>	<b>(791,098)</b>	<b>536,768</b>	<b>(254,330)</b>	<b>4,889,955</b>	<b>3,066,180</b>	<b>7,956,135</b>
<b>Unexpended Appropriations – Ending Balance</b>	<b>4,099,319</b>	<b>8,782,873</b>	<b>12,882,192</b>	<b>4,890,417</b>	<b>8,246,105</b>	<b>13,136,522</b>
<b>NET POSITION</b>	<b>\$ 14,289,135</b>	<b>\$ 15,463,470</b>	<b>\$ 29,752,605</b>	<b>\$ 15,045,458</b>	<b>\$ 14,290,562</b>	<b>\$ 29,336,020</b>

The accompanying notes are an integral part of these statements.

# United States Department of Commerce Combined Statements of Budgetary Resources For the Years Ended September 30, 2010 and 2009 (Note 18) *(In Thousands)*

	FY 2010		FY 2009	
	Budgetary	Non-budgetary Credit Program Financing Accounts	Budgetary	Non-budgetary Credit Program Financing Accounts
<b>BUDGETARY RESOURCES:</b>				
Unobligated Balance, Brought Forward, October 1	\$ 16,593,521	\$ 2,335	\$ 2,289,356	\$ 59,577
Adjustments to Unobligated Balance, Brought Forward	-	-	77	389
Recoveries of Prior-years Unpaid Obligations	230,289	10,149	366,362	1,515
<b>Budget Authority</b>				
Appropriations	14,322,512	-	34,069,220	-
Borrowing Authority	-	78,375	-	88,368
Spending Authority From Offsetting Collections				
Earned				
Collected	3,698,411	98,229	3,482,685	53,505
Change in Receivables	37,895	-	18,868	-
Change in Unfilled Customer Orders				
Advances Received	8,453	-	(87,441)	-
Without Advances	193,858	-	(42,305)	-
Previously Unavailable	2,716	-	2,113	-
<b>Total Budget Authority</b>	<b>18,263,845</b>	<b>176,604</b>	<b>37,443,140</b>	<b>141,873</b>
Nonexpenditure Transfers, Net	140,391	-	57,381	-
Temporarily Not Available Pursuant to Public Law	(52,543)	-	-	-
Permanently Not Available	(722,371)	(79,884)	(8,326,575)	(27,425)
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 34,453,132</b>	<b>\$ 109,204</b>	<b>\$ 31,829,741</b>	<b>\$ 175,929</b>
<b>STATUS OF BUDGETARY RESOURCES:</b>				
Obligations Incurred				
Direct	\$ 18,874,186	\$ 108,331	\$ 12,089,149	\$ 117,486
Reimbursable	3,423,294	-	3,147,071	56,108
<b>Total Obligations Incurred</b>	<b>22,297,480</b>	<b>108,331</b>	<b>15,236,220</b>	<b>173,594</b>
Unobligated Balance				
Apportioned	2,651,510	-	7,800,617	-
Exempt From Apportionment	577,107	-	356,139	-
<b>Total Unobligated Balance</b>	<b>3,228,617</b>	<b>-</b>	<b>8,156,756</b>	<b>-</b>
Unobligated Balance Not Available (Note 2)	8,927,035	873	8,436,765	2,335
<b>TOTAL STATUS OF BUDGETARY RESOURCES</b>	<b>\$ 34,453,132</b>	<b>\$ 109,204</b>	<b>\$ 31,829,741</b>	<b>\$ 175,929</b>
<b>CHANGE IN UNPAID OBLIGATED BALANCE, NET:</b>				
Unpaid Obligated Balance, Net, Brought Forward, October 1				
Unpaid Obligations, Brought Forward	\$ 8,073,367	\$ 261,279	\$ 7,424,863	\$ 215,703
Less: Uncollected Customer Payments, Brought Forward	(291,630)	(735)	(315,067)	(735)
<b>Total Unpaid Obligated Balance, Net, Brought Forward</b>	<b>7,781,737</b>	<b>260,544</b>	<b>7,109,796</b>	<b>214,968</b>
Obligations Incurred	22,297,480	108,331	15,236,220	173,594
Less: Gross Outlays	(16,968,579)	(130,346)	(14,221,354)	(126,503)
Less: Actual Recoveries of Prior-years Unpaid Obligations	(230,289)	(10,149)	(366,362)	(1,515)
Change in Uncollected Customer Payments	(231,753)	-	23,437	-
<b>TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD</b>	<b>\$ 12,648,596</b>	<b>\$ 228,380</b>	<b>\$ 7,781,737</b>	<b>\$ 260,544</b>
Unpaid Obligated Balance, Net, End of Period				
Unpaid Obligations	\$ 13,171,979	\$ 229,115	\$ 8,073,367	\$ 261,279
Less: Uncollected Customer Payments	(523,383)	(735)	(291,630)	(735)
<b>TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD</b>	<b>\$ 12,648,596</b>	<b>\$ 228,380</b>	<b>\$ 7,781,737</b>	<b>\$ 260,544</b>
<b>NET OUTLAYS:</b>				
Gross Outlays	\$ 16,968,579	\$ 130,346	\$ 14,221,354	\$ 126,503
Less: Offsetting Collections	(3,706,864)	(98,229)	(3,395,244)	(53,505)
Less: Distributed Offsetting (Receipts)/Outlays, Net	(28,541)	-	(101,324)	-
<b>NET OUTLAYS</b>	<b>\$ 13,233,174</b>	<b>\$ 32,117</b>	<b>\$ 10,724,786</b>	<b>\$ 72,998</b>

The accompanying notes are an integral part of these statements.



# Notes to the Financial Statements

*(All Tables are Presented in Thousands, Unless Otherwise Noted)*

## 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, the National Intellectual Property Law Enforcement Coordination Council, 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 Intellectual Property Law Enforcement Coordination Council (NIPC)
  - 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/or 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 funds are reported in the Department's financial statements. NIST, NOAA, EDA, Census Bureau, BEA, NTIS, and USPTO receive allocation transfers, as the child, from the General Services Administration, Environmental Protection Agency, Delta Regional Authority, and Appalachian Regional Commission. Activity relating to these child allocation transfers is not reported in the Department's financial statements.

### **Ⓒ 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 a general fund, public enterprise revolving funds (not including credit reform financing funds), special funds, and a trust fund. (See Note 21, *Earmarked Funds*.)

### **Ⓓ 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.

### **Ⓔ 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 and the Spectrum Auction Proceeds Liability to the Federal Communications Commission (FCC).

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.

### **Ⓕ 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.

### **Ⓖ 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**

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 Thresholds:** The Department's general policy is to capitalize General PP&E if the initial acquisition price is \$25 thousand or more and the useful life is two years or more. NOAA is an exception to this policy, based on a cost vs. benefits and materiality analysis given the size of NOAA, having a capitalization threshold of \$200 thousand. General PP&E with an acquisition cost less than the capitalization threshold is expensed when purchased. NOAA and Census Bureau have bulk purchase capitalization thresholds of \$1 million and \$250 thousand, respectively, for personal property bulk purchases. For other bureaus, when the purchase of a large quantity of personal property items, each costing less than the capitalization threshold, would materially distort the amount of costs reported in a given period, the purchase is capitalized as a group.

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

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

**Construction-in-progress:** Costs for the construction, modification, or modernization of General PP&E are initially recorded as Construction-in-progress. 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 collectibility of receivables is performed periodically. Any gains realized through the sale of foreclosed property are initially deferred and recognized in proportion to the percentage of principal repaid.

## **L Non-entity Assets**

Non-entity assets are assets held by the Department that are not available for use in its operations. 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 represents EDA's Drought Loan Portfolio. The Portfolio collections are submitted to Treasury monthly.

## **M Liabilities**

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

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

**Debt to Treasury:** The Department has borrowed funds from Treasury for its various credit programs: Fisheries Finance Traditional, Tuna Fleet, and Individual Fishing Quota (IFQ) Direct Loans, Fishing Vessel Obligation Guarantee (FVOG) Program, Bering Sea Pollock Fishery Buyout, Pacific Groundfish Buyback Loans, Crab Buyback Loans, Bering Sea and Aleutian Islands Non-Pollock Buyback Loans, and Emergency Steel Loan Guarantee Program. To simplify interest calculations, all borrowings are dated October 1. Interest rates are based on a weighted average of rates during the term of the borrowed funds. The weighted average rate for each cohort's borrowing is recalculated at the end of each fiscal year during which disbursements are made. Annual interest payments on unpaid principal balances as of September 30 are required. Principal repayments are required only at maturity, but are permitted at any time during the term of the loan. The Department's primary financing source for repayments of Debt to Treasury is the collection of principal on the associated Loans Receivable. Balances of any borrowed but undisbursed funds will earn interest at the same rate used in calculating interest expense. The amount reported for Debt to Treasury includes accrued interest payable.

The Department has also borrowed funds from Treasury for its Digital Television Transition and Public Safety Fund. This NTIA fund, which was created by the Digital Television Transition and Public Safety Act of 2005, receives proceeds from the auction of licenses for recovered analog spectrum from discontinued analog television signals, and provides funding for several programs from these receipts. This Act, as well as the Security and Accountability For Every Port Act of 2006, also provided borrowing authority to the Department to commence specified programs prior to the availability of earned auction proceeds. As of September 30, 2009, NTIA has fully reimbursed Treasury for the borrowings, without interest. For more information on certain programs under the Digital Television Transition and Public Safety Fund, see Note 18.

**Spectrum Auction Proceeds Liability to Federal Communications Commission:** FCC completed the auction of licenses for recovered analog spectrum in March 2008. These auction proceeds provide funding for several programs. Auction proceeds are considered a liability to FCC until FCC grants the license. When the license is granted, a budgetary financing source is recognized on the Consolidated Statement of Changes in Net Position for the earned net auction proceeds (auction proceeds less FCC administrative fees due to FCC), and the liability is reduced by the dollar amount of the license granted. See Note 18 for more information on NTIA's Digital Television and Transition Public Safety Fund.

**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 \$76.8 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.

**Accrued Coupons for Digital-to-Analog Converter Box Program:** NTIA's Digital-to-Analog Converter Box Program provided households in the U.S. with forty-dollar coupons (two per household maximum) that could have been applied toward the purchase of digital-to-analog converter boxes. This liability represented the projected amount due for coupons issued as of September 30, 2009. The program was substantially completed by mid-November 2009. See Note 18 for more information on the Digital-to-Analog Converter Box Program.

**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, both obligated and unobligated. Unexpended Appropriations are reduced for Appropriations Used and adjusted for other changes in budgetary resources, such as transfers and rescissions. Cumulative Results of Operations is the net result of the Department's operations since inception.

## **P Revenues and Other Financing Sources**

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

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

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

**Imputed Financing Sources from 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 11.2 percent of basic pay. 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, 2010, included 318 active duty officers, 355 nondisability retiree annuitants, 17 disability retiree annuitants, and 47 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. FERS and CSRS covered employees have no limit on the percentage of pay contributed to their TSP account. However, the total contribution for 2010 may not exceed the IRS limit of \$16.5 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 (FGLI) Program:** Most Department employees are entitled to participate in the FGLI Program. Participating employees can obtain basic term life insurance, with the employee paying two-thirds of the cost and the Department paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. OPM administers this program and is responsible for the reporting of liabilities. For each fiscal year, OPM calculates the U.S. government's service cost for the post-retirement portion of basic life coverage. Because the Department's contributions to the basic life coverage are fully allocated by OPM to the pre-retirement portion of coverage, the Department has recognized the entire service cost of the post-retirement portion of basic life coverage as an Imputed Cost and an Imputed Financing Source From 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:***

	<b>FY 2010</b>	<b>FY 2009</b>
General Funds	\$ 15,013,746	\$ 14,878,540
Revolving Funds	912,082	730,441
Special Funds		
Patent and Trademark Surcharge Fund	233,529	233,529
Digital Television Transition and Public Safety Fund	9,396,152	9,230,126
Others	84,423	91,440
Deposit Funds		
Spectrum Auction Proceeds Liability to FCC	33,838	400,451
Others	123,020	115,738
Trust Funds	2,104	674
Other Fund Types	(13,347)	(9,177)
Total	<u>\$ 25,785,547</u>	<u>\$ 25,671,762</u>

***Status of Fund Balance with Treasury is as follows:***

	<b>FY 2010</b>	<b>FY 2009</b>
Temporarily Precluded From Obligation	\$ 603,783	\$ 553,954
Unobligated Balance		
Available	3,228,225	8,156,433
Unavailable	8,927,908	8,439,100
Obligated Balance Not Yet Disbursed	12,648,592	7,781,735
Non-budgetary	377,039	740,540
Total	<u>\$ 25,785,547</u>	<u>\$ 25,671,762</u>

See Note 18, *Combined Statements of Budgetary Resources*, for legal arrangements affecting the Department's use of Fund Balance with Treasury for FY 2010 and FY 2009.

**NOTE 3. ACCOUNTS RECEIVABLE, NET**

<b>FY 2010</b>			
	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	\$ 84,479	\$ -	\$ 84,479
With the Public	\$ 82,980	\$ (12,200)	\$ 70,780
<b>FY 2009</b>			
	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	\$ 78,111	\$ -	\$ 78,111
With the Public	\$ 43,974	\$ (12,545)	\$ 31,429

As a major partner in the federal response to the 2010 gulf oil spill incident, NOAA has incurred certain costs for providing coordinated scientific weather and biological response services to that region, for which it expects to be reimbursed. As of September 30, 2010, NOAA has recorded receivables from the Coast Guard (Intragovernmental) for \$2.4M. NOAA has also recorded receivables from British Petroleum BP (with the public) of \$20.3M in the investigation and restoration assessment fund as authorized under the Department of Justice Oil Pollution Act ruling of 1989. 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**

	<b>FY 2010</b>	<b>FY 2009</b>
Cash Not Yet Deposited with Treasury	\$ 3,222	\$ 3,248
Imprest Funds	394	324
Total	\$ 3,616	\$ 3,572

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 <sup>1</sup>
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 <sup>1</sup>
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 <sup>1</sup>
NOAA	New England Lobster Buyback Loans <sup>1</sup>
NOAA	Pacific Groundfish Buyback Loans

<sup>1</sup> No loans have been issued under these programs as of September 30, 2010.

**Loan Guarantee Programs:**

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

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

	<b>FY 2010</b>	<b>FY 2009</b>
Direct Loans Obligated Prior to FY 1992	\$ 23,834	\$ 27,046
Direct Loans Obligated After FY 1991	514,038	481,370
Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees	4	4
Defaulted Guaranteed Loans from Post-FY 1991 Guarantees	2,271	2,672
Total	<u>\$ 540,147</u>	<u>\$ 511,092</u>

**Direct Loans Obligated Prior to FY 1992 consist of:****FY 2010**

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
CEIP	\$ 20,318	\$ 5,035	\$ (18,636)	\$ 6,717
Drought Loan Portfolio	11,522	156	(117)	11,561
Economic Development Revolving Fund	5,579	33	(56)	5,556
Total	<u>\$ 37,419</u>	<u>\$ 5,224</u>	<u>\$ (18,809)</u>	<u>\$ 23,834</u>

**FY 2009**

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
CEIP	\$ 20,443	\$ 4,874	\$ (18,780)	\$ 6,537
Drought Loan Portfolio	14,104	188	(158)	14,134
Economic Development Revolving Fund	6,405	46	(76)	6,375
Fisheries Loan Fund	293	38	(331)	-
Total	<u>\$ 41,245</u>	<u>\$ 5,146</u>	<u>\$ (19,345)</u>	<u>\$ 27,046</u>

**Direct Loans Obligated After FY 1991 consist of:**

FY 2010				
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	\$ 33,645	\$ 1,036	\$ 7,825	\$ 42,506
Bering Sea Pollock Fishery Buyback	49,232	143	6,185	55,560
Crab Buyback Loans	94,049	2,957	20,770	117,776
Fisheries Finance IFQ Loans	21,665	245	3,379	25,289
Fisheries Finance Traditional Loans	197,583	1,938	28,477	227,998
Fisheries Finance Tuna Fleet Loans	374	1	(2)	373
Pacific Groundfish Buyback Loans	33,472	1,043	10,021	44,536
Total	<u>\$ 430,020</u>	<u>\$ 7,363</u>	<u>\$ 76,655</u>	<u>\$ 514,038</u>

FY 2009				
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	\$ 34,500	\$ 1,023	\$ 8,380	\$ 43,903
Bering Sea Pollock Fishery Buyback	49,970	116	3,558	53,644
Crab Buyback Loans	94,904	3,037	20,718	118,659
Fisheries Finance IFQ Loans	20,149	203	2,779	23,131
Fisheries Finance Traditional Loans	165,529	2,256	21,945	189,730
Fisheries Finance Tuna Fleet Loans	5,769	34	671	6,474
Pacific Groundfish Buyback Loans	34,366	1,051	10,412	45,829
Total	<u>\$ 405,187</u>	<u>\$ 7,720</u>	<u>\$ 68,463</u>	<u>\$ 481,370</u>

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

Direct Loan Program	FY 2010	FY 2009
Fisheries Finance IFQ Loans	\$ 5,349	\$ 3,126
Fisheries Finance Traditional Loans	84,935	19,907
Total	<u>\$ 90,284</u>	<u>\$ 23,033</u>

**Subsidy Expense for Direct Loans by Program and Component:****Subsidy Expense for New Disbursements of Direct Loans:****FY 2010**

Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	\$ (1,094)	\$ 21	\$ (36)	\$ 424	\$ (685)
Fisheries Finance Traditional Loans	(13,777)	202	(486)	7,447	(6,614)
Total	<u>\$ (14,871)</u>	<u>\$ 223</u>	<u>\$ (522)</u>	<u>\$ 7,871</u>	<u>\$ (7,299)</u>

**FY 2009**

Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	\$ (593)	\$ 14	\$ (21)	\$ 238	\$ (362)
Fisheries Finance Traditional Loans	(2,718)	37	(125)	1,542	(1,264)
Total	<u>\$ (3,311)</u>	<u>\$ 51</u>	<u>\$ (146)</u>	<u>\$ 1,780</u>	<u>\$ (1,626)</u>

**Modifications and Reestimates:****FY 2010**

Direct Loan Program	Total Modifications
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	\$ -
Bering Sea Pollock Fishery Buyback Crab Buyback Loans	-
Fisheries Finance IFQ Loans	-
Fisheries Finance Traditional Loans	-
Fisheries Finance Tuna Fleet Loans	-
Pacific Groundfish Buyback Loans	-
Total	<u>\$ -</u>

**FY 2010**

Interest Rate Reestimates	Technical Reestimates	Total Reestimates
\$ -	\$ 274	\$ 274
-	(3,483)	(3,483)
-	901	901
-	(95)	(95)
-	582	582
-	572	572
-	154	154
<u>\$ -</u>	<u>\$ (1,095)</u>	<u>\$ (1,095)</u>

**FY 2009**

Direct Loan Program	Total Modifications
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	\$ -
Bering Sea Pollock Fishery Buyback Crab Buyback Loans	-
Fisheries Finance IFQ Loans	-
Fisheries Finance Traditional Loans	-
Fisheries Finance Tuna Fleet Loans	-
Pacific Groundfish Buyback Loans	-
Total	<u>\$ -</u>

**FY 2009**

Interest Rate Reestimates	Technical Reestimates	Total Reestimates
\$ -	\$ (8,801)	\$ (8,801)
-	(472)	(472)
-	(1,037)	(1,037)
-	491	491
-	3,854	3,854
-	(15)	(15)
-	(1,110)	(1,110)
<u>\$ -</u>	<u>\$ (7,090)</u>	<u>\$ (7,090)</u>



**Total Direct Loan Subsidy Expense:**

Direct Loan Program	FY 2010	FY 2009
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	\$ 274	\$ (8,801)
Bering Sea Pollock Fishery Buyback	(3,483)	(472)
Crab Buyback Loans	901	(1,037)
Fisheries Finance IFQ Loans	(780)	129
Fisheries Finance Traditional Loans	(6,032)	2,590
Fisheries Finance Tuna Fleet Loans	572	(15)
Pacific Groundfish Buyback Loans	154	(1,110)
Total	<u>\$ (8,394)</u>	<u>\$ (8,716)</u>

**Subsidy Rates for Direct Loans by Program and Component:****Budget Subsidy Rates for Direct Loans for the Current Fiscal-year's Cohorts:**

FY 2010					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	(21.26) %	0.42 %	(0.57) %	9.41 %	(12.00) %
Fisheries Finance Traditional Loans	(16.90) %	0.42 %	(0.54) %	8.53 %	(8.49) %
FY 2009					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	(20.11) %	0.39 %	(0.69) %	7.63 %	(12.78) %
Fisheries Finance Traditional Loans	(16.21) %	0.16 %	(0.57) %	10.19 %	(6.43) %

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):**

	<b>FY 2010</b>	<b>FY 2009</b>
<b>Beginning Balance of the Allowance for Subsidy Cost</b>	<u>\$ 68,463</u>	<u>\$ 63,174</u>
<b>Add Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component:</b>		
Interest Rate Differential Costs	14,871	3,311
Default Costs (Net of Recoveries)	(223)	(51)
Fees and Other Collections	522	146
Other Subsidy Costs	(7,871)	(1,780)
Total of the above Subsidy Expense Components	<u>7,299</u>	<u>1,626</u>
<b>Adjustments:</b>		
Fees Received	(316)	(92)
Foreclosed Property Acquired	-	167
Subsidy Allowance Amortization	114	(3,502)
Total of adjustments	<u>(202)</u>	<u>(3,427)</u>
Ending Balance of the Allowance for Subsidy Cost Before Reestimates	75,560	61,373
<b>Add or Subtract Subsidy Reestimates by Component:</b>		
Technical/Default Reestimates	1,095	7,090
<b>Ending Balance of the Allowance for Subsidy Cost</b>	<u><u>\$ 76,655</u></u>	<u><u>\$ 68,463</u></u>

**Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees:**

<b>FY 2010</b>				
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	<u>\$ 11,997</u>	<u>\$ 4</u>	<u>\$ (11,997)</u>	<u>\$ 4</u>
<b>FY 2009</b>				
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	<u>\$ 11,997</u>	<u>\$ 4</u>	<u>\$ (11,997)</u>	<u>\$ 4</u>

**Defaulted Guaranteed Loans from Post-FY 1991 Guarantees:**

FY 2010				
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	\$ (13,111)	\$ 2,271

FY 2009				
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	\$ (12,710)	\$ 2,672

**Loan Guarantees:****Guaranteed Loans Outstanding:**

Outstanding non-acquired guaranteed loans as of September 30, 2010 and 2009, which are not reflected in the financial statements, are as follows:

Loan Guarantee Program	FY 2010		FY 2009	
	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	\$ 3,939	\$ 3,939	\$ 4,331	\$ 4,331

**New Guaranteed Loans Disbursed:**

There were no new guaranteed loans disbursed during FY 2010 and FY 2009.

**Loan Guarantee Liabilities:**

	<b>FY 2010</b>	<b>FY 2009</b>
	Loan Guarantee Liabilities for Post- FY 1991 Guarantees, Present Value	Loan Guarantee Liabilities for Post- FY 1991 Guarantees, Present Value
Loan Guarantee Program		
FVOG Program	\$ 565	\$ 589

**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 2010 and FY 2009, there is not any related subsidy expense.

**Modifications and Reestimates:**

<b>FY 2010</b>		<b>FY 2010</b>		
Loan Guarantee Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
FVOG Program	\$ -	\$ -	\$ 510	\$ 510

<b>FY 2009</b>		<b>FY 2009</b>		
Loan Guarantee Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
FVOG Program	\$ -	\$ -	\$ 451	\$ 451

**Total Loan Guarantee Subsidy Expense:**

	<b>FY 2010</b>	<b>FY 2009</b>
Loan Guarantee Program		
FVOG Program	\$ 510	\$ 451

***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 2010 and FY 2009.

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

	<b>FY 2010</b>	<b>FY 2009</b>
<b>Beginning Balance of Loan Guarantee Liabilities</b>	\$ 589	\$ 621
<b>Adjustments:</b>		
Loan Guarantee Modifications	-	-
Fees Received	8	29
Interest Accumulation on the Liabilities Balance	(32)	(57)
Other	-	(4)
<b>Ending Balance of Loan Guarantee Liabilities</b>	<u>\$ 565</u>	<u>\$ 589</u>

***Administrative Expenses:***

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

<u>Direct Loan Program</u>	<b>FY 2010</b>	<b>FY 2009</b>
Drought Loan Portfolio and Economic Development Revolving Fund	\$ 776	\$ 1,091
NOAA Direct Loan Programs	2,494	3,169
<b>Total</b>	<u>\$ 3,270</u>	<u>\$ 4,260</u>
 <u>Loan Guarantee Program</u>	 <b>FY 2010</b>	 <b>FY 2009</b>
Emergency Oil and Gas Loan Guarantee Program	\$ -	\$ 17
Emergency Steel Loan Guarantee Program	98	134
FVOG Program	180	262
<b>Total</b>	<u>\$ 278</u>	<u>\$ 413</u>

## NOTE 6. INVENTORY, MATERIALS, AND SUPPLIES, NET

Category	Cost Flow Assumption	FY 2010	FY 2009
<b>Inventory</b>			
Items Held for Current Sale			
NIST Standard Reference Materials	Average	\$ 22,340	\$ 22,200
Other	Various	166	198
Allowance for Excess, Obsolete, and Unserviceable Items		(140)	(155)
Total Inventory, Net		22,366	22,243
<b>Materials and Supplies</b>			
Items Held for Use			
NOAA's National Logistics Support Center	Weighted-average	49,178	54,632
NOAA's National Reconditioning Center	Weighted-average	42,775	38,548
Census Bureau's Decennial Census	First-in, first-out	26,089	50,269
Other	Various	4,699	4,820
Allowance for Excess, Obsolete, and Unserviceable Items		(46,781)	(24,609)
Total Materials and Supplies, Net		75,960	123,660
Total		\$ 98,326	\$ 145,903

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. The Census Bureau's Decennial Census materials and supplies are comprised of employment forms, payroll forms, various other administrative forms, and training and production materials.



**NOTE 7. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET****FY 2010**

Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	\$ 16,787	\$ -	\$ 16,787
Land Improvements	30-40	2,996	(1,286)	1,710
Structures, Facilities, and Leasehold Improvements	2-60	1,406,982	(520,827)	886,155
Satellites/Weather Systems Personal Property	3-20	5,080,613	(3,656,875)	1,423,738
Other Personal Property	2-30	2,365,104	(1,518,219)	846,885
Assets Under Capital Lease	3-40	23,562	(17,693)	5,869
Construction-in-progress	N/A	4,213,567	-	4,213,567
Total		<u>\$ 13,109,611</u>	<u>\$ (5,714,900)</u>	<u>\$ 7,394,711</u>

**FY 2009**

Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	\$ 16,787	\$ -	\$ 16,787
Land Improvements	30-40	2,996	(1,194)	1,802
Structures, Facilities, and Leasehold Improvements	2-60	1,338,090	(475,533)	862,557
Satellites/Weather Systems Personal Property	3-20	4,522,903	(3,747,384)	775,519
Other Personal Property	2-30	2,083,682	(1,379,468)	704,214
Assets Under Capital Lease	3-40	25,407	(18,437)	6,970
Construction-in-progress	N/A	4,390,978	-	4,390,978
Total		<u>\$ 12,380,843</u>	<u>\$ (5,622,016)</u>	<u>\$ 6,758,827</u>

**NOTE 8. OTHER ASSETS**

	<b>FY 2010</b>	<b>FY 2009</b>
<b>With the Public</b>		
Advances and Prepayments	\$ 47,254	\$ 52,061
Note Receivable	1,410	1,853
Bibliographic Database	6,454	6,103
Other	4	4
<b>Total</b>	<b>\$ 55,122</b>	<b>\$ 60,021</b>

As of September 30, 2010 and 2009, there is one Note Receivable with a maturity date of July 2024 and an interest rate of 7.0 percent. The balances include 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 \$62.7 million and \$59.5 million, less accumulated amortization of \$56.2 million and \$53.4 million, at September 30, 2010 and 2009, respectively.

**NOTE 9. NON-ENTITY ASSETS**

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

	<b>FY 2010</b>	<b>FY 2009</b>
<b>Intragovernmental</b>		
Fund Balance with Treasury	\$ 153,731	\$ 506,015
<b>Total Intragovernmental</b>	<b>153,731</b>	<b>506,015</b>
<b>With the Public</b>		
Cash	652	971
Accounts Receivable, Net	8,022	706
Direct Loans and Loan Guarantees, Net – Drought Loan Portfolio	11,561	14,134
<b>Total</b>	<b>\$ 173,966</b>	<b>\$ 521,826</b>

## NOTE 10. DEBT TO TREASURY

Loan Program	FY 2010		
	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
<b>Direct Loan Program</b>			
Fisheries Finance, Financing Account	\$ 482,405	\$ 32,436	\$ 514,841
<b>Loan Guarantee Program</b>			
FVOG Program	4,870	(1,781)	3,089
Total	<u>\$ 487,275</u>	<u>\$ 30,655</u>	<u>\$ 517,930</u>

For the Direct Loan and Loan Guarantee Programs, maturity dates range from September 2012 to September 2038, and interest rates range from 2.59 to 6.97 percent.

Loan Program	FY 2009		
	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
<b>Direct Loan Program</b>			
Fisheries Finance, Financing Account	\$ 465,095	\$ 17,310	\$ 482,405
<b>Loan Guarantee Program</b>			
FVOG Program	6,831	(1,961)	4,870
<b>Digital Television Transition and Public Safety Fund</b>	4,727	(4,727)	-
Total	<u>\$ 476,653</u>	<u>\$ 10,622</u>	<u>\$ 487,275</u>

## NOTE 11. OTHER LIABILITIES

	FY 2010			FY 2009
	Current Portion	Non-current Portion	Total	Total
<b>Intragovernmental</b>				
Accrued FECA Liability	\$ 33,802	\$ 10,451	\$ 44,253	\$ 37,024
Accrued Benefits	43,613	-	43,613	36,642
Custodial Activity	7,964	-	7,964	-
Downward Subsidy Reestimates Payable to Treasury	8,087	-	8,087	3,509
Other	427	-	427	620
Total	<u>\$ 93,893</u>	<u>\$ 10,451</u>	<u>\$ 104,344</u>	<u>\$ 77,795</u>
<b>With the Public</b>				
ITA Foreign Service Nationals' Voluntary Separation Pay	\$ 2,207	\$ 8,487	\$ 10,694	\$ 9,693
Contingent Liabilities	11,643	512	12,155	13,962
Employment-related	17,954	-	17,954	10,018
Other	8,378	-	8,378	9,283
Total	<u>\$ 40,182</u>	<u>\$ 8,999</u>	<u>\$ 49,181</u>	<u>\$ 42,956</u>

The Current Portion represents liabilities expected to be paid by September 30, 2011, while the Non-current Portion represents liabilities expected to be paid after September 30, 2011.

**NOTE 12. FEDERAL EMPLOYEE BENEFITS*****These liabilities consist of:***

	<b>FY 2010</b>	<b>FY 2009</b>
Actuarial FECA Liability	\$ 210,235	\$ 171,234
NOAA Corps Retirement System Liability	502,800	471,600
NOAA Corps Post-retirement Health Benefits Liability	56,000	44,600
Total	<u>\$ 769,035</u>	<u>\$ 687,434</u>

**Actuarial FECA Liability:**

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

	<b>FY 2010</b>	<b>FY 2009</b>
Year 1	3.65%	4.22%
Year 2 and Thereafter	4.30%	4.72%

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

<b>FY 2010</b>		
<b>Fiscal Year</b>	<b>Cost of Living Allowance</b>	<b>Consumer Price Index - Medical</b>
2011	2.23%	3.45%
2012	1.13%	3.43%
2013	1.70%	3.64%
2014	1.90%	3.66%
2015	1.93%	3.73%

<b>FY 2009</b>		
<b>Fiscal Year</b>	<b>Cost of Living Allowance</b>	<b>Consumer Price Index - Medical</b>
2010	0.47%	3.42%
2011	1.40%	3.29%
2012	1.50%	3.48%
2013	1.80%	3.71%
2014	2.00%	3.71%

**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, 2010 and 2009 actuarial calculations used the following economic assumptions:

	<b>FY 2010</b>	<b>FY 2009</b>
Discount Rate	4.89%	5.75%
Annual Basic Pay Scale Increases	3.12%	3.75%
Annual Inflation	2.37%	3.00%

The related pension costs included in the *Consolidated Statements of Net Cost* are as follows:

	<b>FY 2010</b>	<b>FY 2009</b>
Normal Cost	\$ 9,100	\$ 6,600
Interest on the Unfunded Liability	26,500	25,200
Actuarial (Gains)/Losses, Net <sup>1</sup>		12,500
From Experience	5,200	
From Discount Rate Assumption Change	65,100	
From Long-term Assumption Changes		
Annual Inflation	(37,800)	
Annual Basic Pay Scale Increases	(14,900)	
Demographic	(400)	
Total Pension Costs	<u>\$ 52,800</u>	<u>\$ 44,300</u>

**NOAA Corps Post-retirement Health Benefits Liability:**

This liability represents the unfunded actuarial present value of projected post-retirement plan benefits. The actuarial calculation is performed annually, as of September 30. The September 30, 2010 and 2009 actuarial calculations used the following economic assumption:

	<b>FY 2010</b>	<b>FY 2009</b>
Discount Rate	4.77%	5.75%

The related post-retirement health benefits costs included in the *Consolidated Statements of Net Cost* are as follows:

	<b>FY 2010</b>	<b>FY 2009</b>
Normal Cost	\$ 1,800	\$ 1,300
Interest on the Unfunded Liability	2,000	2,700
Actuarial (Gains)/Losses, Net <sup>1</sup>		(5,100)
From Experience	2,100	
From Discount Rate Assumption Change	3,800	
From Long-term Assumption Changes – Medical Claims Costs	5,200	
Total Post-retirement Health Benefits Costs	<u>\$ 14,900</u>	<u>\$ (1,100)</u>

<sup>1</sup> Effective FY 2010, actuarial gains and losses from changes in long-term assumptions are required to be separately disclosed.



**NOTE 13. ENVIRONMENTAL AND DISPOSAL LIABILITIES**

	<b>FY 2010</b>	<b>FY 2009</b>
Pribilof Islands Cleanup	\$ 3,017	\$ 10,030
Nuclear Reactor	48,598	48,039
Other	3,034	2,926
Total	<u>\$ 54,649</u>	<u>\$ 60,995</u>

**NOTE 14. LEASES*****Capital Leases:***

Assets under capital leases are as follows:

	<b>FY 2010</b>	<b>FY 2009</b>
Structures, Facilities, and Leasehold Improvements	\$ 23,538	\$ 22,860
Equipment	24	2,547
Less: Accumulated Depreciation	(17,693)	(18,437)
Net Assets Under Capital Leases	<u>\$ 5,869</u>	<u>\$ 6,970</u>

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:

<b>FY 2010</b>			
Fiscal Year	General PP&E Category		Total
	Real Property	Personal Property	
2011	\$ 4,081	\$ -	\$ 4,081
2012	3,878	-	3,878
2013	3,729	-	3,729
2014	3,049	-	3,049
2015	1,901	-	1,901
Thereafter	10,770	-	10,770
Total Future Lease Payments	27,408	-	27,408
Less: Imputed Interest	(13,399)	-	(13,399)
Less: Executory Costs	(4,731)	-	(4,731)
Net Capital Lease Liabilities	\$ 9,278	\$ -	\$ 9,278

<b>FY 2009</b>			
Fiscal Year	General PP&E Category		Total
	Real Property	Personal Property	
2010	\$ 3,973	\$ 10	\$ 3,983
2011	4,008	-	4,008
2012	3,790	-	3,790
2013	3,647	-	3,647
2014	2,971	-	2,971
Thereafter	12,831	-	12,831
Total Future Lease Payments	31,220	10	31,230
Less: Imputed Interest	(13,149)	-	(13,149)
Less: Executory Costs	(5,492)	-	(5,492)
Net Capital Lease Liabilities	\$ 12,579	\$ 10	\$ 12,589

**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 2011 through FY 2015; and (2) future payments due under noncancellable operating leases (non-GSA real property) are as follows:

FY 2010		
Fiscal Year	General PP&E Category	
	GSA Real Property	Non-GSA Real Property
2011	\$ 246,673	\$ 17,187
2012	219,218	19,651
2013	209,557	18,058
2014	213,000	13,254
2015	214,639	11,754
Thereafter	<sup>1</sup>	118,527
Total Future Lease Payments	N/A	\$ 198,431

<sup>1</sup> Not estimated.

## NOTE 15. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

	FY 2010	FY 2009
<b>Intragovernmental</b>		
Accrued FECA Liability	\$ 37,216	\$ 35,616
Total Intragovernmental	37,216	35,616
Accrued Payroll	36,359	26,987
Accrued Annual Leave	264,720	253,347
Federal Employee Benefits	769,035	687,434
Environmental and Disposal Liabilities	54,649	60,995
Contingent Liabilities	12,155	13,962
Unearned Revenue	551,263	681,032
ITA Foreign Service Nationals' Voluntary Separation Pay	10,694	9,693
Other	253	578
Total	\$ 1,736,344	\$ 1,769,644

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 31, 2010 is shown below.

**Major Long-term Commitments:**

Description	FY 2010						Total
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Thereafter	
Geostationary Operational Environmental Satellites	\$ 787,600	\$ 819,600	\$ 817,000	\$ 816,900	\$ 817,500	\$ 1,795,600	\$ 5,854,200
Convergence Satellites	1,060,800	1,160,000	960,000	740,000	610,000	4,489,500	9,020,300
Polar Operational Environmental Satellites	40,900	40,900	40,900	40,900	40,900	25,900	230,400
Other Weather Service	147,210	129,792	116,543	120,438	114,881	77,749	706,613
Ocean Surface Topography	50,000	53,000	29,000	2,000	2,000	3,000	139,000
Climate Sensors	49,400	55,400	51,100	50,600	35,500	47,100	289,100
Other	2	-	-	-	-	-	2
Total	<u>\$ 2,135,912</u>	<u>\$ 2,258,692</u>	<u>\$ 2,014,543</u>	<u>\$ 1,770,838</u>	<u>\$ 1,620,781</u>	<u>\$ 6,438,849</u>	<u>\$ 16,239,615</u>

**Legal Contingencies:**

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

**Probable Likelihood of an Adverse Outcome:**

The Department is subject to potential liabilities where adverse outcomes are probable, and claims are approximately \$12.2 million and \$14.0 million as of September 30, 2010 and 2009, respectively. Accordingly, \$12.2 million and \$14.0 million of contingent liabilities were included in Other Liabilities on the *Consolidated Balance Sheets* as of September 30, 2010 and 2009, 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 \$86.1 million as of September 30, 2010. 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 \$270.7 million as of September 30, 2010. 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, 2010 and 2009, with outstanding principal balances totaling \$3.9 and \$4.3 million, respectively. A loan guarantee liability of \$565 thousand and \$589 thousand is recorded for the outstanding guarantees at September 30, 2010 and 2009, 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 directed the restructure of the government's approach to meeting its polar-orbiting environmental data collection needs. Accordingly, the President's FY 2011 budget contains a restructuring of the National Polar-orbiting Operational Environmental Satellite System (NPOESS) in order to put the critical program on a more sustainable pathway toward success. The Joint Polar Satellite Program (JPSS) is a national priority -- essential to meeting both civil and military weather forecasting, storm tracking, and climate monitoring requirements. After reviewing options, including those suggested by an Independent Review Team (IRT) and Congressional Committees, the President's FY 2011 budget takes significant new steps. The Executive Office of the President directed NOAA and the Air Force to no longer continue to jointly procure NPOESS. This decision is in the best interest of the American public to preserve critical operational weather and climate observations into the future.

The three agencies (DoD, NOAA, and NASA) have and 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 major challenge of NPOESS was jointly executing the program between three agencies of different sizes with divergent objectives and different acquisition procedures. The new system will resolve this challenge by splitting the procurements. NOAA and NASA will take primary responsibility for the afternoon orbit, and DoD will take primary responsibility for the morning orbit. The agencies will continue to partner in those areas that have been successful in the past, such as a shared ground system. The restructured programs will also eliminate the NPOESS tri-agency structure that has made management and oversight difficult, contributing to the poor performance of the program.

NOAA and the Air Force have already begun to move into a transition period during which the current joint procurement will end. The agencies will continue a successful relationship that they have developed for their polar and geostationary satellite programs to-date.

The restructuring effort will continue throughout FY 2011. During this time, NOAA and the Air Force will work together to decide which program components of the DoD Construction Work in Progress (CWIP) will remain with DoD versus which program components will transfer to NOAA to become part of JPSS. If any program component that remains with NOAA is not needed for JPSS, the value of those components will be written off. One component that will not be used by NOAA is the Conical-scanning Microwave Image/Sounder (CMIS) sensor, with costs incurred of \$107.5M, which was charged to expense in FY 2010. The amount of any additional CWIP impairment charges due to the satellite restructuring cannot be estimated.



## NOTE 17. CONSOLIDATED STATEMENTS OF NET COST

**FY 2010 Consolidating Statement of Net Cost:**

	NOAA	USPTO	ESA	NIST	NTIA	Others	Departmental Management	Combining Total	Intra- Departmental Eliminations	Consolidating Total
<b>Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers</b>										
Intragovernmental Gross Costs	\$ -	\$ -	\$ 1,045,041	\$ 30	\$ -	\$ 273,146	\$ 77,819	\$ 1,396,036	\$ (87,024)	\$ 1,309,012
Gross Costs With the Public	-	-	5,770,979	102,393	-	926,965	30,737	6,831,074	-	6,831,074
Total Gross Costs	-	-	6,816,020	102,423	-	1,200,111	108,556	8,227,110	(87,024)	8,140,086
Intragovernmental Earned Revenue	-	-	(230,177)	-	-	(28,747)	(74,893)	(333,817)	87,024	(246,793)
Earned Revenue From the Public	-	-	(5,724)	-	-	(8,962)	(3)	(14,689)	-	(14,689)
Total Earned Revenue	-	-	(235,901)	-	-	(37,709)	(74,896)	(348,506)	87,024	(261,482)
<b>Net Program Costs</b>	<b>-</b>	<b>-</b>	<b>6,580,119</b>	<b>102,423</b>	<b>-</b>	<b>1,162,402</b>	<b>33,660</b>	<b>7,878,604</b>	<b>-</b>	<b>7,878,604</b>
<b>Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness</b>										
Intragovernmental Gross Costs	-	425,881	-	133,541	386,909	7,425	77,820	1,031,576	(98,523)	933,053
Gross Costs With the Public	-	1,581,057	-	788,127	213,178	40,576	30,738	2,653,676	-	2,653,676
Total Gross Costs	-	2,006,938	-	921,668	600,087	48,001	108,558	3,685,252	(98,523)	3,586,729
Intragovernmental Earned Revenue	-	(9,375)	-	(113,045)	(29,939)	(38,567)	(74,893)	(265,819)	98,523	(167,296)
Earned Revenue From the Public	-	(2,092,307)	-	(54,445)	(151)	(10,522)	(3)	(2,157,428)	-	(2,157,428)
Total Earned Revenue	-	(2,101,682)	-	(167,490)	(30,090)	(49,089)	(74,896)	(2,423,247)	98,523	(2,324,724)
<b>Net Program Costs</b>	<b>-</b>	<b>(94,744)</b>	<b>-</b>	<b>754,178</b>	<b>569,997</b>	<b>(1,088)</b>	<b>33,662</b>	<b>1,262,005</b>	<b>-</b>	<b>1,262,005</b>
<b>Strategic Goal 3: Promote Environmental Stewardship</b>										
Intragovernmental Gross Costs	772,455	-	-	-	-	-	77,850	850,305	(99,604)	750,701
Gross Costs With the Public	4,019,147	-	-	-	-	-	30,746	4,049,893	-	4,049,893
Total Gross Costs	4,791,602	-	-	-	-	-	108,596	4,900,198	(99,604)	4,800,594
Intragovernmental Earned Revenue	(203,896)	-	-	-	-	-	(74,915)	(278,811)	99,604	(179,207)
Earned Revenue From the Public	(97,913)	-	-	-	-	-	(3)	(97,916)	-	(97,916)
Total Earned Revenue	(301,809)	-	-	-	-	-	(74,918)	(376,727)	99,604	(277,123)
<b>Net Program Costs</b>	<b>4,489,793</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,678</b>	<b>4,523,471</b>	<b>-</b>	<b>4,523,471</b>
<b>NET COST OF OPERATIONS</b>	<b>\$ 4,489,793</b>	<b>\$ (94,744)</b>	<b>\$ 6,580,119</b>	<b>\$ 856,601</b>	<b>\$ 569,997</b>	<b>\$ 1,161,314</b>	<b>\$ 101,000</b>	<b>\$ 13,664,080</b>	<b>\$ -</b>	<b>\$ 13,664,080</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FY 2009 Consolidating Statement of Net Cost:

	NOAA	USPTO	ESA	NIST	NTIA	Others	Departmental Management	Combining Total	Intra-Departmental Eliminations	Consolidating Total
<b>Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers</b>										
Intragovernmental Gross Costs \$	-	\$ -	\$ 547,708	\$ 11	\$ -	\$ 227,060	\$ 76,704	\$ 851,483	\$ (84,380)	\$ 767,103
Gross Costs With the Public	-	-	2,478,857	121,300	-	672,145	35,573	3,307,875	-	3,307,875
Total Gross Costs	-	-	3,026,565	121,311	-	899,205	112,277	4,159,358	(84,380)	4,074,978
Intragovernmental Earned Revenue	-	-	(237,357)	-	-	(29,831)	(81,588)	(348,776)	84,380	(264,396)
Earned Revenue From the Public	-	-	(6,878)	-	-	(9,266)	(24)	(16,168)	-	(16,168)
Total Earned Revenue	-	-	(244,235)	-	-	(39,097)	(81,612)	(364,944)	84,380	(280,564)
<b>Net Program Costs</b>	-	-	<b>2,782,330</b>	<b>121,311</b>	-	<b>860,108</b>	<b>30,665</b>	<b>3,794,414</b>	-	<b>3,794,414</b>
<b>Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness</b>										
Intragovernmental Gross Costs	-	404,786	-	129,844	202,327	6,530	76,704	820,191	(97,949)	722,242
Gross Costs With the Public	-	1,577,154	-	694,433	996,539	21,640	35,575	3,325,341	-	3,325,341
Total Gross Costs	-	1,981,940	-	824,277	1,198,866	28,170	112,279	4,145,532	(97,949)	4,047,583
Intragovernmental Earned Revenue	-	(7,443)	-	(127,114)	(32,216)	(14,914)	(81,591)	(263,278)	97,949	(165,329)
Earned Revenue From the Public	-	(1,919,687)	-	(71,177)	(209)	(11,158)	(22)	(2,002,253)	-	(2,002,253)
Total Earned Revenue	-	(1,927,130)	-	(198,291)	(32,425)	(26,072)	(81,613)	(2,265,531)	97,949	(2,167,582)
<b>Net Program Costs</b>	-	<b>54,810</b>	-	<b>625,986</b>	<b>1,166,441</b>	<b>2,098</b>	<b>30,666</b>	<b>1,880,001</b>	-	<b>1,880,001</b>
<b>Strategic Goal 3: Promote Environmental Stewardship</b>										
Intragovernmental Gross Costs	677,895	-	-	-	-	-	76,727	754,622	(82,650)	671,972
Gross Costs With the Public	3,710,398	-	-	-	-	-	35,586	3,745,984	-	3,745,984
Total Gross Costs	4,388,293	-	-	-	-	-	112,313	4,500,606	(82,650)	4,417,956
Intragovernmental Earned Revenue	(184,643)	-	-	-	-	-	(81,615)	(266,258)	82,650	(183,608)
Earned Revenue From the Public	(82,001)	-	-	-	-	-	(23)	(82,024)	-	(82,024)
Total Earned Revenue	(266,644)	-	-	-	-	-	(81,638)	(348,282)	82,650	(265,632)
<b>Net Program Costs</b>	<b>4,121,649</b>	-	-	-	-	-	<b>30,675</b>	<b>4,152,324</b>	-	<b>4,152,324</b>
<b>NET COST OF OPERATIONS</b>	<b>\$ 4,121,649</b>	<b>\$ 54,810</b>	<b>\$ 2,782,330</b>	<b>\$ 747,297</b>	<b>\$ 1,166,441</b>	<b>\$ 862,206</b>	<b>\$ 92,006</b>	<b>\$ 9,826,739</b>	<b>\$ -</b>	<b>\$ 9,826,739</b>

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

**FY 2010 Statement of Net Cost by Major Program (Combining Basis):**

PROGRAM COSTS	NOAA	Census Bureau	NIST	USPTO	Others	Combining Total
<b>Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers</b>						
<i>Decennial and Periodic Censuses</i>						
Gross Costs	\$ -	\$ 5,648,403	\$ -	\$ -	\$ -	\$ 5,648,403
Less: Earned Revenue	-	-	-	-	-	-
<b>Net Program Costs</b>	-	<b>5,648,403</b>	-	-	-	<b>5,648,403</b>
<i>Other Programs</i>						
Gross Costs	-	1,053,844	102,423	-	1,422,440	2,578,707
Less: Earned Revenue	-	(229,415)	-	-	(119,091)	(348,506)
<b>Net Program Costs</b>	-	<b>824,429</b>	<b>102,423</b>	-	<b>1,303,349</b>	<b>2,230,201</b>
<b>Net Program Costs for Strategic Goal 1</b>	-	<b>6,472,832</b>	<b>102,423</b>	-	<b>1,303,349</b>	<b>7,878,604</b>
<b>Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness</b>						
<i>Measurement and Standards Laboratories</i>						
Gross Costs	-	-	643,838	-	-	643,838
Less: Earned Revenue	-	-	(127,894)	-	-	(127,894)
<b>Net Program Costs</b>	-	-	<b>515,944</b>	-	-	<b>515,944</b>
<i>Patents</i>						
Gross Costs	-	-	-	1,777,871	-	1,777,871
Less: Earned Revenue	-	-	-	(1,887,538)	-	(1,887,538)
<b>Net Program Costs</b>	-	-	-	<b>(109,667)</b>	-	<b>(109,667)</b>
<i>Trademarks</i>						
Gross Costs	-	-	-	182,565	-	182,565
Less: Earned Revenue	-	-	-	(214,144)	-	(214,144)
<b>Net Program Costs</b>	-	-	-	<b>(31,579)</b>	-	<b>(31,579)</b>
<i>Other Programs</i>						
Gross Costs	-	-	277,830	46,502	756,646	1,080,978
Less: Earned Revenue	-	-	(39,596)	-	(154,075)	(193,671)
<b>Net Program Costs</b>	-	-	<b>238,234</b>	<b>46,502</b>	<b>602,571</b>	<b>887,307</b>
<b>Net Program Costs for Strategic Goal 2</b>	-	-	<b>754,178</b>	<b>(94,744)</b>	<b>602,571</b>	<b>1,262,005</b>
<b>Strategic Goal 3: Promote Environmental Stewardship</b>						
<i>Ecosystems</i>						
Gross Costs	1,781,600	-	-	-	-	1,781,600
Less: Earned Revenue	(109,657)	-	-	-	-	(109,657)
<b>Net Program Costs</b>	<b>1,671,943</b>	-	-	-	-	<b>1,671,943</b>
<i>Other Programs</i>						
Gross Costs	3,010,002	-	-	-	108,596	3,118,598
Less: Earned Revenue	(192,152)	-	-	-	(74,918)	(267,070)
<b>Net Program Costs</b>	<b>2,817,850</b>	-	-	-	<b>33,678</b>	<b>2,851,528</b>
<b>Net Program Costs for Strategic Goal 3</b>	<b>4,489,793</b>	-	-	-	<b>33,678</b>	<b>4,523,471</b>
<b>NET COST OF OPERATIONS</b>	<b>\$ 4,489,793</b>	<b>\$ 6,472,832</b>	<b>\$ 856,601</b>	<b>\$ (94,744)</b>	<b>\$ 1,939,598</b>	<b>\$ 13,664,080</b>

**FY 2009 Statement of Net Cost by Major Program (Combining Basis):**

PROGRAM COSTS	NOAA	Census Bureau	NIST	USPTO	Others	Combining Total
<b>Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers</b>						
<i>Decennial and Periodic Censuses</i>						
Gross Costs	\$ -	\$ 2,015,059	\$ -	\$ -	\$ -	\$ 2,015,059
Less: Earned Revenue	-	-	-	-	-	-
<b>Net Program Costs</b>	<b>-</b>	<b>2,015,059</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,015,059</b>
<i>Other Programs</i>						
Gross Costs	-	911,079	121,311	-	1,111,909	2,144,299
Less: Earned Revenue	-	(238,281)	-	-	(126,663)	(364,944)
<b>Net Program Costs</b>	<b>-</b>	<b>672,798</b>	<b>121,311</b>	<b>-</b>	<b>985,246</b>	<b>1,779,355</b>
<b>Net Program Costs for Strategic Goal 1</b>	<b>-</b>	<b>2,687,857</b>	<b>121,311</b>	<b>-</b>	<b>985,246</b>	<b>3,794,414</b>
<b>Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness</b>						
<i>Measurement and Standards Laboratories</i>						
Gross Costs	-	-	689,751	-	-	689,751
Less: Earned Revenue	-	-	(170,517)	-	-	(170,517)
<b>Net Program Costs</b>	<b>-</b>	<b>-</b>	<b>519,234</b>	<b>-</b>	<b>-</b>	<b>519,234</b>
<i>Patents</i>						
Gross Costs	-	-	-	1,744,676	-	1,744,676
Less: Earned Revenue	-	-	-	(1,697,432)	-	(1,697,432)
<b>Net Program Costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,244</b>	<b>-</b>	<b>47,244</b>
<i>Trademarks</i>						
Gross Costs	-	-	-	193,187	-	193,187
Less: Earned Revenue	-	-	-	(229,698)	-	(229,698)
<b>Net Program Costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(36,511)</b>	<b>-</b>	<b>(36,511)</b>
<i>Other Programs</i>						
Gross Costs	-	-	134,526	44,077	1,339,315	1,517,918
Less: Earned Revenue	-	-	(27,774)	-	(140,110)	(167,884)
<b>Net Program Costs</b>	<b>-</b>	<b>-</b>	<b>106,752</b>	<b>44,077</b>	<b>1,199,205</b>	<b>1,350,034</b>
<b>Net Program Costs for Strategic Goal 2</b>	<b>-</b>	<b>-</b>	<b>625,986</b>	<b>54,810</b>	<b>1,199,205</b>	<b>1,880,001</b>
<b>Strategic Goal 3: Promote Environmental Stewardship</b>						
<i>Ecosystems</i>						
Gross Costs	1,701,525	-	-	-	-	1,701,525
Less: Earned Revenue	(135,569)	-	-	-	-	(135,569)
<b>Net Program Costs</b>	<b>1,565,956</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,565,956</b>
<i>Other Programs</i>						
Gross Costs	2,686,768	-	-	-	112,313	2,799,081
Less: Earned Revenue	(131,075)	-	-	-	(81,638)	(212,713)
<b>Net Program Costs</b>	<b>2,555,693</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,675</b>	<b>2,586,368</b>
<b>Net Program Costs for Strategic Goal 3</b>	<b>4,121,649</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,675</b>	<b>4,152,324</b>
<b>NET COST OF OPERATIONS</b>	<b>\$ 4,121,649</b>	<b>\$ 2,687,857</b>	<b>\$ 747,297</b>	<b>\$ 54,810</b>	<b>\$ 2,215,126</b>	<b>\$ 9,826,739</b>

**NOTE 18. COMBINED STATEMENTS OF BUDGETARY RESOURCES**

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

	<b>FY 2010</b>	<b>FY 2009</b>
Budget Authority, Appropriations (SBR)	\$ 14,322,512	\$ 34,069,220
Less:		
Appropriated Receipts for NOAA and DM/G&B, Classified as Exchange Revenue	(15,994)	(17,304)
Appropriated Receipts for NTIA's Digital Television Transition and Public Safety Fund, Classified as Transfers In of Spectrum Auction Proceeds from Federal Communications Commission	(196,613)	(16,689,557)
Budgetary Financing Sources, Appropriations Received (SCNP)	<u>\$ 14,109,905</u>	<u>\$ 17,362,359</u>

Budget Authority, Appropriations, included on the SBR decreased significantly from FY 2009 to FY 2010 primarily due to the large decrease of \$16.49 billion in appropriated receipts for NTIA's Digital Television Transition and Public Safety Fund and appropriations of \$7.92 billion received in FY 2009 under the American Recovery and Reinvestment Act of 2009 (Public Law 111-5). Additional information on the above noted appropriations is included in this note.

Total borrowing authority available for NOAA's loan programs amounted to \$228.4 million and \$260.5 million at September 30, 2010 and 2009, respectively. During FY 2009, the Digital Television Transition and Public Safety Fund's borrowing authority was decreased by \$914.9 million to zero; this decrease is included as a reduction of budgetary resources on the SBR for FY 2009 on the line Permanently Not Available. 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 appropriations under Public Laws 111-226, 111-212, 111-224, and 111-118 amounted to \$696.5 million for FY 2010, while reductions for FY 2009 under Public Law 111-8 amounted to \$25.6 million. These reductions are included in the SBR Budgetary Resources line Permanently Not Available. These reductions are also part of the amounts reported on the line Other Adjustments in the Unexpended Appropriations section, Budgetary Financing Sources subsection, of the SCNP.

Legal arrangements affecting the Department's use of Unobligated Balances of Budget Authority and/or Fund Balance with Treasury during FY 2010 and FY 2009 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, 2010 and 2009 includes \$581.2 million of USPTO offsetting collections exceeding prior years' appropriations of \$581.2 million and \$528.7 million, respectively. 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, 2010 and 2009, \$233.5 million is held in the Patent and Trademark Surcharge Fund. These funds are included in Note 2 on the lines Special Fund (Patent and Trademark Surcharge Fund) (breakdown by type), and Non-budgetary (breakdown by status).
- The Department's Fund Balance with Treasury as of September 30, 2010 and 2009 includes funds temporarily not available for the Digital Television and Transition Public Safety Fund of \$8.74 billion and \$8.29 billion, respectively. 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). On the SBR for FY 2010, these funds are included on the line Unobligated Balance Not Available.
- The Department's Fund Balance with Treasury as of September 30, 2010 and 2009 includes \$20.4 and \$23.1 million, respectively, 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 2009 *Combined Statement of Budgetary Resources* and the actual FY 2009 amounts reported in the FY 2011 budget of the U.S. government.



**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 2010		
	Direct	Reimbursable	Total
Category A	\$ 8,365,156	\$ 2,529,674	\$ 10,894,830
Category B	10,457,428	25,150	10,482,578
Exempt from Apportionment	159,933	868,470	1,028,403
Total	<u>\$ 18,982,517</u>	<u>\$ 3,423,294</u>	<u>\$ 22,405,811</u>

	FY 2009		
	Direct	Reimbursable	Total
Category A	\$ 5,638,199	\$ 2,273,490	\$ 7,911,689
Category B	6,395,748	77,395	6,473,143
Exempt from Apportionment	172,688	852,294	1,024,982
Total	<u>\$ 12,206,635</u>	<u>\$ 3,203,179</u>	<u>\$ 15,409,814</u>

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 \$12.36 billion and \$7.87 billion at September 30, 2010 and 2009, respectively.

**American Recovery and Reinvestment Act of 2009:**

The Department received Appropriations of \$7.92 billion in FY 2009 under the American Recovery and Reinvestment Act of 2009, including \$4.70 billion for NTIA's Broadband Technology Opportunities Program; \$1.00 billion for Census Bureau's Periodic Censuses and Programs; \$650.0 million for NTIA's Digital-to-Analog Converter Box Program; and \$600.0 million for NOAA's Procurement, Acquisition, and Construction.

**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 receives proceeds from the auction of licenses for recovered analog spectrum from discontinued analog television signals, and provides funding for several programs from these receipts. Funding for these programs, prior to the availability of auction receipts, was provided by Treasury borrowings, as discussed in Note 1, *Summary of Significant Accounting Policies*.

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. A net auction proceed (auction proceed less any FCC administrative fees due to FCC) becomes a budgetary resource on the SBR when FCC grants the license and the net auction proceed is provided as a budgetary resource by OMB. Net auction proceeds for which licenses have been granted, totaling \$196.6 million and \$16.69 billion for FY 2010 and FY 2009, respectively, are included as a budgetary

resource on the SBR (Budget Authority, Appropriations), and as a budgetary financing source on the SCNP. Auction proceeds for which licenses have not yet been granted, totaling \$33.8 million and \$400.5 million as of September 30, 2010 and 2009, respectively, are considered a non-budgetary financing source (unavailable for use), and, accordingly, are not included in the SBR and are recorded as a liability to FCC on the Consolidated Balance Sheet. For the proprietary financial statements, an auction proceed is considered a liability to FCC until FCC grants the license. When the license is granted, a financing source (Transfers In of Spectrum Auction Proceeds from FCC) is recognized on the SCNP for the earned net auction proceeds, and the liability is reduced by the dollar amount of the license granted.

As of September 30, 2010, payments for the programs under the Fund may not exceed \$2.82 billion. On September 30, 2009, the Fund transferred \$7.36 billion to the General Fund of the Treasury. This transfer is included as a reduction of budgetary resources on the SBR for year-end FY 2009 on the line Permanently Not Available, and is reported on the SCNP for year-end FY 2009 as a negative budgetary financing source. 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, 2010, the Fund has a Net Position, Cumulative Results of Operations balance of \$9.53 billion.

Below is a brief summary of the three largest programs under this Fund, and significant financial activity recorded for the FY 2010 and FY 2009 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 \$1.00 billion 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 2010 and FY 2009 under the PSIC program amounted to \$8.8 million and \$5.6 million, respectively. Budgetary obligations through September 30, 2008 under the PSIC program amounted to \$981.4 million.

**Digital-to-Analog Converter Box Program:** This program provided eligible households in the U.S. and territories with forty-dollar coupons (two per household maximum) that could be applied toward the purchase of digital-to-analog converter boxes. The Fund may make payments not to exceed \$1.52 billion for this program. Budgetary obligations for FY 2010 and FY 2009 under this fund for this program amounted to \$0.0 million and \$535.1 million, respectively.

**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 made payments not exceeding \$156.0 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 2010 and FY 2009 amounted to \$37.5 million and \$49.8 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 2010, the Department had custodial nonexchange revenue of \$19.5 million; custodial nonexchange revenue of \$8.0 million was payable to Treasury at September 30, 2010. For FY 2009, the Department had custodial nonexchange revenue of \$9.9 million; custodial nonexchange revenue of \$706 thousand was payable to Treasury at September 30, 2009.

## NOTE 20. FIDUCIARY ACTIVITIES

## Schedule of Fiduciary Activities for the Year Ended September 30, 2010

	FY 2010		
	Patent Cooperation Treaty	Madrid Protocol	Total
Fiduciary Net Assets, Beginning Balance	\$ 9,134	\$ 452	\$ 9,586
Contributions	121,679	9,923	131,602
Disbursements to and on Behalf of Beneficiaries	(121,361)	(9,799)	(131,160)
Increase/(Decrease) in Fiduciary Net Assets	318	124	442
Fiduciary Net Assets, Ending Balance	<u>\$ 9,452</u>	<u>\$ 576</u>	<u>\$ 10,028</u>

## Fiduciary Net Assets as of September 30, 2010

	FY 2010		
	Patent Cooperation Treaty	Madrid Protocol	Total
Fund Balance with Treasury	<u>\$ 9,452</u>	<u>\$ 576</u>	<u>\$ 10,028</u>

## Schedule of Fiduciary Activities for the Year Ended September 30, 2009

	FY 2009		
	Patent Cooperation Treaty	Madrid Protocol	Total
Fiduciary Net Assets, Beginning Balance	\$ 11,598	\$ 311	\$ 11,909
Contributions	116,818	8,618	125,436
Disbursements to and on Behalf of Beneficiaries	(119,282)	(8,477)	(127,759)
Increase/(Decrease) in Fiduciary Net Assets	(2,464)	141	(2,323)
Fiduciary Net Assets, Ending Balance	<u>\$ 9,134</u>	<u>\$ 452</u>	<u>\$ 9,586</u>

## Fiduciary Net Assets as of September 30, 2009

	FY 2009		
	Patent Cooperation Treaty	Madrid Protocol	Total
Fund Balance with Treasury	<u>\$ 9,134</u>	<u>\$ 452</u>	<u>\$ 9,586</u>

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 21. EARMARKED FUNDS

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

**United States Department of Commerce Consolidated Balance Sheet**  
**As of September 30, 2010**

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Broadband Technology Opportunities Program - Recovery Act	Digital- to-Analog Converter Box Program - Recovery Act	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
<b>ASSETS</b>									
Fund Balance with Treasury	\$ 1,334,757	\$ 9,396,152	\$ 4,172,152	\$ 6,319	\$ 20,439	\$ 29,749	\$ 42,163	\$ 82,539	\$ 15,084,270
Cash	2,570	-	-	-	-	-	-	-	2,570
Accounts Receivable, Net	758	-	-	-	-	2,503	265	182	3,708
Direct Loans and Loan Guarantees, Net	-	-	-	-	6,717	-	-	-	6,717
Inventory, Materials, and Supplies, Net	-	-	-	-	-	30	-	-	30
General Property, Plant, and Equipment, Net	174,397	-	49	-	-	2,274	-	-	176,720
Other	13,167	139,738	20,335	-	-	6,948	-	200	180,388
<b>TOTAL ASSETS</b>	<b>\$ 1,525,649</b>	<b>\$ 9,535,890</b>	<b>\$ 4,192,536</b>	<b>\$ 6,319</b>	<b>\$ 27,156</b>	<b>\$ 41,504</b>	<b>\$ 42,428</b>	<b>\$ 82,921</b>	<b>\$ 15,454,403</b>
<b>LIABILITIES</b>									
Accounts Payable	\$ 70,114	\$ 534	\$ 1,450	\$ -	\$ -	\$ 12,244	\$ 408	\$ 154	\$ 84,904
Federal Employee Benefits	8,299	-	-	-	-	1,208	-	-	9,507
Other									
Accrued Payroll and Annual Leave	165,490	56	1,135	-	-	1,661	50	179	168,571
Accrued Grants	-	1,453	96,902	-	-	-	-	3,424	101,779
Unearned Revenue	774,388	-	-	-	-	10,556	-	-	784,944
Other	15,053	-	-	-	-	411	40	59	15,563
<b>TOTAL LIABILITIES</b>	<b>\$ 1,033,344</b>	<b>\$ 2,043</b>	<b>\$ 99,487</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 26,080</b>	<b>\$ 498</b>	<b>\$ 3,816</b>	<b>\$ 1,165,268</b>
<b>NET POSITION</b>									
Unexpended Appropriations	\$ -	\$ -	\$ 4,093,000	\$ 6,319	\$ -	\$ -	\$ -	\$ -	\$ 4,099,319
Cumulative Results of Operations	492,305	9,533,847	49	-	27,156	15,424	41,930	79,105	10,189,816
<b>TOTAL NET POSITION</b>	<b>\$ 492,305</b>	<b>\$ 9,533,847</b>	<b>\$ 4,093,049</b>	<b>\$ 6,319</b>	<b>\$ 27,156</b>	<b>\$ 15,424</b>	<b>\$ 41,930</b>	<b>\$ 79,105</b>	<b>\$ 14,289,135</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 1,525,649</b>	<b>\$ 9,535,890</b>	<b>\$ 4,192,536</b>	<b>\$ 6,319</b>	<b>\$ 27,156</b>	<b>\$ 41,504</b>	<b>\$ 42,428</b>	<b>\$ 82,921</b>	<b>\$ 15,454,403</b>

**United States Department of Commerce Consolidated Balance Sheet**  
**As of September 30, 2009**

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Broadband Technology Opportunities Program - Recovery Act	Digital- to-Analog Converter Box Program - Recovery Act	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
<b>ASSETS</b>									
Fund Balance with Treasury	\$ 1,212,683	\$ 9,230,126	\$ 4,597,413	\$ 262,443	\$ 23,155	\$ 22,699	\$ 37,168	\$ 90,557	\$ 15,476,244
Cash	2,278	-	-	-	-	-	-	-	2,278
Accounts Receivable, Net	438	-	235	-	-	2,391	165	184	3,413
Direct Loans and Loan Guarantees, Net	-	-	-	-	6,537	-	-	-	6,537
Inventory, Materials, and Supplies, Net	-	-	-	-	-	38	-	-	38
General Property, Plant, and Equipment, Net	205,802	-	-	-	-	1,930	-	-	207,732
Other	13,062	396,640	61,217	-	-	6,456	-	155	477,530
<b>TOTAL ASSETS</b>	<b>\$ 1,434,263</b>	<b>\$ 9,626,766</b>	<b>\$ 4,658,865</b>	<b>\$ 262,443</b>	<b>\$ 29,692</b>	<b>\$ 33,514</b>	<b>\$ 37,333</b>	<b>\$ 90,896</b>	<b>\$ 16,173,772</b>
<b>LIABILITIES</b>									
Accounts Payable	\$ 90,026	\$ 1,375	\$ 941	\$ 8,034	\$ -	\$ 9,623	\$ 583	\$ 304	\$ 110,886
Federal Employee Benefits	8,097	-	-	-	-	993	-	-	9,090
Other									
Accrued Payroll and Annual Leave	144,270	146	247	-	-	1,546	50	135	146,394
Accrued Grants	-	8,333	-	615	-	-	-	3,099	12,047
Accrued Coupons for Digital-to-Analog Converter Box Program	-	-	-	25,533	-	-	-	-	25,533
Unearned Revenue	800,256	-	-	-	-	7,950	-	-	808,206
Other	15,820	-	-	-	-	287	51	-	16,158
<b>TOTAL LIABILITIES</b>	<b>\$ 1,058,469</b>	<b>\$ 9,854</b>	<b>\$ 1,188</b>	<b>\$ 34,182</b>	<b>\$ -</b>	<b>\$ 20,399</b>	<b>\$ 684</b>	<b>\$ 3,538</b>	<b>\$ 1,128,314</b>
<b>NET POSITION</b>									
Unexpended Appropriations	\$ -	\$ -	\$ 4,657,677	\$ 228,261	\$ -	\$ -	\$ -	\$ 4,479	\$ 4,890,417
Cumulative Results of Operations	375,794	9,616,912	-	-	29,692	13,115	36,649	82,879	10,155,041
<b>TOTAL NET POSITION</b>	<b>\$ 375,794</b>	<b>\$ 9,616,912</b>	<b>\$ 4,657,677</b>	<b>\$ 228,261</b>	<b>\$ 29,692</b>	<b>\$ 13,115</b>	<b>\$ 36,649</b>	<b>\$ 87,358</b>	<b>\$ 15,045,458</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 1,434,263</b>	<b>\$ 9,626,766</b>	<b>\$ 4,658,865</b>	<b>\$ 262,443</b>	<b>\$ 29,692</b>	<b>\$ 33,514</b>	<b>\$ 37,333</b>	<b>\$ 90,896</b>	<b>\$ 16,173,772</b>

# NOTES TO THE FINANCIAL STATEMENTS

## United States Department of Commerce Consolidated Statement of Net Cost For the Year Ended September 30, 2010

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Broadband Technology Opportunities Program - Recovery Act	Digital- to-Analog Converter Box Program - Recovery Act	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
<b>Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers</b>									
Gross Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,652	\$ 5,652
Less: Earned Revenue	-	-	-	-	-	-	-	-	-
<b>Net Program Costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,652</b>	<b>5,652</b>
<b>Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness</b>									
Gross Costs	2,006,938	279,527	262,653	(17,558)	-	48,007	-	-	2,579,567
Less: Earned Revenue	(2,101,682)	-	(223)	-	-	(49,093)	-	-	(2,150,998)
<b>Net Program Costs</b>	<b>(94,744)</b>	<b>279,527</b>	<b>262,430</b>	<b>(17,558)</b>	<b>-</b>	<b>(1,086)</b>	<b>-</b>	<b>-</b>	<b>428,569</b>
<b>Strategic Goal 3: Promote Environmental Stewardship</b>									
Gross Costs	-	-	-	-	(144)	-	6,991	30,457	37,304
Less: Earned Revenue	-	-	-	-	(320)	-	-	-	(320)
<b>Net Program Costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(464)</b>	<b>-</b>	<b>6,991</b>	<b>30,457</b>	<b>36,984</b>
<b>NET COST OF OPERATIONS</b>	<b>\$ (94,744)</b>	<b>\$ 279,527</b>	<b>\$ 262,430</b>	<b>\$ (17,558)</b>	<b>\$ (464)</b>	<b>\$ (1,086)</b>	<b>\$ 6,991</b>	<b>\$ 36,109</b>	<b>\$ 471,205</b>

## United States Department of Commerce Consolidated Statement of Net Cost For the Year Ended September 30, 2009

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Broadband Technology Opportunities Program - Recovery Act	Digital- to-Analog Converter Box Program - Recovery Act	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
<b>Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers</b>									
Gross Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,343	\$ 1,343
Less: Earned Revenue	-	-	-	-	-	-	-	-	-
<b>Net Program Costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,343</b>	<b>1,343</b>
<b>Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness</b>									
Gross Costs	1,981,940	763,565	12,503	351,135	-	28,173	-	-	3,137,316
Less: Earned Revenue	(1,927,130)	122	(235)	-	-	(26,075)	-	-	(1,953,318)
<b>Net Program Costs</b>	<b>54,810</b>	<b>763,687</b>	<b>12,268</b>	<b>351,135</b>	<b>-</b>	<b>2,098</b>	<b>-</b>	<b>-</b>	<b>1,183,998</b>
<b>Strategic Goal 3: Promote Environmental Stewardship</b>									
Gross Costs	-	-	-	-	1,400	-	12,285	21,789	35,474
Less: Earned Revenue	-	-	-	-	(398)	-	-	-	(398)
<b>Net Program Costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,002</b>	<b>-</b>	<b>12,285</b>	<b>21,789</b>	<b>35,076</b>
<b>NET COST OF OPERATIONS</b>	<b>\$ 54,810</b>	<b>\$ 763,687</b>	<b>\$ 12,268</b>	<b>\$ 351,135</b>	<b>\$ 1,002</b>	<b>\$ 2,098</b>	<b>\$ 12,285</b>	<b>\$ 23,132</b>	<b>\$ 1,220,417</b>



**United States Department of Commerce Consolidated Statement of Changes in Net Position  
For the Year Ended September 30, 2010**

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Broadband Technology Opportunities Program - Recovery Act	Digital- to-Analog Converter Box Program - Recovery Act	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
<b>Cumulative Results of Operations:</b>									
Beginning Balance	\$ 375,794	\$ 9,616,912	\$ -	\$ -	\$ 29,692	\$ 13,115	\$ 36,649	\$ 82,879	\$ 10,155,041
<b>Budgetary Financing Sources:</b>									
Appropriations Used	-	-	262,677	(17,558)	-	-	-	4,479	249,598
Non-exchange Revenue	-	-	-	-	-	-	4,762	13,753	18,515
Transfers In of Spectrum Auction Proceeds from Federal Communications Commission	-	196,613	-	-	-	-	-	-	196,613
Transfers In/(Out) Without Reimbursement, Net	-	-	-	-	(3,000)	-	7,510	14,103	18,613
<b>Other Financing Sources (Non-exchange):</b>									
Transfers In/(Out) Without Reimbursement, Net	-	(151)	(198)	-	-	-	-	-	(349)
Imputed Financing Sources from Cost Absorbed by Others	21,767	-	-	-	-	1,223	-	-	22,990
<b>Total Financing Sources</b>	<b>21,767</b>	<b>196,462</b>	<b>262,479</b>	<b>(17,558)</b>	<b>(3,000)</b>	<b>1,223</b>	<b>12,272</b>	<b>32,335</b>	<b>505,980</b>
<b>Net Cost of Operations</b>	<b>94,744</b>	<b>(279,527)</b>	<b>(262,430)</b>	<b>17,558</b>	<b>464</b>	<b>1,086</b>	<b>(6,991)</b>	<b>(36,109)</b>	<b>(471,205)</b>
<b>Net Change</b>	<b>116,511</b>	<b>(83,065)</b>	<b>49</b>	<b>-</b>	<b>(2,536)</b>	<b>2,309</b>	<b>5,281</b>	<b>(3,774)</b>	<b>34,775</b>
<b>Cumulative Results of Operations - Ending Balance</b>	<b>492,305</b>	<b>9,533,847</b>	<b>49</b>	<b>-</b>	<b>27,156</b>	<b>15,424</b>	<b>41,930</b>	<b>79,105</b>	<b>10,189,816</b>
<b>Unexpended Appropriations:</b>									
Beginning Balance	-	-	4,657,677	228,261	-	-	-	4,479	4,890,417
<b>Budgetary Financing Sources:</b>									
Other Adjustments	-	-	(302,000)	(239,500)	-	-	-	-	(541,500)
Appropriations Used	-	-	(262,677)	17,558	-	-	-	(4,479)	(249,598)
<b>Total Budgetary Financing Sources</b>	<b>-</b>	<b>-</b>	<b>(564,677)</b>	<b>(221,942)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,479)</b>	<b>(791,098)</b>
<b>Unexpended Appropriations - Ending Balance</b>	<b>-</b>	<b>-</b>	<b>4,093,000</b>	<b>6,319</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,099,319</b>
<b>NET POSITION</b>	<b>\$ 492,305</b>	<b>\$ 9,533,847</b>	<b>\$ 4,093,049</b>	<b>\$ 6,319</b>	<b>\$ 27,156</b>	<b>\$ 15,424</b>	<b>\$ 41,930</b>	<b>\$ 79,105</b>	<b>\$ 14,289,135</b>

**United States Department of Commerce Consolidated Statement of Changes in Net Position**  
**For the Year Ended September 30, 2009**

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Broadband Technology Opportunities Program - Recovery Act	Digital- to-Analog Converter Box Program - Recovery Act	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
<b>Cumulative Results of Operations:</b>									
Beginning Balance	\$ 432,604	\$ 1,069,096	\$ -	\$ -	\$ 33,694	\$ 14,232	\$ 37,869	\$ 59,062	\$ 1,646,557
<b>Budgetary Financing Sources:</b>									
Appropriations Used	-	(27)	12,268	351,135	-	-	-	1,342	364,718
Non-exchange Revenue	-	-	-	-	-	-	5,335	16,097	21,432
Transfers In of Spectrum									
Auction Proceeds from Federal Communications Commission	-	16,689,557	-	-	-	-	-	-	16,689,557
Transfer Out of Spectrum									
Auction Proceeds to Treasury General Fund	-	(7,363,000)	-	-	-	-	-	-	(7,363,000)
Transfers In/(Out) Without Reimbursement, Net	(2,000)	(15,000)	-	-	(3,000)	-	5,730	29,510	15,240
<b>Other Financing Sources (Non-exchange):</b>									
Imputed Financing Sources from Cost Absorbed by Others	-	-	-	-	-	981	-	-	981
Other Financing Sources/ (Uses), Net	-	(27)	-	-	-	-	-	-	(27)
<b>Total Financing Sources</b>	<b>(2,000)</b>	<b>9,311,503</b>	<b>12,268</b>	<b>351,135</b>	<b>(3,000)</b>	<b>981</b>	<b>11,065</b>	<b>46,949</b>	<b>9,728,901</b>
<b>Net Cost of Operations</b>	<b>(54,810)</b>	<b>(763,687)</b>	<b>(12,268)</b>	<b>(351,135)</b>	<b>(1,002)</b>	<b>(2,098)</b>	<b>(12,285)</b>	<b>(23,132)</b>	<b>(1,220,417)</b>
<b>Net Change</b>	<b>(56,810)</b>	<b>8,547,816</b>	<b>-</b>	<b>-</b>	<b>(4,002)</b>	<b>(1,117)</b>	<b>(1,220)</b>	<b>23,817</b>	<b>8,508,484</b>
<b>Cumulative Results of Operations - Ending Balance</b>	<b>375,794</b>	<b>9,616,912</b>	<b>-</b>	<b>-</b>	<b>29,692</b>	<b>13,115</b>	<b>36,649</b>	<b>82,879</b>	<b>10,155,041</b>
<b>Unexpended Appropriations:</b>									
Beginning Balance	-	(27)	-	-	-	-	-	489	462
<b>Budgetary Financing Sources:</b>									
Appropriations Received	-	-	4,700,000	650,000	-	-	-	-	5,350,000
Appropriations Transferred In/(Out), Net	-	-	(30,055)	(70,604)	-	-	-	5,331	(95,328)
Other Adjustments	-	-	-	-	-	-	-	1	1
Appropriations Used	-	27	(12,268)	(351,135)	-	-	-	(1,342)	(364,718)
<b>Total Budgetary Financing Sources</b>	<b>-</b>	<b>27</b>	<b>4,657,677</b>	<b>228,261</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,990</b>	<b>4,889,955</b>
<b>Unexpended Appropriations - Ending Balance</b>	<b>-</b>	<b>-</b>	<b>4,657,677</b>	<b>228,261</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,479</b>	<b>4,890,417</b>
<b>NET POSITION</b>	<b>\$ 375,794</b>	<b>\$ 9,616,912</b>	<b>\$ 4,657,677</b>	<b>\$ 228,261</b>	<b>\$ 29,692</b>	<b>\$ 13,115</b>	<b>\$ 36,649</b>	<b>\$ 87,358</b>	<b>\$ 15,045,458</b>

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

The **USPTO Earmarked Funds** consist of its Salaries and Expenses Fund, and the Patent and Trademark Surcharge Fund.

The Salaries and Expenses Fund contains monies used for the administering of the laws relevant to patents and trademarks and advising the Secretary of Commerce, the President of the United States, and the Administration on patent, trademark, and copyright protection, and trade-related aspects of intellectual property. This fund is used for USPTO's two core business activities—granting patents and registering trademarks—that promote the use of intellectual property rights as a means of achieving economic prosperity. These activities give innovators, businesses, and entrepreneurs the protection and encouragement they need to turn their creative ideas into tangible products, and also provide protection for their inventions and trademarks. Since FY 1993, the Salaries and Expenses Fund has been funded primarily by the collection of fees for patent and trademark services. The USPTO may use monies from this fund only as authorized by Congress via appropriations.

The Patent and Trademark Surcharge Fund, a Special Fund Receipt Account at Treasury, is discussed in Note 18, *Combined Statements of Budgetary Resources*. The 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, 2010, \$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 Section 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 will be 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 **Digital-to-Analog Converter Box Program - Recovery Act** includes funds from the Recovery Act that allowed NTIA to issue coupons to households to ensure vulnerable populations were prepared for the transition from analog-to-digital television transmission.

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.

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 **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. Natural Resources.

**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 2010 and FY 2009 are as follows:

	FY 2010	FY 2009
<b><i>Resources Used to Finance Activities:</i></b>		
<b>Budgetary Resources Obligated</b>		
Obligations Incurred	\$ 22,405,811	\$ 15,409,814
Less: Spending Authority From Offsetting Collections and Recoveries	(4,280,000)	(3,795,302)
Obligations Net of Offsetting Collections and Recoveries	18,125,811	11,614,512
Less: Distributed Offsetting (Receipts)/Outlays, Net	(28,541)	(101,324)
Net Obligations	18,097,270	11,513,188
<b>Other Resources</b>		
Donations and Forfeitures of Property	461	55
Transfers In/(Out) Without Reimbursement, Net	(4,804)	4,254
Imputed Financing From Cost Absorbed by Others	346,772	235,744
Downward Subsidy Reestimates Payable to Treasury	(8,087)	(3,509)
Other Financing Sources/(Uses), Net	18	1,365
Net Other Resources Used to Finance Activities	334,360	237,909
<b>Total Resources Used to Finance Activities</b>	<b>18,431,630</b>	<b>11,751,097</b>
<b><i>Resources Used to Finance Items Not Part of Net Cost of Operations:</i></b>		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	(4,489,923)	(1,225,950)
Resources that Fund Expenses Recognized in Prior Periods	(6,255)	(67,368)
Budgetary Obligation for Downward Subsidy Reestimates Payable to Treasury	(6,190)	(20,653)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations:		
Distributed Offsetting (Receipts)/Outlays, Net (excludes Clearing Accounts' Gross Costs)	28,541	101,324
Credit Program Collections which Increase Loan Guarantee Liabilities or Allowance for Subsidy Cost	71,812	26,908
Budgetary Financing Sources/(Uses), Net	8,272	8,695
Resources that Finance the Acquisition of Assets	(1,433,050)	(1,087,927)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations:		
Change in Unfilled Customer Orders	202,311	(129,746)
Donations and Forfeitures of Property	(461)	(55)
Transfers In/(Out) Without Reimbursement, Net	4,804	(4,254)
Downward Subsidy Reestimates Payable to Treasury	8,087	3,509
Other Financing Sources/(Uses), Net	(18)	(1,365)
Other	-	(15,002)
<b>Total Resources Used to Finance Items Not Part of Net Cost of Operations</b>	<b>(5,612,070)</b>	<b>(2,411,884)</b>
<b>Total Resources Used to Finance Net Cost of Operations</b>	<b>12,819,560</b>	<b>9,339,213</b>

***Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period:***

(continued)

	FY 2010	FY 2009
<b>Components Requiring or Generating Resources in Future Periods</b>		
Increase in Accrued Annual Leave Liability	11,373	19,665
Increase in Federal Employee Benefits	81,601	20,871
Increase (Decrease) in Contingent Liabilities	(1,807)	(15,267)
Reestimates of Credit Subsidy Expense	(2,857)	2,045
Other	11,223	5,363
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	99,533	32,677
<b>Components Not Requiring or Generating Resources</b>		
Depreciation and Amortization	524,296	400,474
NOAA Impairment of Construction-in-progress (Note 16)	107,518	-
NOAA Issuances of Materials and Supplies	29,325	22,768
Census Bureau Issuances of Materials and Supplies	37,383	5,027
Revaluation of Assets or Liabilities	40,871	27,062
Other	5,594	(482)
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	744,987	454,849
<b>Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period</b>	<b>844,520</b>	<b>487,526</b>
<b>NET COST OF OPERATIONS</b>	<b>\$ 13,664,080</b>	<b>\$ 9,826,739</b>

**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 discrete areas as National Marine Sanctuaries. These protected waters provide a secure habitat for species close to extinction, and also protect historically significant shipwrecks and prehistoric artifacts. The sanctuaries are also used for recreational diving and sport fishing, and support valuable commercial industries such as fishing and kelp harvesting. As of September 30, 2010, 13 National Marine Sanctuaries, which include near-shore coral reefs and open ocean, 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.

**Papahānaumokuākea Marine National Monument:** The majority of all coral reef habitats located in U.S. waters surround the Northwestern Hawaiian Islands (NWHI). The NWHI Coral Reef Ecosystem Reserve is the nation's largest marine protected area, and was established by Executive Orders in December 2000 and January 2001, in accordance with the National Marine Sanctuaries Amendments Act of 2000. On June 15, 2006, the President created the world's second largest marine conservation area off the coast of the northern Hawaiian Islands. This conservation area, designated the Northwestern Papahānaumokuākea Marine National Monument, 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 Monument is managed by NOAA, with the Department of the Interior, and the State of Hawaii.

**Rose Atoll Marine National Monument:** On January 6, 2009, President Bush designated Rose Atoll in American Samoa a 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 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 scoping to consider designation as a 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 95,000 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 has primary management responsibility for the monument while NOAA has primary management responsibility with respect to fishery-regulated activities regulated pursuant to the Magnuson-Stevens Fishery Conservation and Management Act and any other applicable authorities. An advisory council for the Monument will be established in 2011. NOAA is progressing with fisheries management strategies, and, in 2011, will begin scoping for management plan development, along 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 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.

NOAA has primary responsibility for management of the monument seaward of the area 12 nautical miles of the mean low water lines of Wake, Baker, Howland, and Jarvis Islands, Johnston Atoll, Kingman Reef, and Palmyra Atoll, with respect to fishery-related activities regulated pursuant to the Magnuson-Stevens Fishery Conservation and Management Act and any other applicable legal authorities. NOAA is progressing with fisheries management strategies, and additional management strategies will be developed in coming years, in cooperation with the Department of the Interior's Fish and Wildlife Service.

**Aleutian Islands Habitat Conservation Area:** On July 28, 2006, NOAA Fisheries Service 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 will be finalized in 2011. The 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 has 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;
- 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.

The Marine Mammal Stranding Network Building was replaced, after the existing structure was not usable after damage caused by Hurricane Ike. The Sea Water System now includes new electrical lines and pump housing.

**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. During 2010, investments were made to improve energy efficiency during active operational periods and to allow the building to be winterized and secured during periods when the building is not occupied.

**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. While the facility remains largely unused at this time, except for occasional storage needs, NMFS will continue to maintain the facility, and plans to retain it to accommodate its expanding mission needs on St. Paul Island. This building experienced a severe freeze-up and flooding due to broken pipes. NOAA Fisheries has invested resources to clean up the damage and abate hazardous materials contained in the building, including asbestos, lead-based paint, PCB's, and mercury. This work is expected to be completed during the first quarter of FY 2011.

**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, part of NOAA's mission. The aquarium houses 16 permanent exhibition tanks and approximately 12 freestanding aquaria and touch tanks holding more than 140 species of fish and invertebrates. 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.

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 Bernoulli, Daniel Defoe, and Pierre Bouguer, 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 completed a review of the NOAA National Climatic Data Center in FY 2010 and has concluded that many items previously reported as separate items belong in an existing heritage assets collection. This resulted in a significant decrease in collection-type heritage assets.

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 Division (ISD) 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 ISD 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.

ISD 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 and it has been in the agency's possession since. 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, and it has been in the agency's possession since. 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, and it has been in the agency's possession since. 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, and it has been in the Census Bureau's possession since new. 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 and it has been in the agency's possession since. 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 policy 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, 2009	FY 2010 Additions	FY 2010 Withdrawals	Quantity of Items Held September 30, 2010
NOAA Central Library:					
Circulating Collection	Books, journals, and other publications	1	N/A	-	1
Rare Book Room Collection	Books and publications	1	N/A	-	1
Weather Bureau Collection	Publications	1	N/A	1 <sup>(a)</sup>	-
Collection of Coast and Geodetic Survey Materials from 1807 to 1970	Publications acquired or issued by the Coast and Geodetic Survey from 1807 to 1970	1	N/A	1 <sup>(a)</sup>	-
Collection of photographs and motion pictures	Photographs and motion pictures	1	N/A	-	1
Other	Artifacts, documents, and other items	56	1	-	57
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	5,113	11	4,254	870
NOAA Others	Artifacts, artwork, books, films, instruments, maps, and records	3,732	73	17	3,788
NIST Artifacts and Scientific Measures	National Bureau of Standards (NBS)/NIST scientific instruments, equipment, and objects	343	-	-	343
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	19	3	-	22
<b>Total</b>		<b>115,715</b>	<b>88</b>	<b>4,273</b>	<b>111,530</b>
N/A - Not applicable; effective FY 2009, this category is reported as one collection.					
(a) Collection merged into Rare Book Room Collection.					

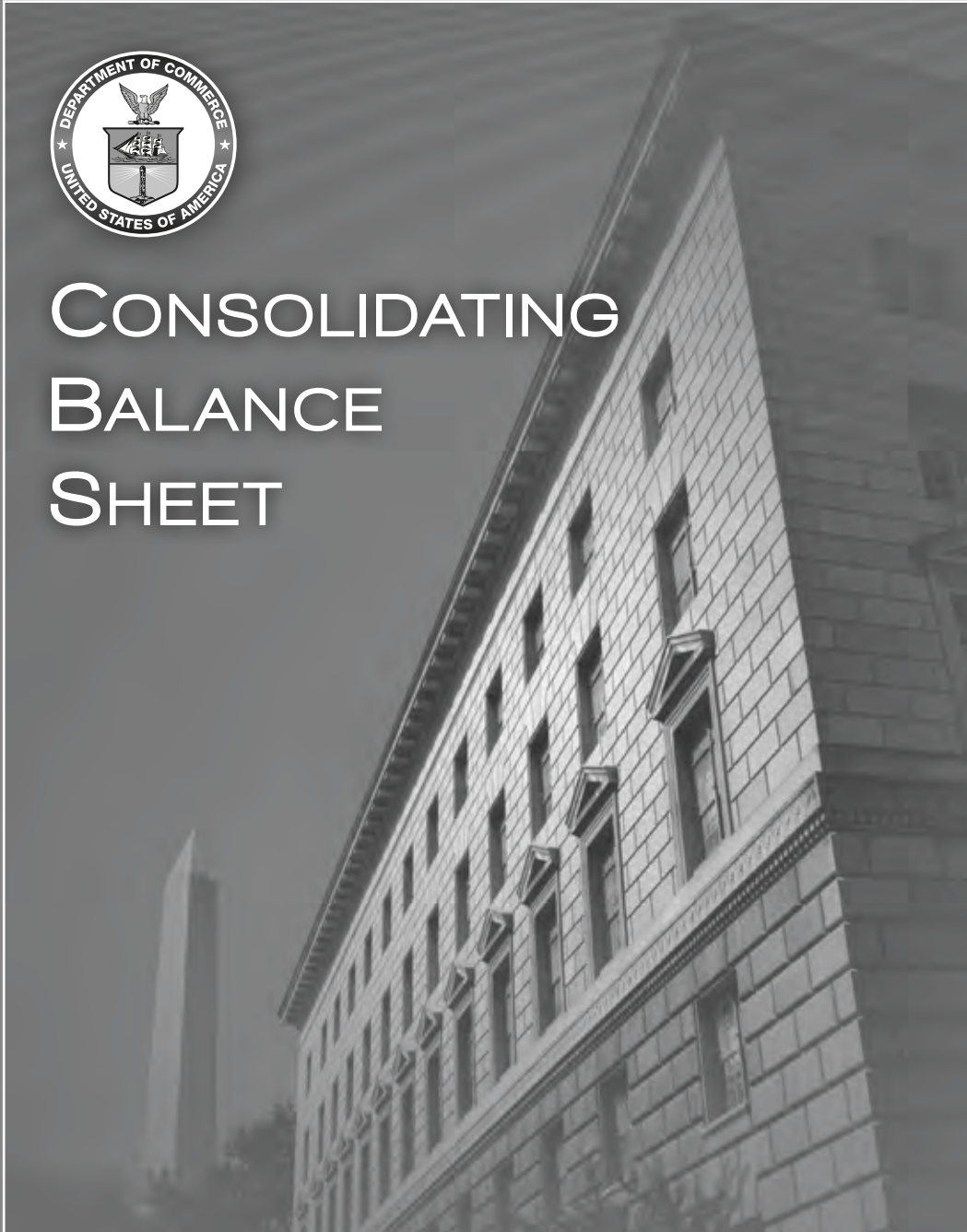
Additional information on the condition of the above Heritage Assets is presented in the Required Supplementary Information section.



# FINANCIAL SECTION



## CONSOLIDATING BALANCE SHEET





# United States Department of Commerce Consolidating Balance Sheet As of September 30, 2010 *(In Thousands)*

	Consolidating Total	Intra- Departmental Eliminations	BUS	Census Bureau	DM/G&B	DM/S&E	DM/WCF	EDA	ELGP	ESA/B&A	Franchise Fund	HCHB	ITA	MBDA	NIPC	NIST	NOAA	NTIA	NTIS	OIG	USPTO
<b>ASSETS</b>																					
<b>Intergovernmental:</b>																					
Fund Balance with Treasury	\$ 25,785,547	\$ -	\$ 31,433	\$ 3,116,374	\$ 2,104	\$ 24,513	\$ 43,081	\$1,471,675	\$ 49,058	\$ 15,033	\$ 3,397	\$ 22,456	\$ 115,919	\$ 14,408	\$ 218	\$1,418,149	\$ 4,254,493	\$13,713,515	\$30,446	\$ 22,843	\$1,436,432
Accounts Receivable - Net	84,479	(15,877)	411	11,858	-	6,398	52	447	-	-	-	-	2,313	-	-	4,921	70,395	183	2,111	659	608
Other - Advances and Prepayments	400,042	(80,625)	1,220	31,826	-	3,641	2,590	805	-	1,554	315	-	6,617	640	-	12,866	253,480	161,239	325	561	2,988
<b>Total Intergovernmental</b>	26,270,068	(96,502)	33,064	3,160,058	2,104	34,552	45,723	1,472,927	49,058	16,587	3,712	22,456	124,849	15,048	218	\$1,435,936	4,578,368	\$13,874,937	32,882	24,063	1,440,028
Cash	3,616	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	393	-	23	-	3,200
Accounts Receivable - Net	70,780	-	10,092	2,620	-	6	11	5	-	9	-	-	124	138	-	6,433	50,787	13	392	-	150
Direct Loans and Loan Guarantees - Net	540,147	-	-	-	-	-	-	17,117	-	-	-	-	-	-	-	-	523,030	-	-	-	-
Inventory, Materials, and Supplies, Net	98,326	-	-	167	-	-	3	-	-	-	-	-	-	-	-	26,865	71,261	-	30	-	-
General Property, Plant, and Equipment, Net	7,394,711	-	28	180,267	7,637	1,752	3,672	1,599	-	586	281	6,246	2,106	-	-	695,801	6,313,899	4,166	2,274	-	174,397
Other	55,122	-	-	1,152	4	2	(1)	2	-	4	(1)	-	2,789	-	-	57	34,311	1	6,623	1	10,178
<b>TOTAL ASSETS</b>	\$ 34,432,770	\$ (96,502)	\$ 43,184	\$ 3,344,264	\$ 9,745	\$ 36,312	\$ 49,408	\$1,491,650	\$ 49,058	\$17,186	\$ 3,992	\$ 28,702	\$129,868	\$ 15,186	\$ 218	\$ 2,165,092	\$11,572,049	\$13,879,117	\$42,224	\$ 24,064	\$ 1,827,953
<b>LIABILITIES</b>																					
<b>Intergovernmental:</b>																					
Accounts Payable	\$ 60,088	\$ (14,533)	\$ 1,357	\$ 8,964	\$ -	\$ 807	\$ 1,022	\$ 190	\$ -	\$ 2,736	\$ 202	\$ -	\$ 4,242	\$ 284	\$ -	\$ 3,408	\$ 36,090	\$ 2,983	\$ 7,541	\$ 63	\$ 4,732
Debt to Treasury	517,930	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	517,930	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Spectrum Auction Proceeds Liability to Federal Communications Commission	33,838	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33,838	-	-	-
Resources Payable to Treasury	18,899	-	-	-	-	-	-	17,442	-	-	-	-	-	-	-	-	1,457	-	-	-	-
Unearned Revenue	373,921	(80,625)	2,389	138,831	-	6,602	29,185	63,458	-	-	1,314	-	1,039	179	-	96,744	58,382	42,034	6,747	1,819	5,823
Other	104,344	(1,344)	9,035	27,525	-	1,274	1,453	532	-	742	4	6	3,741	624	-	7,097	37,338	780	412	272	14,853
<b>Total Intergovernmental</b>	1,109,020	(96,502)	12,781	175,320	-	8,683	31,660	81,622	-	3,478	1,550	6	9,022	1,087	-	107,249	651,197	79,635	14,700	2,154	25,408
Accounts Payable	402,605	-	2,026	147,001	-	1,129	4,501	1,311	-	894	61	225	4,476	666	-	24,883	142,472	1,242	4,703	1,633	65,382
Loan Guarantee Liabilities	565	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	565	-	-	-	-
Federal Employee Benefits	769,035	-	3,003	97,492	-	1,804	4,803	1,323	-	424	30	8	7,874	2,701	-	9,578	628,350	1,837	1,208	301	8,299
Environmental and Disposal Liabilities	54,649	-	-	-	-	-	-	-	-	-	-	-	-	-	-	48,598	6,051	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued Payroll and Annual Leave	561,154	-	5,318	92,309	-	4,946	11,160	3,818	3	7,597	138	32	30,913	991	-	45,753	181,244	6,301	1,661	3,480	165,490
Accrued Grants	766,204	-	-	-	-	-	-	487,483	-	-	-	-	2,843	3,234	-	78,639	77,462	116,543	-	-	-
Capital Lease Liabilities	9,278	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,278	-	-	-	-
Unearned Revenue	958,474	-	4,133	2,686	-	-	-	7	-	-	-	-	14,722	-	-	23,408	37,847	274	4,528	-	870,869
Other	49,181	-	79	27,055	-	1	-	512	-	(1)	-	(1)	10,696	1	-	234	10,406	(0)	-	-	200
<b>TOTAL LIABILITIES</b>	\$ 4,680,165	\$ (96,502)	\$ 27,340	\$ 541,863	\$ -	\$ 16,563	\$ 52,124	\$ 576,076	\$ 3	\$ 12,392	\$ 1,749	\$ 270	\$ 80,546	\$ 8,680	\$ -	\$ 338,342	\$1,744,872	\$ 205,831	\$ 26,800	\$ 7,568	\$ 1,135,648
<b>NET POSITION</b>																					
Unexpended Appropriations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unexpended Appropriations - Earmarked Funds	\$ 4,099,319	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,099,319	\$ -	\$ -	\$ -
Unexpended Appropriations - All Other Funds	8,782,873	-	22,112	2,407,026	-	20,630	-	918,197	49,055	8,592	-	22,194	78,649	10,256	218	1,106,825	4,081,930	40,741	-	16,448	-
Cumulative Results of Operations	-	-	-	-	-	-	-	(2,623)	-	(3,798)	2,243	6,238	(33,486)	(3,750)	-	719,925	5,801,215	(670)	-	48	-
Cumulative Results of Operations - Earmarked Funds	10,189,816	-	(6,268)	395,375	9,745	(881)	(2,716)	(2,623)	-	-	-	-	4,159	-	-	-	144,032	9,533,896	15,424	-	492,305
Cumulative Results of Operations - All Other Funds	6,680,597	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL NET POSITION</b>	\$ 29,752,605	\$ -	\$ 15,844	\$ 2,802,401	\$ 9,745	\$ 19,749	\$ (2,716)	\$ 915,574	\$ 49,055	\$ 4,794	\$ 2,243	\$ 28,432	\$ 49,322	\$ 6,506	\$ 218	\$ 1,826,750	\$ 9,827,177	\$13,673,286	\$15,424	\$ 16,496	\$ 492,305
<b>TOTAL LIABILITIES AND NET POSITION</b>	\$ 34,432,770	\$ (96,502)	\$ 43,184	\$ 3,344,264	\$ 9,745	\$ 36,312	\$ 49,408	\$1,491,650	\$ 49,058	\$17,186	\$ 3,992	\$ 28,702	\$129,868	\$ 15,186	\$ 218	\$ 2,165,092	\$11,572,049	\$13,879,117	\$42,224	\$ 24,064	\$ 1,827,953

See accompanying independent auditors' report.

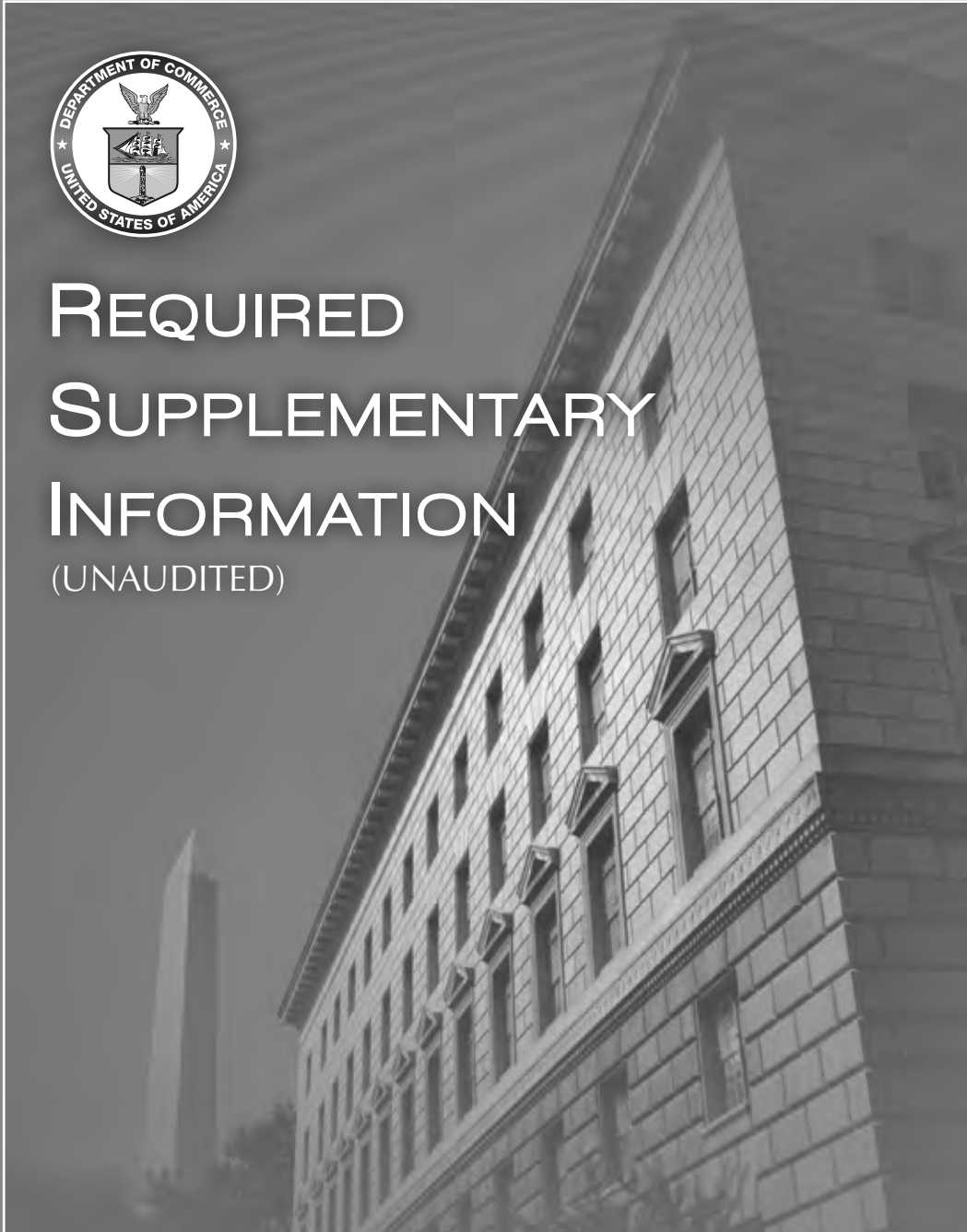




# F I N A N C I A L   S E C T I O N



## REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)





# Required Supplementary Information (unaudited)

## **A** *Deferred Maintenance*

Deferred maintenance is maintenance that was not performed when it should have been, that was scheduled and not performed, or that was delayed for a future period. Maintenance is the act of keeping property, plant, and equipment (PP&E) in acceptable operating condition and includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it can deliver acceptable performance and achieve its expected life. Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from or significantly greater than those originally intended. Critical maintenance is defined as those projects where the required maintenance 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 is not performed. The significant portions of Departmental deferred maintenance relate to the PP&E of both NOAA and NIST (see below for abbreviations). These two entities represent 95 percent of the Department's General PP&E, Net balance as of September 30, 2010.

### ***National Oceanic and Atmospheric Administration (NOAA):***

NOAA uses the Condition Assessment Survey (CAS) method to identify and quantify deferred maintenance for assets meeting NOAA's \$200 thousand capitalization threshold. The CAS method employs a periodic inspection of real property and heritage 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 for projects with estimated costs greater than \$50 thousand, as of September 30, 2010:

*(In Thousands)*

PP&E Category	Asset Condition	Estimated Cost to Return to Acceptable Condition
Buildings and Structures	4	\$ 5,486 to \$ 6,706
Heritage Assets	4, 3	11,756 to 14,369
<b>Total</b>		<b>\$ 17,242 to \$ 21,075</b>

NOAA has established a facility condition code to classify the condition of the Buildings and Structures. Each Building and Structure is assessed an individual facility condition code. The average of the individual facility condition codes determines the CAS Asset Condition. The CAS method for Buildings and Structures is based on a five-point scale, with 1 representing excellent condition; 2 – good condition; 3 – fair condition; 4 – poor condition; and 5 – very poor condition. The amounts reported represent non-critical maintenance to bring the assets to good condition. The CAS method for heritage assets is based on the same five-point scale as the Buildings and Structures. Acceptable condition is considered to be those assets rated in good or excellent condition. There is an annual call each year to the NOAA components, requesting their submissions of new projects and updates to existing unfunded projects to reflect changes in requirements or costs.

**National Institute of Standards and Technology (NIST):**

NIST also uses the CAS method to estimate deferred maintenance. NIST values the condition of assets using a five-point scale, with 1 representing excellent condition; 2 – good condition; 3 – acceptable condition; 4 – poor condition; and 5 – very poor condition. Assets that are assessed at 4 or 5 require repairs and maintenance to increase their value to 3, or acceptable condition. The following shows NIST's deferred maintenance as of September 30, 2010:

*(In Thousands)*

PP&E Category	Asset Condition	Estimated Cost to Return to Acceptable Condition
Mechanical and Electrical Devices	5	\$ 318,400 to \$ 428,200
Buildings (Internal Structures)	4	25,300 to 34,200
Buildings (External Structures)	4	44,400 to 55,700
<b>Total</b>		<b>\$ 388,100 to \$ 518,100</b>

**B 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:** These protected waters provide a secure habitat for species close to extinction, and also protect historically significant shipwrecks and prehistoric artifacts. Each of the 13 individual sanctuary sites, which include near-shore coral reefs and open ocean, conducts research and monitoring activities to characterize existing resources and document changes. The waters and resources of the National Marine Sanctuaries are generally in good condition, though some specific resources (e.g. certain coral reefs, some commercial and recreational fisheries, and some benthic habitats) are threatened.

**Papahānaumokuākea 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 the Monument does face emerging threats.

**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.

**Marianas Trench Marine National Monument:** The Marianas Trench Marine National Monument consists of approximately 95,000 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.

### **Collection-type Heritage Assets**

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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 Division (ISD) maintains the historical archives, rare book collection, and oversees the oral history program. The historical collection contains titles that are considered "classics" of historical scientific interest, books by prominent contemporary scientists, 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 these books are generally fair. The photos and manuscripts

maintained include images 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 Enumerators Badge, Steel Hand Bander, Unisys Tape and Reel, Film Optical Sensing Device, 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.

#### ***Ⓓ Schedule of Budgetary Resources by Major Budget Account***

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The following table illustrates the Department's FY 2010 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, 2010 (In Thousands)

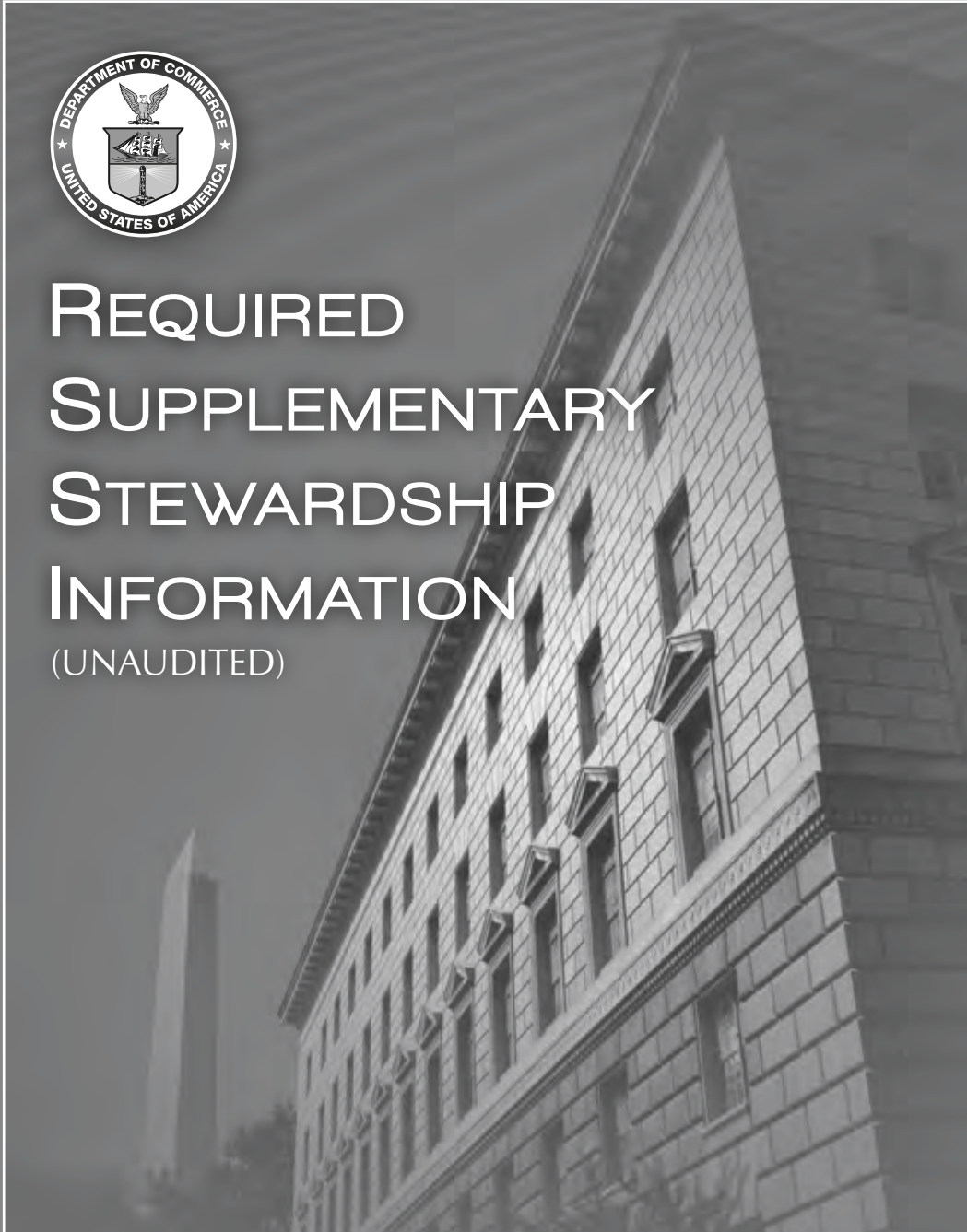
	NOAA Operations, Research, and Facilities	USPTO Salaries Expenses	NOAA Procurement, Acquisition, and Construction	NTIA Digital Television Transition and Public Safety Fund	ITA Operations Administration	Census Bureau Periodic Censuses and Programs	EDA Grant Fund	Census Bureau Periodic Censuses and Programs - Recovery Act	NTIA Broadband Technology Program - Recovery Act	NTIA Digital- to-Analog Converter Box Program - Recovery Act	NOAA Procurement, Acquisition, and Construction - Recovery Act	Other Programs
<b>BUDGETARY RESOURCES:</b>												
Unobligated Balance, Brought Forward, October 1	\$ 16,595,856	\$ 168,805	\$ 118,692	\$ 8,696,735	\$ 11,200	\$ 28,896	\$ 353,040	\$ 899,562	\$ 4,592,703	\$ 161,054	\$ 280,199	\$ 1,179,441
Adjustments to Unobligated Balance, Brought Forward	-	-	-	-	-	-	-	-	-	-	-	-
Recoveries of Prior-years Unpaid Obligations	240,438	21,108	19,796	2,575	9,060	10,327	30,793	2,947	141	85,806	-	51,730
<b>Budget Authority</b>												
Appropriations	14,322,512	3,382,294	-	196,613	446,766	6,965,707	309,000	-	-	-	-	1,663,779
Borrowing Authority	78,375	-	-	-	-	-	-	-	-	-	-	78,375
Spending Authority From Offsetting Collections	-	-	-	-	-	-	-	-	-	-	-	-
Earned	-	-	-	-	-	-	-	-	-	-	-	-
Collected	3,796,640	238,310	2,101,227	21	20,287	1,317	18,050	679	459	-	-	1,416,051
Change in Receivables	37,895	39,357	248	-	(1,803)	-	-	-	(235)	-	-	328
Change in Unfilled Customer Orders	-	-	-	-	-	-	-	-	-	-	-	-
Advances Received	8,453	(10,151)	(25,788)	-	570	-	(6,770)	-	-	-	-	50,592
Without Advances	193,858	123,109	-	-	7,151	-	-	-	-	-	-	63,598
Anticipated for Rest of Year, Without Advances	-	-	-	-	-	-	-	-	-	-	-	-
Previously Unavailable	2,716	-	-	-	-	-	-	-	-	-	-	2,716
<b>Total Budget Authority</b>	<b>18,440,449</b>	<b>3,772,919</b>	<b>2,075,687</b>	<b>196,634</b>	<b>472,971</b>	<b>6,967,024</b>	<b>320,280</b>	<b>679</b>	<b>224</b>	<b>-</b>	<b>-</b>	<b>3,275,439</b>
Nonexpenditure Transfers, Net	140,391	109,038	-	-	4,990	-	(1,882)	-	-	-	-	29,603
Temporarily Not Available Pursuant to Public Law	(52,543)	-	(52,543)	-	-	-	-	-	-	-	-	-
Permanently Not Available	(802,255)	(19,701)	-	(1)	(522)	(131,152)	1	-	(302,000)	(239,500)	-	(83,380)
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 34,562,336</b>	<b>\$ 4,052,169</b>	<b>\$ 2,161,632</b>	<b>\$ 8,895,943</b>	<b>\$ 497,699</b>	<b>\$ 6,875,095</b>	<b>\$ 702,232</b>	<b>\$ 903,188</b>	<b>\$ 4,291,068</b>	<b>\$ 7,360</b>	<b>\$ 280,199</b>	<b>\$ 4,452,833</b>
<b>STATUS OF BUDGETARY RESOURCES:</b>												
Obligations Incurred	\$ 18,982,517	\$ 3,460,737	\$ -	\$ 54,059	\$ 458,200	\$ 5,012,516	\$ 630,800	\$ 903,185	\$ 4,288,050	\$ 1,258	\$ 279,217	\$ 2,501,784
Direct	3,423,294	379,109	-	-	19,131	-	9,917	-	-	-	-	1,076,179
Reimbursable	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Obligations Incurred</b>	<b>22,405,811</b>	<b>3,839,846</b>	<b>1,938,958</b>	<b>54,059</b>	<b>477,331</b>	<b>5,012,516</b>	<b>640,717</b>	<b>903,185</b>	<b>4,288,050</b>	<b>1,258</b>	<b>279,217</b>	<b>3,577,963</b>
Unobligated Balance	-	-	-	-	-	-	-	-	-	-	-	-
Appropriated	2,651,510	160,436	222,674	97,381	12,561	1,850,183	61,515	3	3,018	6,102	982	203,000
Exempt From Apportionment	577,107	-	-	-	-	-	-	-	-	-	-	577,107
<b>Total Unobligated Balance</b>	<b>3,228,617</b>	<b>160,436</b>	<b>222,674</b>	<b>97,381</b>	<b>12,561</b>	<b>1,850,183</b>	<b>61,515</b>	<b>3</b>	<b>3,018</b>	<b>6,102</b>	<b>982</b>	<b>780,107</b>
Unobligated Balance Net Available	8,927,908	51,887	-	8,744,503	7,807	12,396	-	-	-	-	-	94,763
<b>TOTAL STATUS OF BUDGETARY RESOURCES</b>	<b>\$ 34,562,336</b>	<b>\$ 4,052,169</b>	<b>\$ 2,161,632</b>	<b>\$ 8,895,943</b>	<b>\$ 497,699</b>	<b>\$ 6,875,095</b>	<b>\$ 702,232</b>	<b>\$ 903,188</b>	<b>\$ 4,291,068</b>	<b>\$ 7,360</b>	<b>\$ 280,199</b>	<b>\$ 4,452,833</b>
<b>CHANGE IN UNPAID OBLIGATED BALANCE, NET:</b>												
Unpaid Obligated Balance, Net, Brought Forward, October 1	\$ 8,334,646	\$ 2,028,825	\$ 331,249	\$ 533,392	\$ 89,218	\$ 872,166	\$ 967,153	\$ 77,063	\$ 4,945	\$ 101,389	\$ 176,754	\$ 2,041,358
Unpaid Obligations, Brought Forward	(292,365)	(206,975)	525	-	(9,324)	-	-	-	(235)	-	-	(76,356)
Less: Uncollected Customer Payments, Brought Forward	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Unpaid Obligated Balance, Net, Brought Forward</b>	<b>8,042,281</b>	<b>1,821,850</b>	<b>331,774</b>	<b>533,392</b>	<b>79,894</b>	<b>872,166</b>	<b>967,153</b>	<b>77,063</b>	<b>4,710</b>	<b>101,389</b>	<b>176,754</b>	<b>1,965,002</b>
Obligations Incurred	22,405,811	3,839,846	1,938,958	54,059	477,331	5,012,516	640,717	903,185	4,288,050	1,258	279,217	3,577,963
Less: Gross Outlays	(17,098,925)	(3,570,825)	(1,953,366)	(30,608)	(467,635)	(5,228,711)	(292,513)	(942,187)	(123,720)	(16,624)	(124,306)	(3,114,320)
Less: Actual Recoveries of Prior-years Unpaid Obligations	(240,438)	(21,108)	(19,796)	(2,575)	(9,060)	(10,327)	(30,793)	(2,947)	(141)	(85,806)	-	(51,730)
Change in Uncollected Customer Payments	(231,753)	(162,466)	(248)	(5,348)	(5,348)	-	-	-	235	-	-	(63,926)
<b>TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD</b>	<b>\$ 12,876,976</b>	<b>\$ 1,907,297</b>	<b>\$ 297,322</b>	<b>\$ 554,268</b>	<b>\$ 75,182</b>	<b>\$ 645,644</b>	<b>\$ 1,284,564</b>	<b>\$ 35,114</b>	<b>\$ 4,169,134</b>	<b>\$ 217</b>	<b>\$ 331,665</b>	<b>\$ 2,312,989</b>
Unpaid Obligated Balance, Net, End of Period	\$ 13,401,094	\$ 2,276,738	\$ 297,045	\$ 554,268	\$ 89,854	\$ 645,644	\$ 1,284,564	\$ 35,114	\$ 4,169,134	\$ 217	\$ 331,665	\$ 2,453,271
Unpaid Obligations	(524,118)	(369,441)	277	-	(14,672)	-	-	-	-	-	-	(140,282)
Less: Uncollected Customer Payments	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD</b>	<b>\$ 12,876,976</b>	<b>\$ 1,907,297</b>	<b>\$ 297,322</b>	<b>\$ 554,268</b>	<b>\$ 75,182</b>	<b>\$ 645,644</b>	<b>\$ 1,284,564</b>	<b>\$ 35,114</b>	<b>\$ 4,169,134</b>	<b>\$ 217</b>	<b>\$ 331,665</b>	<b>\$ 2,312,989</b>
<b>NET OUTLAYS:</b>												
Gross Outlays	\$ 17,098,925	\$ 3,570,825	\$ 1,953,366	\$ 30,608	\$ 467,635	\$ 5,228,711	\$ 292,513	\$ 942,187	\$ 123,720	\$ 16,624	\$ 124,306	\$ 3,114,320
Less: Offsetting Collections	(3,805,093)	(228,159)	(2,075,439)	(21)	(20,857)	(1,317)	(11,280)	(679)	(459)	-	-	(1,466,643)
Less: Distributed Offsetting (Receipts)/Outlays, Net	(28,541)	-	-	-	-	-	-	-	-	-	-	(28,541)
<b>NET OUTLAYS</b>	<b>\$ 13,265,291</b>	<b>\$ 3,342,666</b>	<b>\$ (122,073)</b>	<b>\$ 30,587</b>	<b>\$ 446,778</b>	<b>\$ 5,227,394</b>	<b>\$ 281,233</b>	<b>\$ 941,508</b>	<b>\$ 123,261</b>	<b>\$ 16,624</b>	<b>\$ 124,306</b>	<b>\$ 1,619,136</b>



# FINANCIAL SECTION



## REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)





# Required Supplementary Stewardship Information (unaudited)

## ***Stewardship Investments***

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Stewardship investments are substantial investments made by the federal government for the benefit of the nation, but are not physical assets owned by the federal government. Though treated as expenses when incurred to determine the Department's Net Cost of Operations, these items merit special treatment so that users of federal financial reports know the extent of investments that are made for the long-term benefit of the nation.

### ***Investments in Non-federal Physical Property:***

Non-federal physical property investments are expenses included in the Department's Net Cost of Operations for the purchase, construction, or major renovation of physical property owned by state and local governments. Based on a review of the Department's programs, NOAA and EDA have significant investments in non-federal physical property.

#### **NOAA:**

**National Estuarine Research Reserves (NERR):** The NERR system consists of 27 estuarine reserves protected by federal, state, and local partnerships that work to preserve and protect the nation's estuaries. The NERR system helps to fulfill NOAA's stewardship mission to sustain healthy coasts by improving the nation's understanding and stewardship of estuaries. Estuarine reserves are the areas where freshwater from rivers meet the ocean. These areas are known as bays, swamps, sloughs, and sounds. These important coastal habitats are used as spawning grounds and nurseries for the nation's commercial fish and shellfish. Estuaries filter much of the polluted runoff from rivers and streams that would otherwise contaminate oceans. The reserves were created with the passage of the Coastal Zone Management Act of 1972, and, as of September 30, 2010, encompassed approximately 1.3 million acres of estuarine waters, wetlands, and uplands. The newest reserve, Mission-Aransas, TX, was designated on May 3, 2006. NERRs are state-operated and managed in cooperation with NOAA. 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 176 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 2006 through FY 2010 were as follows:

*(In Millions)*

Program	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	Total
National Estuarine Research Reserves	\$ 6.8	\$ 11.6	\$ 11.8	\$ 11.7	\$ 14.7	\$ 56.6
Coastal and Estuarine Land Conservation Program	18.5	34.7	28.1	21.6	32.4	135.3
<b>Total</b>	<b>\$ 25.3</b>	<b>\$ 46.3</b>	<b>\$ 39.9</b>	<b>\$ 33.3</b>	<b>\$ 47.1</b>	<b>\$ 191.9</b>

**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 2006 through FY 2010 were as follows:

(In Millions)

Program	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	Total
Public Works	\$ 180.1	\$ 155.5	\$ 133.5	\$ 139.9	\$ 175.8	\$ 784.8
Economic and Defense Adjustments	53.1	53.5	60.0	68.6	61.4	296.6
Global Climate Change Mitigation Incentive Fund	-	-	-	0.2	32.4	32.6
Disaster Recovery	24.2	4.4	1.8	6.3	5.5	42.2
<b>Total</b>	<b>\$ 257.4</b>	<b>\$ 213.4</b>	<b>\$ 195.3</b>	<b>\$ 215.0</b>	<b>\$ 275.1</b>	<b>\$ 1,156.2</b>

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. There is also a Graduate Fellowship Program for Ph.D. candidates in the specialized areas of population dynamics and marine resource economics. Participants in this program can receive up to three years of funding.

**National Estuarine Research Reserve Program:** This program supports activities designed to increase public awareness of estuary issues, provide information to improve management decisions in estuarine areas, and train graduate students in estuarine science. The National Estuarine Research Reserve System's Graduate Research Fellowship (GRF) Program offers qualified masters and doctoral students the opportunity to address scientific questions of local, regional, and national significance. The result is high-quality research focused on improving coastal management issues. All GRF projects must be conducted in a National Estuarine Research Reserve and enhance the scientific understanding of the reserve's ecosystem. The program awarded 53 fellowships in FY 2009. In FY 2010, 50 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.

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-related fields to pursue research and educational training in atmospheric, environmental, remote sensing, and oceanic sciences at MSIs when possible. The GSP offers between two years (master's candidates) to four years (doctoral students) of NOAA-related research and training opportunities. The GSP provides college graduates entry-level employment and hands-on research and work experience at NOAA. Nine students were selected to participate in the GSP in FY 2009. The program added six students in FY 2010.

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. 10 students started the program in FY 2009. The program added 10 students in FY 2010.

**Ernest F. Hollings Undergraduate Scholarship Program:** This program was established in 2005 to (1) increase undergraduate training in oceanic and atmospheric science, research, technology, and education, and foster multidisciplinary training opportunities; (2) increase public understanding and support for stewardship of the ocean and atmosphere and improve environmental literacy; (3) recruit and prepare students for public service careers with NOAA and other agencies at the federal, state, and local levels of government; and (4) recruit and prepare students for careers as teachers and educators in oceanic and atmospheric science and to improve scientific and environmental education in the U.S. There were 112 students that started the program in 2008. 122 students started the program in FY 2009. The program added 139 students in FY 2010.

The Educational Partnership Program and the Ernest F. Hollings Undergraduate Scholarship Program are both administered by the NOAA Office of Education. As a result of the Deepwater Horizon oil spill, the impact suffered by the Office of Education's scholarship programs was due to a lack of NOAA mentors in the various labs and offices across NOAA. Many of NOAA's scientists were called to the Gulf region during the summer which was the same time the scholarship recipients started their internships. Some internships were cancelled and the students were reassigned new mentors and some interns were able to work on samples/data retrieved from the Gulf. The oil spill provided a different type of learning opportunity for some of our students which has significantly affected their career paths and choices. The students' involvement included analyzing samples/data, caring for displaced fowl, and contemplating solutions for the clean-up.

**Southeast Fisheries Science Center's Recruiting Training Research Program:** This is a joint program between NMFS and Virginia Tech to: (1) recruit top undergraduates into the field of fisheries population dynamics and careers with NMFS; (2) train graduate students; and (3) 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 both 2009 and 2010, 15 undergraduate students from across the country participated in a week-long undergraduate workshop, 8 students participated in a six-week summer program, and 3 M.S. students were supported by the program at Virginia Tech. In 2011, the program is expected to operate at a similar scale.

The following table summarizes NOAA's investments in human capital for FY 2006 through FY 2010:

(In Millions)

Program	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	Total
National Sea Grant College Program	\$ 0.7	\$ 0.5	\$ 0.5	\$ 0.7	\$ 0.9	\$ 3.3
National Estuarine Research Reserve Program	0.9	0.8	0.8	1.0	1.3	4.8
Educational Partnership Program	13.9	14.2	12.8	15.0	14.3	70.2
Ernest F. Hollings Undergraduate Scholarship Program	3.8	4.1	3.6	3.6	4.6	19.7
Southeast Fisheries Science Center's Recruiting Training Research Program	<sup>1</sup>	<sup>1</sup>	<sup>1</sup>	0.4	0.5	0.9
<b>Total</b>	<b>\$ 19.3</b>	<b>\$ 19.6</b>	<b>\$ 17.7</b>	<b>\$ 20.7</b>	<b>\$ 21.6</b>	<b>\$ 98.9</b>
<sup>1</sup> Not applicable						

The following table further summarizes NOAA's human capital investments for FY 2006 to FY 2010 by performance goal:

(In Millions)

Performance Outcome	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Protect, Restore, and Manage the Use of Coastal and Ocean Resources	\$ 19.3	\$ 19.6	\$ 17.7	\$ 20.7	\$ 21.6

***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:**

NIST Laboratories have been the stewards of the nation's measurement infrastructure since their inception in 1901 as the National Bureau of Standards. NIST Laboratories foster scientific and technological leadership by helping the U.S. to drive and take advantage of the increased pace of technological change, fostering more efficient transactions in the domestic and global marketplace, and addressing other critical needs assigned to NIST by the Administration and Congress. In support of the President's Plan for Science and Innovation, NIST develops and disseminates measurement techniques, reference data, test methods, standards, and other infrastructural technologies and services required by U.S. industry, government, and academia to compete in the 21st century. NIST laboratories promote innovation, facilitate trade, and ensure public safety and security by strengthening the nation's measurement and standards infrastructure.

The American Recovery and Reinvestment Act of 2009 included \$250 million (including transfers from the Department of Health and Human Services and Department of Energy) in funding for NIST laboratory research, measurements, and other services supporting economic growth and U.S. innovation through funding of such items as competitive grants, research fellowships, advanced measurement equipment and supplies, standards-related research that supports the security and interoperability of electronic medical records to reduce health care costs and improve the quality of care, and development of a comprehensive framework for a nationwide, fully interoperable smart grid for the U.S. electric power system. This funding will result in additional R&D investments for the NIST Laboratories Program.

**Advanced Technology Program (ATP)/Technology Innovation Program (TIP):**

ATP is a cost-shared funding program for businesses that was intended to develop new technologies for commercial use. ATP was abolished by the America COMPETES Act, which was signed into law by President Bush on August 9, 2007. This same Act established TIP, which supports, promotes, and accelerates innovation in the United States by offering cost-shared funding for high-risk, high-reward research in areas of critical national need.

Critical national need areas in TIP are those for which government attention is demanded because the magnitude of the problem is large and the societal challenges that need to be overcome are not being addressed. TIP was explicitly established within NIST to assist U.S. small- and medium-size businesses, institutes of higher education, national laboratories, and non-profit research organizations to conduct high-risk, high-reward research that has the potential for yielding transformational results with wide-reaching implications, and that is within NIST's areas of technical competence. The America COMPETES Act statute allows for continued support for previously awarded ATP projects and new TIP awards.

**REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)**

The following table summarizes NIST's R&D investments for FY 2006 through FY 2010 by R&D Category:

*(In Millions)*

	NIST Laboratories					Advanced Technology Program/ Technology Innovation Program					Total				
R&D Category	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Basic Research	\$ 85.2	\$ 110.7	\$ 132.8	\$ 144.9	\$ 162.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85.2	\$ 110.7	\$ 132.8	\$ 144.9	\$ 162.0
Applied Research	345.8	345.3	381.0	378.5	395.9	58.0	31.0	23.2	25.0	26.2	403.8	376.3	404.2	403.5	422.1
Development	16.7	15.3	14.4	15.4	15.3	58.0	30.9	23.2	25.1	26.2	74.7	46.2	37.6	40.5	41.5
<b>Total</b>	<b>\$ 447.7</b>	<b>\$ 471.3</b>	<b>\$ 528.2</b>	<b>\$ 538.8</b>	<b>\$ 573.2</b>	<b>\$ 116.0</b>	<b>\$ 61.9</b>	<b>\$ 46.4</b>	<b>\$ 50.1</b>	<b>\$ 52.4</b>	<b>\$ 563.7</b>	<b>\$ 533.2</b>	<b>\$ 574.6</b>	<b>\$ 588.9</b>	<b>\$ 625.6</b>

The following tables further summarize NIST's R&D investments for FY 2006 through FY 2010 by performance outcome.

*(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
<b>Total</b>	<b>\$ 162.0</b>	<b>\$ 422.1</b>	<b>\$ 41.5</b>	<b>\$ 625.6</b>

*(In Millions)*

FY 2009 <sup>1</sup>				
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
<b>Total</b>	<b>\$ 144.9</b>	<b>\$ 403.5</b>	<b>\$ 40.5</b>	<b>\$ 588.9</b>

(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
<b>Total</b>	<b>\$ 132.8</b>	<b>\$ 404.2</b>	<b>\$ 37.6</b>	<b>\$ 574.6</b>

(In Millions)

FY 2007				
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	\$ 110.7	\$ 345.3	\$ 15.3	\$ 471.3
Advanced Technology Program: Accelerate Private Investment in and Development of High-risk, Broad-impact Technologies	-	31.0	30.9	61.9
<b>Total</b>	<b>\$ 110.7</b>	<b>\$ 376.3</b>	<b>\$ 46.2</b>	<b>\$ 533.2</b>

(In Millions)

FY 2006				
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	\$ 85.2	\$ 345.8	\$ 16.7	\$ 447.7
Advanced Technology Program: Accelerate Private Investment in and Development of High-risk, Broad-impact Technologies	-	58.0	58.0	116.0
<b>Total</b>	<b>\$ 85.2</b>	<b>\$ 403.8</b>	<b>\$ 74.7</b>	<b>\$ 563.7</b>

#### 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;

- 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 2006 through FY 2010 were as follows:

*(In Millions)*

Program	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	Total
Environmental and Climate	\$ 324.2	\$ 289.3	\$ 331.2	\$ 337.0	\$ 344.1	\$ 1,625.8
Fisheries	56.3	49.3	53.6	55.7	59.9	274.8
Marine Operations and Maintenance and Aircraft Services	50.7	51.1	51.5	38.4	34.3	226.0
Weather Service	15.1	40.8	56.7	58.4	53.9	224.9
Others	124.1	120.2	111.1	103.8	102.0	561.2
<b>Total</b>	<b>\$ 570.4</b>	<b>\$ 550.7</b>	<b>\$ 604.1</b>	<b>\$ 593.3</b>	<b>\$ 594.2</b>	<b>\$ 2,912.7</b>

The following table summarizes NOAA's R&D investments for FY 2006 through FY 2010 by R&D category:

*(In Millions)*

R&D Category	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	Total
Applied Research	\$ 523.1	\$ 475.7	\$ 517.6	\$ 491.3	\$ 452.4	\$ 2,460.1
Development	47.3	75.0	86.5	102.0	141.8	452.6
<b>Total</b>	<b>\$ 570.4</b>	<b>\$ 550.7</b>	<b>\$ 604.1</b>	<b>\$ 593.3</b>	<b>\$ 594.2</b>	<b>\$ 2,912.7</b>

The following tables further summarize NOAA's R.D investments for FY 2006 through FY 2010 by performance outcome.

*(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
<b>Total</b>	<b>\$ 452.4</b>	<b>\$ 141.8</b>	<b>\$ 594.2</b>



**REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)**

*(In Millions)*

<b>FY 2009</b>			
<b>Performance Outcome</b>	<b>Applied Research</b>	<b>Development</b>	<b>Total</b>
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
<b>Total</b>	<b>\$ 491.3</b>	<b>\$ 102.0</b>	<b>\$ 593.3</b>

*(In Millions)*

<b>FY 2008</b>			
<b>Performance Outcome</b>	<b>Applied Research</b>	<b>Development</b>	<b>Total</b>
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
<b>Total</b>	<b>\$ 517.6</b>	<b>\$ 86.5</b>	<b>\$ 604.1</b>

*(In Millions)*

<b>FY 2007</b>			
<b>Performance Outcome</b>	<b>Applied Research</b>	<b>Development</b>	<b>Total</b>
Protect, Restore, and Manage the Use of Coastal and Ocean Resources Through an Ecosystem Approach to Management	\$ 225.9	\$ 12.3	\$ 238.2
Understand Climate Variability and Change to Enhance Society's Ability to Plan and Respond	145.9	12.3	158.2
Serve Society's Needs for Weather and Water Information	101.6	50.2	151.8
Support the Nation's Commerce with Information for Safe, Efficient, and Environmentally Sound Transportation	2.3	0.2	2.5
<b>Total</b>	<b>\$ 475.7</b>	<b>\$ 75.0</b>	<b>\$ 550.7</b>

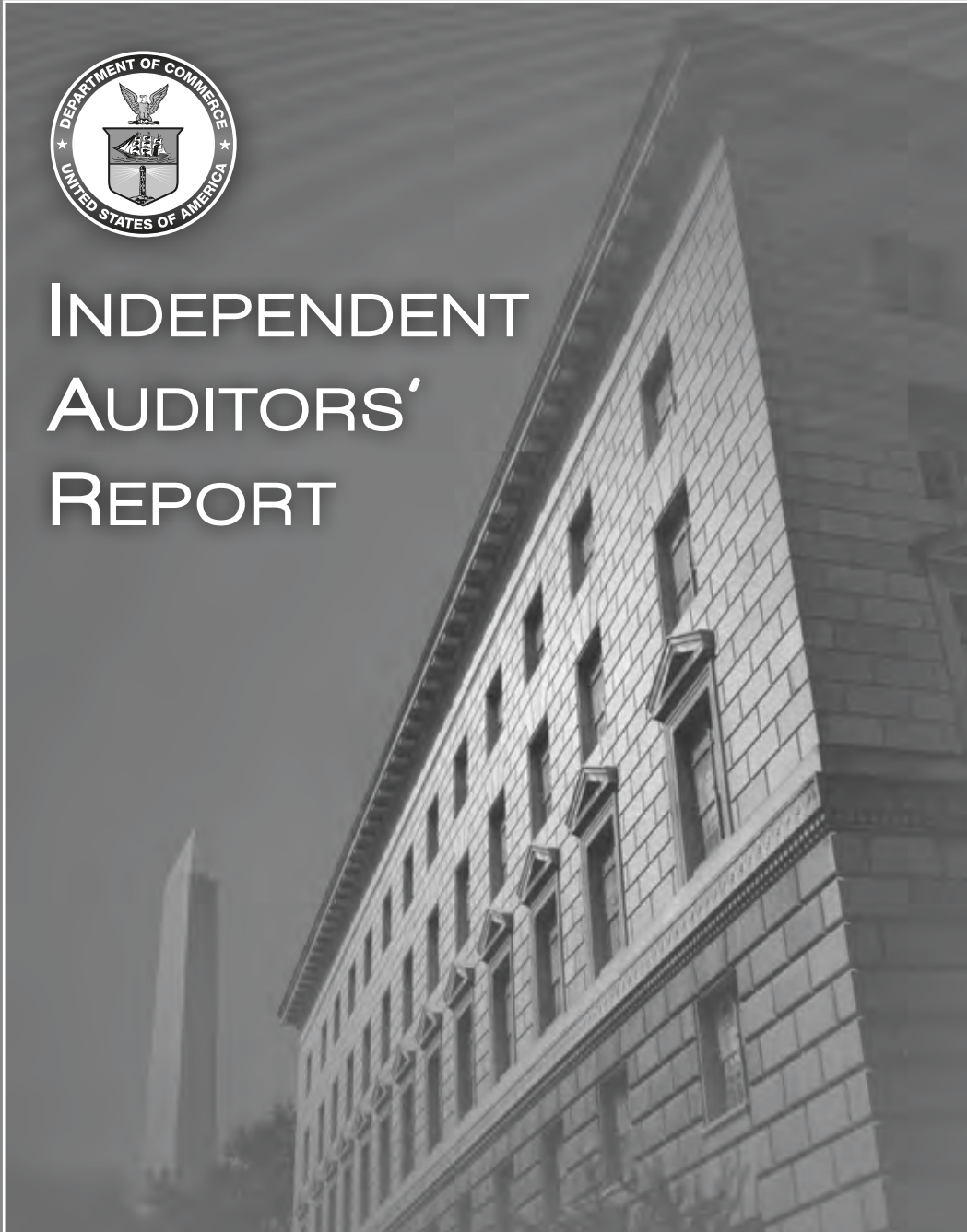
(In Millions)

FY 2006			
Performance Outcome	Applied Research	Development	Total
Protect, Restore, and Manage the Use of Coastal and Ocean Resources Through an Ecosystem-based Management	\$ 250.7	\$ 14.0	\$ 264.7
Understand Climate Variability and Change to Enhance Society's Ability to Plan and Respond	160.2	12.3	172.5
Serve Society's Needs for Weather and Water Information	109.0	20.9	129.9
Support the Nation's Commerce with Information for Safe, Efficient, and Environmentally Sound Transportation	3.2	0.1	3.3
<b>Total</b>	<b>\$ 523.1</b>	<b>\$ 47.3</b>	<b>\$ 570.4</b>

# FINANCIAL SECTION



## INDEPENDENT AUDITORS' REPORT







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

November 12, 2010

**MEMORANDUM FOR:** The Honorable Gary Locke  
 The Secretary of Commerce

**FROM:** Todd J. Zinser

**SUBJECT:** FY 2010 Consolidated Financial Statements  
 Final Report No. 11-010-FS

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

In its audit of the Department, KPMG found

- that the financial statements were fairly presented in all material respects and in conformity with U.S. generally accepted accounting principles;
- one significant deficiency related to weaknesses in controls over the Department's financial management systems, which was not considered a material weakness in internal control; and
- no instances of reportable noncompliance with applicable laws, regulations, contracts, and grant agreements; 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 10, 2010, and the conclusions expressed in the report.



An audit action plan is not required to address the significant deficiency reported by KPMG. We have asked the Chief Information Officer to provide a plan that addresses the related specific recommendations included in the separate, limited-distribution information technology general controls report (report no. 11-010-IT) in accordance with Department Administrative Order 213-5, *Audit Resolution and Follow-up*.

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  
Simon Szykman, Chief Information Officer



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

## 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, 2010 and 2009, 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 2010 audit, we also considered the Department's internal controls 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, 2010 and 2009, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

Our consideration of internal control over financial reporting resulted in identifying certain deficiencies, related to weaknesses in the Department's general information technology controls, that we consider to be a significant deficiency as defined in the Internal Control Over Financial Reporting section of this report. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined in the Internal Control Over Financial Reporting section of this report.

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

KPMG LLP is a Delaware limited liability partnership,  
the U.S. member firm of KPMG International Cooperative  
("KPMG International"), a Swiss entity.





The following sections discuss our opinion on the Department's consolidated financial statements; our consideration of the Department's internal controls 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 Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheets of the U.S. Department of Commerce as of September 30, 2010 and 2009, 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, 2010 and 2009, 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.

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

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The September 30, 2010 consolidating balance sheet on page 255 is presented for purposes of additional analysis of the consolidated balance sheet rather than to present the financial position of the Department's bureaus individually. The September 30, 2010 consolidating balance sheet has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the September 30, 2010 consolidated balance sheet taken as a whole. The information in the FY 2010 Performance Section, Appendices, and the information on pages VI through XI are presented for purposes of additional analysis and are not required as part of the consolidated financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

### **Internal Control Over Financial Reporting**

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that



there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the Responsibilities section of this report and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In our fiscal year 2010 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified the following deficiency relating to the Department's financial management systems, summarized below, and in more detail in Exhibit I, that we consider to be a significant deficiency in internal control over financial reporting. 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.

***Information technology access and configuration management controls.*** We found that although the Department has taken corrective actions to address certain information technology (IT) control weaknesses, access and configuration management control weaknesses still exist. Despite the positive efforts made by the Department to implement effective management, operational, and technical controls to help establish sound information security practices over financial management systems, the Department needs to make continued improvement in its IT access and configuration management controls to fully ensure that financial data being processed on the Department's systems has integrity, is securely maintained, and is available only to authorized users.

Exhibit II presents the status of the prior year significant deficiency.

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

### **Compliance and Other Matters**

The results of certain of our tests of compliance as described in the Responsibilities section of this report, exclusive of those referred to in the *Federal Financial Management Improvement Act of 1996* (FFMIA), disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04, as amended.

The results of our tests of FFMIA disclosed no instances in which the Department's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

\* \* \* \* \*



## Responsibilities

**Management's Responsibilities.** Management is responsible for the consolidated financial statements; establishing and maintaining effective internal control; 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 2010 and 2009 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, as amended. Those standards and OMB Bulletin No. 07-04, as amended, 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 2010 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 internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

As part of obtaining reasonable assurance about whether the Department's fiscal year 2010 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, as amended, 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.

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The Department's response to the significant deficiency identified in our audit is presented in Exhibit I. We did not audit the Department's response and, accordingly, we express no opinion on it.

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.

A stylized signature of 'KPMG LLP' in a handwritten or brush-stroke style.

November 10, 2010

U.S. Department of Commerce  
 Independent Auditors' Report  
 Exhibit I – Significant Deficiency

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**Information Technology Access and Configuration Management Controls Need Improvement (Repeat Condition Since 1998)**

For many years, the U.S. Department of Commerce (the Department) Office of Inspector General (OIG), and departmental self-assessments have identified weaknesses in the Department's information technology (IT) and financial systems controls. As at many federal entities, information security is recognized as a top management challenge for the Department. During our fiscal year (FY) 2010 assessment of the Department's IT general and financial systems controls, performed in support of the FY 2010 consolidated financial statement audit, we found that there is continued emphasis on implementing minimum security requirements for Federal information systems that are recommended by the National Institute of Standards and Technology (NIST). We also noted that 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.

Despite continued progress, during our FY 2010 audit, we identified weaknesses in IT access and configuration management controls. Our FY 2010 IT assessment was focused on the IT general controls over the Department's major financial management systems and supporting network infrastructure, using GAO's *Federal Information System Controls Audit Manual* (FISCAM). The two FISCAM IT general control review areas, which we consider collectively to be a significant deficiency in internal control, as defined by the American Institute of Certified Public Accountants, and our related findings, are as follows:

- **Access controls.** In close concert with an organization's security management, access controls for general support systems and financial systems should provide reasonable assurance that computer resources such as data files, application programs, and computer-related facilities and equipment are protected against unauthorized modification, disclosure, loss, or impairment. Access controls are facilitated by an organization's entity-wide security program. Such controls include physical controls and logical controls.

The objectives of limiting access are to ensure that users have only the access needed to perform their duties; that access to very sensitive resources, such as security software programs, is limited to very few individuals; and that employees are restricted from performing incompatible functions or functions beyond their responsibility. This is reiterated by Federal guidelines. For example, OMB Circular A-130 and supporting NIST Special Publications provide guidance related to the maintenance of technical access controls. In addition, the *Department of Commerce IT Security Program Policy and Minimum Implementation Standards* contain many requirements for operating Department IT devices in a secure manner.

During FY 2010, we noted that access controls should be improved at all bureaus and at the Department level, primarily in the areas of: (1) managing user accounts to

U.S. Department of Commerce  
 Independent Auditors' Report  
 Exhibit I – Significant Deficiency, Continued

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appropriately disable and recertify network, financial system, and database accounts, (2) improving logical controls over financial application, database, and network access, (3) strengthening password controls, (4) restricting data center access and improving data center procedures, (5) granting system roles and privileges on the principle of least privilege, (6) monitoring user actions through audit trails that are established in compliance with established baselines, (7) enforcing multi-factor authentication, (8) preventing the use of shared accounts and passwords, (9) CIRT contractors not receiving annual incident response training, and (10) strengthening remote access controls. We recognize that the Department and its bureaus have certain compensating controls in place to help reduce the risk of the identified vulnerabilities, and we have considered such 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 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.

Effective configuration management prevents unauthorized changes to information system resources and provides reasonable assurance that systems are configured and operating securely and as intended. Without effective configuration management, users do not have adequate assurance that the system and network will perform as intended and to the extent needed to support missions.

During FY 2010, we noted that configuration management controls should be improved at seven bureaus in the areas of: (1) patch and configuration management vulnerabilities exist, (2) configuration and change management procedures need improvement, (3) implementing documented and approved configuration management policy and procedures, (4) vulnerability scans not being performed at the defined frequency, and (5) audit configuration settings not complying with approved baselines..

#### Recommendations

Specific recommendations are included in a separate limited distribution IT general controls report, issued as part of the FY 2010 consolidated financial statement audit. The

U.S. Department of Commerce  
Independent Auditors' Report  
Exhibit I – Significant Deficiency, Continued

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Department should monitor bureau actions to ensure effective implementation of our recommendations.

Management's Response

The Department agrees with KPMG's findings, conclusions, and recommendations regarding improvements to its general information technology controls. We are in the process of finalizing corrective action plans to address KPMG's recommendations.



U.S. Department of Commerce  
 Independent Auditors' Report  
 Exhibit II – Status of Prior Year Significant Deficiency

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Reported Issue	Prior Year Recommendation	Fiscal Year 2010 Status
<b><i>Financial Management Systems</i></b>	<b><i>Need Improvement</i></b>	
Weaknesses in general controls were identified in all five FISCAM review areas.	The Department should monitor bureau actions to ensure effective implementation of our recommendations.	During FY 2010, we considered the weaknesses in two of the five FISCAM review areas, collectively, to be a significant deficiency (see comments in Exhibit I).





# APPENDICES

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## PERFORMANCE AND RESOURCE TABLES

To make the report more useful, this FY 2010 Performance and Accountability Report (PAR) reports on targets and measures from the FY 2011 Annual Performance Plan (APP), that more accurately reflects updated targets of each performance measure. Individual bureau-specific APPs can be found on the Department Web site at [http://www.osec.doc.gov/bmi/budget/budgetsub\\_perf\\_strategicplans.htm](http://www.osec.doc.gov/bmi/budget/budgetsub_perf_strategicplans.htm). The resource tables with the performance tables are also combined to make the information easier to follow.

The following tables provide an array of information that previously was shown in separate tables. The information should help the reader clearly understand the resources expended for each Strategic Goal, Objective, and Performance Outcome/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. Unless otherwise noted, funding includes reimbursable amounts. 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, in 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 cannot be quantified.

The information in the tables will follow the following format:

- Strategic Goal and Resources
- Objective and Resources
- Performance Outcome/Objective and Resources
- Performance Measure

Note: Unless otherwise indicated, measures that do not have FY 2010 targets are not included in any count in this document. FY 2010 resources for each performance outcome/objective may be estimates and may be updated in the budget for FY 2012. FY 2009 resources may have been updated since the FY 2009 PAR.

Target and performance data are tracked back to FY 2001 where available. If a measure was developed after FY 2001, actual performance data is shown back to the year that the measure first appeared.

FTE = Full-time equivalent employment. All dollar amounts shown are in millions, unless otherwise indicated.

## STRATEGIC GOAL 1

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

STRATEGIC GOAL 1 TOTAL RESOURCES <sup>1</sup> (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding	\$2,015.1	\$1,809.6	\$1,842.1	\$1,857.3	\$2,018.6	\$2,096.1	\$2,214.9	\$2,643.8	\$4,804.4	\$7,580.3
FTE	13,914	11,916	11,265	11,475	11,953	12,223	11,637	12,107	29,294	96,720

<sup>1</sup> From FY 2002-FY 2009, prior year amounts differ from previous PARs because the Department decided in FY 2010 to include all reimbursable amounts that applied to performance measures, and in FY 2008, the Department and NIST shifted the performance outcome, "Raise the productivity and competitiveness of small manufacturers (NIST)" from Strategic Goal 2 to Strategic Goal 1, becoming Strategic Objective 1.4.

## STRATEGIC OBJECTIVE 1.1

*Foster domestic economic development as well as export opportunities*

OBJECTIVE 1.1 RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding	\$756.9	\$677.5	\$645.0	\$633.2	\$625.6	\$614.1	\$646.9	\$643.4	\$792.9	\$675.3
FTE	2,240	1,990	2,013	1,869	1,908	1,849	1,704	1,615	1,576	1,572

**PERFORMANCE OUTCOME: Promote private investment and job creation in economically distressed communities (EDA)**

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding <sup>1</sup>	\$362.3	\$296.6	\$258.3	\$254.8	\$212.5	\$208.3	\$223.9	\$229.7	\$306.3	\$211.9
FTE	165	155	149	137	139	128	132	129	129	164

<sup>1</sup> Actuals reflect direct obligations for economic development assistance programs (EDAP) and salaries and expenses (S&E); totals do not include one-time, disaster investments, or reimbursable funding.

EDA PERFORMANCE MEASURE				
MEASURE: Private investment leveraged – 9 year totals (in millions) <sup>1</sup>				
Year	Status	Actual		Target
FY 2010	Met	\$2,758		\$2,410
FY 2009	Met	\$2,228		\$2,040
FY 2008	Exceeded	\$4,173		\$2,080
FY 2007	Exceeded	\$1,937		\$1,350
FY 2006	Exceeded	\$2,331		\$1,162

<sup>1</sup> EDA tracks the results of its investments and jobs created/retained at 3, 6, and 9 year periods. The FY 2010 actual is a result of investments made in FY 2001. Since EDA did not begin tracking results until FY 1997 in this format, 9 year results are not available for the years prior to FY 2006.



EDA PERFORMANCE MEASURE			
MEASURE: Private investment leveraged – 6 year totals (in millions) <sup>1</sup>			
Year	Status	Actual	Target
FY 2010	Exceeded	\$2,281	\$818
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

<sup>1</sup> This is the 6 year result measure. FY 2010 actuals are the result of investments made in FY 2004.

EDA PERFORMANCE MEASURE			
MEASURE: Private investment leveraged – 3 year totals (in millions) <sup>1</sup>			
Year	Status	Actual	Target
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

<sup>1</sup> This is the 3 year result measure. FY 2010 actuals are the result of investments made in FY 2007.

EDA PERFORMANCE MEASURE			
MEASURE: Jobs created/retained – 9 year totals <sup>1</sup>			
Year	Status	Actual	Target
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

<sup>1</sup> EDA tracks the results of its investments and jobs created/retained at 3, 6, and 9 year periods. The FY 2010 actual is a result of investments made in FY 2001. Since EDA did not begin tracking results until FY 1997 in this format, 9 year results are not available for the years prior to FY 2006.



## APPENDIX A: PERFORMANCE AND RESOURCE TABLES

EDA PERFORMANCE MEASURE			
MEASURE: Jobs created/retained – 6 year totals <sup>1</sup>			
Year	Status	Actual	Target
FY 2010	Met	26,695	22,427
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

<sup>1</sup> This is the 6 year result measure. FY 2010 actuals are the result of investments made in FY 2004.

EDA PERFORMANCE MEASURE			
MEASURE: Jobs created/retained – 3 year totals <sup>1</sup>			
Year	Status	Actual	Target
FY 2009	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

<sup>1</sup> This is the 3 year result measure. FY 2010 actuals are the result of investments made in FY 2007.

**PERFORMANCE OUTCOME: Improve community capacity to achieve and sustain economic growth (EDA)**

<b>PERFORMANCE OUTCOME RESOURCES</b> <i>(Dollars in Millions)</i>										
	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Actual</b>	<b>FY 2006 Actual</b>	<b>FY 2007 Actual</b>	<b>FY 2008 Actual</b>	<b>FY 2009 Actual</b>	<b>FY 2010 Actual</b>
Funding <sup>1</sup>	\$76.7	\$68.8	\$67.3	\$67.3	\$68.0	\$72.1	\$83.5	\$82.5	\$120.4	\$81.1
FTE	89	84	80	80	74	32	33	32	32	41

<sup>1</sup> Actuals reflect direct obligations for EDAP and S&E; totals do not include one-time, disaster investments, or reimbursable funding.

<b>EDA PERFORMANCE MEASURE</b>			
<b>MEASURE: Percentage of economic development districts (EDD) and Indian tribes implementing economic development projects from the comprehensive economic development strategy (CEDS) that lead to private investment and jobs</b>			
<b>Year</b>	<b>Status</b>	<b>Actual</b>	<b>Target</b>
<b>FY 2010</b>	<b>Not Met</b>	89%	95%
<b>FY 2009</b>	<b>Slightly Below</b>	93%	95%
<b>FY 2008</b>	<b>Slightly Below</b>	92%	95%
<b>FY 2007</b>	<b>Met</b>	95%	95%
<b>FY 2006</b>	<b>Met</b>	96%	95%
<b>FY 2005</b>	<b>Met</b>	97%	95%
<b>FY 2004</b>	<b>Met</b>	95%	95%
<b>FY 2003</b>	<b>Met</b>	99%	95%

<b>EDA PERFORMANCE MEASURE</b>			
<b>MEASURE: Percentage of sub-state jurisdiction members actively participating in the economic development district (EDD) program</b>			
<b>Year</b>	<b>Status</b>	<b>Actual</b>	<b>Target</b>
<b>FY 2010</b>	<b>Slightly Below</b>	87%	89-93%
<b>FY 2009</b>	<b>Met</b>	92%	89-93%
<b>FY 2008</b>	<b>Met</b>	90%	89-93%
<b>FY 2007</b>	<b>Met</b>	92%	89-93%
<b>FY 2006</b>	<b>Met</b>	90%	89-93%
<b>FY 2005</b>	<b>Met</b>	91%	89-93%
<b>FY 2004</b>	<b>Met</b>	90%	89-93%
<b>FY 2003</b>	<b>Met</b>	97%	89-93%
<b>FY 2002</b>	<b>Met</b>	95%	93%
<b>FY 2001</b>	<b>Met</b>	92%	85%

## APPENDIX A: PERFORMANCE AND RESOURCE TABLES

EDA PERFORMANCE MEASURE			
MEASURE: Percentage of University Center clients taking action as a result of the assistance facilitated by the University Center			
Year	Status	Actual	Target
FY 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%

EDA PERFORMANCE MEASURE			
MEASURE: Percentage of those actions taken by University Center clients that achieved the expected results			
Year	Status	Actual	Target
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%

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 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%

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 2010	Met	100%	95%
FY 2009	Slightly Below	93%	95%
FY 2008	Met	95%	95%
FY 2007	Met	95%	95%
FY 2006	Met	96%	95%
FY 2005	Met	97%	95%
FY 2004	Met	98%	95%
FY 2003	Met	98%	95%

**PERFORMANCE OUTCOME: Increase access to the marketplace and financing for minority-owned businesses (MBDA)**

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding	\$27.9	\$28.3	\$29.0	\$28.7	\$29.8	\$29.8	\$29.9	\$28.5	\$30.1	\$31.5
FTE	90	92	92	92	96	94	94	75	82	89

MBDA PERFORMANCE MEASURE			
MEASURE: Dollar value of contract awards obtained (billions)			
Year	Status	Actual	Target
FY 2010	Exceeded	\$1.50	\$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

MBDA PERFORMANCE MEASURE			
MEASURE: Percent increase in client gross receipts			
Year	Status	Actual	Target
FY 2010	Met	6.0%	6.0%
FY 2009	Met	6.0%	6.0%
FY 2008	Met	6.0%	6.0%
FY 2007	Met	5.0%	5.0%
FY 2006	Met	6.0%	5.0%
FY 2005	Exceeded	15.0%	5.0%

## APPENDIX A: PERFORMANCE AND RESOURCE TABLES

MBDA PERFORMANCE MEASURE			
MEASURE: Dollar value of financial awards obtained (billions)			
Year	Status	Actual	Target
FY 2010	Exceeded	\$1.80	\$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

MBDA PERFORMANCE MEASURE			
MEASURE: Number of new job opportunities created			
Year	Status	Actual	Target
FY 2010	Exceeded	5,845	4,000
FY 2009	Met	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

MBDA PERFORMANCE MEASURE			
MEASURE: Satisfaction rating for the American Customer Satisfaction Index (ACSI) <sup>1</sup>			
Year	Status	Actual	Target
FY 2010	N/A	N/A	N/A
FY 2009	Not Met	67%	75%
FY 2008	N/A	N/A	N/A
FY 2007	Exceeded	4.0%	3.0%
FY 2006	N/A	N/A	N/A
FY 2005	Exceeded	13.0%	5.0%

<sup>1</sup> The ACSI survey only occurs in odd years, so data does not appear in FY 2010, FY 2008, and FY 2006.

MBDA PERFORMANCE MEASURE			
MEASURE: Cumulative economic impact			
Year	Status	Actual	Target
FY 2010	Exceeded	\$22.7B	\$16B

**PERFORMANCE OUTCOME: Strengthen U.S. competitiveness in domestic and international markets (ITA)**

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual <sup>1</sup>	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding	\$161.0	\$208.5	\$72.7	\$56.0	\$62.6	\$52.1	\$59.0	\$44.8	\$53.0	\$54.5
FTE	1,038	1,236	402	287	264	257	243	228	213	227

<sup>1</sup> In FY 2005, ITA reorganized its performance structure, reducing the number of outcomes from four to two outcomes for this strategic objective. FY 2002 actuals shown here reflect the level for the “Strengthen U.S. industries” outcome and the two discontinued outcomes.

ITA PERFORMANCE MEASURE			
MEASURE: Annual cost savings resulting from the adoption of Manufacturing and Services (MAS) recommendations contained in MAS studies and analysis			
Year	Status	Actual	Target
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

ITA PERFORMANCE MEASURE			
MEASURE: Percent of industry-specific trade barriers addressed that were removed or prevented			
Year	Status	Actual	Target
FY 2010	Met	35%	30%
FY 2009	Exceeded	30%	20%
FY 2008	Exceeded	29%	15%

ITA PERFORMANCE MEASURE			
MEASURE: Percent of industry-specific trade barrier milestones completed			
Year	Status	Actual	Target
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%

ITA PERFORMANCE MEASURE			
MEASURE: Percent of agreement milestones completed			
Year	Status	Actual	Target
FY 2010	Met	100%	100%
FY 2009	Not Met	23%	100%
FY 2008	Not Met	70%	100%
FY 2007	Exceeded	100%	70%
FY 2006	Exceeded	100%	70%

**PERFORMANCE OUTCOME: Broaden and deepen U.S. exporter base (ITA)**

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual <sup>1</sup>	FY 2009 Actual	FY 2010 Actual
Funding	\$129.0	\$75.3	\$217.7	\$226.4	\$252.7	\$251.8	\$250.6	\$257.9	\$283.1	\$296.3
FTE	858	423	1,290	1,273	1,335	1,338	1,202	1,151	1,120	1,051

<sup>1</sup> For FY 2008, funding includes \$23.0M previously for the discontinued outcome, "Increase exports to commercially significant markets including FTA countries, China, and India."

ITA PERFORMANCE MEASURE			
MEASURE: Export success firms/active clients (CS overall effectiveness)			
Year	Status	Actual	Target
FY 2010	Exceeded	29.1%	11.0%
FY 2009	Exceeded	23.3%	10.50%

ITA PERFORMANCE MEASURE			
MEASURE: US&FCS small and medium-sized enterprises (SME) new-to-export (NTE)/total change in SME exporters (CS SME NTE effectiveness)			
Year	Status	Actual	Target
FY 2010	Not Met	2.28%	12.74%
FY 2009	Exceeded	15.22%	12.37%

ITA PERFORMANCE MEASURE			
MEASURE: Number of SME new-to-market (NTM) firms/number of SME firms exporting to two to nine foreign markets (NTM effectiveness)			
Year	Status	Actual	Target
FY 2010	Not Met	3.11%	3.92%
FY 2009	Not Met	3.49%	3.81%

ITA PERFORMANCE MEASURE			
MEASURE: Commercial diplomacy success (cases) (annual)			
Year	Status	Actual	Target
FY 2010	Not Met	112	166
FY 2009	Met	196	162
FY 2008	Met	181	160



ITA PERFORMANCE MEASURE			
MEASURE: Increase in the percent of small and medium-sized firms that export			
Year	Status	Actual	Target
FY 2010	Exceeded	6.42%	2.80%
FY 2009	Exceeded	4.69%	2.75%

ITA PERFORMANCE MEASURE			
MEASURE: Percentage of advocacy bids won			
Year	Status	Actual	Target
FY 2010	Not Met	9%	17%
FY 2009	N/A	11%	N/A

## STRATEGIC OBJECTIVE 1.2

*Advance responsible economic growth and trade while protecting American security*

OBJECTIVE 1.2 RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding	\$126.9	\$157.4	\$164.9	\$168.5	\$192.6	\$205.6	\$199.2	\$199.8	\$210.5	229.0
FTE	733	929	940	975	998	986	912	849	881	923

## PERFORMANCE OUTCOME: Identify and resolve unfair trade practices (ITA)

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding	\$68.0	\$92.8	\$88.1	\$94.6	\$115.8	\$123.5	\$118.2	\$123.5	\$125.2	\$126.5
FTE	360	571	574	610	638	633	544	496	528	559

ITA PERFORMANCE MEASURE				
MEASURE: Percent reduction in trade distorting foreign subsidy programs				
Year	Status	Actual		Target
FY 2010	Met	1.7%		> 1.5%
FY 2009	Exceeded	1.8%		> 1%
FY 2008	Exceeded	1.6%		>0.5%

ITA PERFORMANCE MEASURE				
MEASURE: Percent of AD/CVD determinations issued within statutory and/or regulatory deadlines				
Year	Status	Actual		Target
FY 2010	Met	94%		90%
FY 2009	Slightly Below	86%		90%
FY 2008	Met	90%		90%

ITA PERFORMANCE MEASURE				
MEASURE: Percent of ministerial errors in IA's dumping and subsidy calculations				
Year	Status	Actual		Target
FY 2010	Exceeded	7.9%		< 10%
FY 2009	Exceeded	8%		< 11%
FY 2008	Met	10%		< 12%

ITA PERFORMANCE MEASURE			
MEASURE: Percentage of market access and compliance cases resolved successfully			
Year	Status	Actual	Target
FY 2010	Met	58%	50%
FY 2009	Exceeded	61%	35%
FY 2008	Met	39%	35%
FY 2007	Exceeded	54%	25%
FY 2006	Exceeded	46%	25%

ITA PERFORMANCE MEASURE			
MEASURE: Value of market access and compliance cases resolved successfully			
Year	Status	Actual	Target
FY 2010	Exceeded	\$21.4B	\$2.5B
FY 2009	Exceeded	\$25.4B	\$2.0B
FY 2008	Exceeded	\$12.3B	\$1.5B

**PERFORMANCE OUTCOME: Maintain and strengthen an adaptable and effective U.S. export control and treaty compliance system (BIS)**

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding	\$53.6	\$58.7	\$68.4	\$67.7	\$71.3	\$73.0	\$70.4	\$66.1	\$73.3	\$89.9
FTE	342	328	336	335	330	309	324	310	310	320

BIS PERFORMANCE MEASURE			
MEASURE: Percent of licenses requiring interagency referral referred within 9 days			
Year	Status	Actual	Target
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%

BIS PERFORMANCE MEASURE			
MEASURE: Median processing time for new regime regulations (months)			
Year	Status	Actual	Target
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

BIS PERFORMANCE MEASURE			
MEASURE: Percent of attendees rating seminars highly			
Year	Status	Actual	Target
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%

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 2010	Met	100%	100%
FY 2009	Met	100%	100%
FY 2008	Met	100%	100%
FY 2007	Met	100%	100%
FY 2006	Met	100%	100%

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 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

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 2010	Met	98%	95%
FY 2009	Met	96%	95%
FY 2008	Met	87%	87%

BIS PERFORMANCE MEASURE			
MEASURE: Percentage of post-shipment verifications completed and categorized above the “unfavorable” classification			
Year	Status	Actual	Target
FY 2010	Met	256 PSVs/93%	260 PSVs/85%
FY 2009	Met	314PSVs/88%	260 PSVs/85%
FY 2008	Met	136 PSVs/93%	215 PSVs/80%

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

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding FTE	\$1.6 13	\$1.8 13	\$4.4 13	\$2.7 13	\$1.8 13	\$2.8 13	\$4.6 13	\$5.1 12	\$5.6 12	\$5.7 13

BIS PERFORMANCE MEASURE			
MEASURE: Number of end-use checks completed			
Year	Status	Actual	Target
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

**PERFORMANCE OUTCOME: Ensure continued U.S. technology leadership in industries that are essential to national security (BIS)**

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding FTE	\$3.7 18	\$4.1 17	\$4.0 17	\$3.5 17	\$3.7 17	\$6.3 31	\$6.0 31	\$5.1 31	\$6.4 31	\$6.9 31

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 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 <sup>1</sup>	100%

<sup>1</sup> 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.

## STRATEGIC OBJECTIVE 1.3

*Advance key economic and demographic data that support effective decision-making of policymakers, businesses, and the American public*

OBJECTIVE 1.3 RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding	\$1,024.9	\$866.2	\$920.9	\$1,008.7	\$1,097.7	\$1,164.5	\$1,261.5	\$1,709.4	\$3,688.4	\$6,549.3
FTE	10,854	8,908	8,223	8,563	8,976	9,321	8,954	9,575	26,767	94,146

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

PERFORMANCE OUTCOME RESOURCES <sup>1</sup> (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding	\$967.0	\$799.5	\$846.9	\$314.5	\$340.5	\$373.5	\$468.7	\$917.9	\$2,873.8	\$5,703.9
FTE	10,380	8,420	7,729	8,038	8,433	8,778	8,418	3,072	20,007	87,418

<sup>1</sup> In FY 2008, Census split the outcome, "Meet the needs of policymakers, businesses, non-profit organizations, and the public for current and benchmark measures of the U.S. population, economy and governments," into this outcome and performance outcome, "Provide current measures of the U.S. population, economy, and governments." Funds for FY 2003 are shown in this outcome and reflect both outcomes. FTE for years prior to FY 2008 are shown in this outcome and reflect both outcomes.

ESA/CENSUS PERFORMANCE MEASURE			
MEASURE: Correct street features in the TIGER (geographic) database (number of counties completed) to more effectively support Census Bureau censuses and surveys, facilitate the geographic partnerships between federal, state, local and tribal governments, and support the E-Government initiative in the President's Management Agenda			
Year	Status	Actual	Target
FY 2010	Exceeded	Increased TIGER update submissions electronically by 51%	Increase TIGER update submissions electronically by 10%
FY 2009	Met	Completed	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



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 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

ESA/CENSUS PERFORMANCE MEASURE			
MEASURE: Meet or exceed the overall federal score of customer satisfaction on the E-Government American Customer Satisfaction Index (ACSI) <sup>1</sup>			
Year	Status	Actual	Target
FY 2010	Not Met	Score was lower in 2 of 4 quarters	Meet or exceed overall federal score
FY 2009	Not Met	68.0	75.2
FY 2008	Not Met	66.0	73.9
FY 2007	Met	74.0	71.0
FY 2006	Met	72.0	71.3
FY 2005	Met	73.0	73.0
FY 2004	Slightly Below	71.0	72.0

<sup>1</sup> This measure applies to the second outcome as well, "Provide current measures of the U.S. population, economy, and governments."

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

PERFORMANCE OUTCOME RESOURCES <sup>1</sup> (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding	N/A	N/A	N/A	\$615.6	\$673.1	\$705.4	\$705.8	\$703.1	\$715.9	\$733.1
FTE	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5,979	6,231	6,187

<sup>1</sup> In FY 2008, Census split the outcome, "Meet the needs of policymakers, businesses, non-profit organizations, and the public for current and benchmark measures of the U.S. population, economy, and governments," into this outcome and performance outcome, "Provide benchmark measures of the U.S. population, economy, and governments." Funds for FY 2003 and FTE from years prior to FY 2008 are shown in the previous outcome and reflect both outcomes.

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 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

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 2010	Met	1) 100% of Economic Indicators released on time 2) At least 90% of other key census and survey data released on time	1) 100% of Economic Indicators released on time 2) At least 90% of other key census and survey data released on time
FY 2009	Met	1) 100% of Economic Indicators released on time 2) At least 90% of key prep activities completed on time	1) 100% of Economic Indicators released on time 2) At least 90% of key prep activities completed on time
FY 2008	Met	1) 100% of Economic Indicators released on time 2) At least 90% of key prep activities completed on time	1) 100% of Economic Indicators released on time 2) At least 90% of key prep activities completed on time
FY 2007	Met	1) 100% of Economic Indicators released on time 2) At least 90% of other key censuses and surveys data released on time	1) 100% of Economic Indicators released on time 2) At least 90% of other key censuses and surveys data released on time
FY 2006	Met	1) 100% of Economic Indicators 2) 100% of other products	1) 100% of Economic Indicators released on time 2) 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 2009 time	Maintained FY 2009 time
FY 2001	Met	Maintained FY 2009 time	Maintained FY 2009 time

**PERFORMANCE OUTCOME: Provide timely, relevant, and accurate economic statistics (ESA/BEA)**

<b>PERFORMANCE OUTCOME RESOURCES</b> (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding	\$57.9	\$66.7	\$74.0	\$78.6	\$84.1	\$85.6	\$87.0	\$88.4	\$98.7	\$112.3
FTE	474	488	494	525	543	543	536	524	529	541

<b>ESA/BEA PERFORMANCE MEASURE</b>			
<b>MEASURE: Timeliness: Reliability of delivery of economic data (number of scheduled releases issued on time)</b>			
Year	Status	Actual	Target
FY 2010	Exceeded	61	55
FY 2009	Met	56	57
FY 2008	Met	57 <sup>1</sup>	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
FY 2001	Met	100%	100%

<sup>1</sup> 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 Manufactures (ASM). By delaying this release, BEA was able to provide a better product for BEA's data users, so this measure is considered "Met."

<b>ESA/BEA PERFORMANCE MEASURE</b>			
<b>MEASURE: Relevance: Customer satisfaction with quality of products and services (mean rating on a 5-point scale)</b>			
Year	Status	Actual	Target
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 <sup>1</sup>	> 4.0

<sup>1</sup> 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 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%

ESA/BEA PERFORMANCE MEASURE			
MEASURE: Improving GDP and the economic accounts <sup>1</sup>			
Year	Status	Actual	Target
FY 2010	Met	All strategic plan milestones completed	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

<sup>1</sup> The BEA Strategic Plan and a report card of completed milestones are available in "About BEA" on [www.bea.gov](http://www.bea.gov).

## STRATEGIC OBJECTIVE 1.4

*Position manufacturers to compete in a global economy*

OBJECTIVE 1.4 RESOURCES <sup>1</sup> (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding <sup>2</sup>	\$106.4	\$108.5	\$111.3	\$46.9	\$102.7	\$111.9	\$107.3	\$91.2	\$112.6	\$126.7
FTE	87	89	89	68	71	67	67	68	70	79

<sup>1</sup> There is only one outcome for this objective, so a separate Performance Outcome Resources table does not appear.

<sup>2</sup> Performance actuals for this outcome 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 timeline for producing the PAR, precludes the reporting of actual FY 2010 data. With the exception of the number of clients, the 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.

**PERFORMANCE OUTCOME: Increase the productivity, profitability, and competitiveness of manufacturers (NIST)**

NIST PERFORMANCE MEASURE			
MEASURE: Number of clients served by MEP centers receiving federal funding			
Year	Status	Actual	Target
FY 2010	Exceeded	32,926 from FY 2009 funding	25,500 from FY 2009 funding
FY 2009	Exceeded	31,961 from FY 2008 funding	14,500 from FY 2008 funding
FY 2008	Exceeded	28,004 from FY 2007 funding	21,237 from FY 2007 funding
FY 2007	Exceeded	24,722 from FY 2006 funding	16,440 from FY 2006 funding
FY 2006	Slightly Below	16,448 from FY 2005 funding	16,640 from FY 2005 funding
FY 2005	Exceeded	16,090 from FY 2004 funding	6,517 from FY 2004 funding
FY 2004	Met	18,422 from FY 2003 funding	16,684 from FY 2003 funding
FY 2003	Not Met	18,748 from FY 2002 funding	21,543 from FY 2002 funding

NIST PERFORMANCE MEASURE			
MEASURE: Increased sales attributed to MEP centers receiving federal funding			
Year	Status	Actual	Target
FY 2010	Met	\$2,085M from FY 2009 funding <sup>1</sup>	\$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

<sup>1</sup> Estimate.

NIST PERFORMANCE MEASURE			
MEASURE: Capital investment attributed to MEP centers receiving federal funding			
Year	Status	Actual	Target
FY 2010	Exceeded	\$1,565M from FY 2009 funding <sup>1</sup>	\$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

<sup>1</sup> Estimate.

NIST PERFORMANCE MEASURE			
MEASURE: Cost savings attributed to MEP centers receiving federal funding			
Year	Status	Actual	Target
FY 2010	Met	\$1,149M from FY 2009 funding <sup>1</sup>	\$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 2000 funding

<sup>1</sup> Estimate.

## STRATEGIC GOAL 2

### *Promote U.S. innovation and industrial competitiveness*

STRATEGIC GOAL 2 TOTAL RESOURCES <sup>1</sup> (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding	\$1,837.6	\$2,000.7	\$2,130.0	\$2,100.9	\$2,354.1	\$2,607.6	\$3,698.3	\$3,701.2	\$3,912.1	\$7,334.2
FTE	9,597	9,979	9,985	10,004	9,951	10,523	11,358	12,096	12,768	12,664

<sup>1</sup> Prior year amounts differ from previous PARs because the Department and NIST shifted the outcome, "Raise the productivity and competitiveness of small manufacturers (NIST)" from Strategic Goal 2 to Strategic Goal 1 beginning in FY 2008.

## STRATEGIC OBJECTIVE 2.1

### *Advance measurement science and standards that drive technological change*

OBJECTIVE 2.1 RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding	\$712.6	\$805.0	\$841.5	\$783.2	\$775.8	\$862.3	\$783.7	\$836.3	\$894.5	\$973.4
FTE	3,120	3,142	3,153	3,041	2,867	2,829	2,824	2,866	2,912	2,935

**PERFORMANCE OUTCOME:** Promote innovation, facilitate trade, and ensure public safety and security by strengthening the Nation's measurement and standards infrastructure (NIST)

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding	\$502.1	\$579.2	\$614.1	\$576.8	\$621.6	\$762.4	\$662.4	\$759.3	\$812.4	\$850.1
FTE	2,685	2,707	2,725	2,672	2,503	2,550	2,566	2,673	2,721	2,734

NIST PERFORMANCE MEASURE			
MEASURE: Qualitative assessment and review of technical quality and merit using peer review			
Year	Status	Actual	Target
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



NIST PERFORMANCE MEASURE			
MEASURE: Citation impact of NIST-authored publications			
Year	Status	Actual	Target
FY 2010	Met	> 1.1 <sup>1</sup>	> 1.1
FY 2009	Met	> 1.1	> 1.1
FY 2008	Met	> 1.1	> 1.1
FY 2007	Met	>1.1	>1.1

<sup>1</sup> Actual for this measure lags nine months. The actual shown here is based on FY 2009 data.

NIST PERFORMANCE MEASURE			
MEASURE: Peer-reviewed technical publications produced			
Year	Status	Actual	Target
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

NIST PERFORMANCE MEASURE			
MEASURE: Standard Reference Materials (SRM) sold <sup>1</sup>			
Year	Status	Actual	Target
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
FY 2003	Not Met	1,214	1,360
FY 2002	Met	1,353	1,350
FY 2001	Met	1,335	1,315

<sup>1</sup> From FY 2000-FY 2003 this was SRMs available.

## APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NIST PERFORMANCE MEASURE			
MEASURE: NIST-maintained datasets downloaded			
Year	Status	Actual	Target
FY 2010	Met	24,956,000	24,500,000 <sup>1</sup>
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

<sup>1</sup> 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.

NIST PERFORMANCE MEASURE			
MEASURE: Number of calibration tests performed <sup>1</sup>			
Year	Status	Actual	Target
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
FY 2006	Met	3,026	2,700
FY 2005	Met	3,145	2,700
FY 2004	Met	3,376	2,800
FY 2003	Met	3,194	2,900
FY 2002	Met	2,924	2,900
FY 2001	Met	3,192	3,100

<sup>1</sup> From FY 2000-FY 2006, this measure reflected the number of items tested, an amount considerably lower than the number of items performed.

**PERFORMANCE OUTCOME:** 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 and innovation in the United States (NIST)

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$54.5	\$50.2	\$77.3
FTE	N/A	N/A	N/A	N/A	N/A	N/A	N/A	71	72	80

NIST PERFORMANCE MEASURE			
MEASURE: Cumulative number of TIP projects funded			
Year	Status	Actual	Target
FY 2010	Met	29	25
FY 2009	Met	9	9

**PERFORMANCE OUTCOME:** Increase public access to worldwide scientific and technical information through improved acquisition and dissemination activities (NTIS)

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding	\$34.7	\$27.7	\$27.7	\$19.2	\$15.9	\$27.2	\$27.9	\$22.5	\$31.9	\$46.0
FTE	196	186	181	165	157	144	131	122	119	121

NTIS PERFORMANCE MEASURE			
MEASURE: Number of updated items available (annual)			
Year	Status	Actual	Target
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	673,807	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

NTIS PERFORMANCE MEASURE			
MEASURE: Number of information products disseminated (annual)			
Year	Status	Actual	Target
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

NTIS PERFORMANCE MEASURE			
MEASURE: Customer satisfaction			
Year	Status	Actual	Target
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%

The Department discontinued the following outcome (and its corresponding measures) in FY 2007. However, since the funding amounts factor into the total for this objective and strategic goal, this PAR shows those amounts for informational purposes. Measures and targets for previous years appear in the FY 2007 PAR.

#### PERFORMANCE OUTCOME: Accelerate private investment in and development of high-risk, broad-impact technologies (NIST)

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding	\$175.8	\$198.1	\$199.7	\$187.2	\$138.3	\$72.7	\$93.4	N/A	N/A	N/A
FTE	239	249	247	204	207	135	127	N/A	N/A	N/A

## STRATEGIC OBJECTIVE 2.2

*Protect intellectual property and improve the patent and trademark system*

OBJECTIVE 2.2 RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding	\$1,007.5	\$1,099.5	\$1,190.9	\$1,233.3	\$1,508.4	\$1,674.4	\$1,766.4	\$1,852.5	\$1,856.4	\$1,939.0
FTE	6,258	6,593	6,581	6,694	6,825	7,446	8,291	8,962	9,594	9,431

**PERFORMANCE OUTCOME: Optimize patent quality and timeliness (USPTO)**

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding	\$887.3	\$976.6	\$1,019.6	\$1,059.3	\$1,245.8	\$1,347.9	\$1,506.8	1,616.1	1,629.2	\$1,702.2
FTE	5,316	5,720	5,815	5,899	6,021	5,994	7,073	7,934	8,565	8,446

USPTO PERFORMANCE MEASURE			
MEASURE: Final rejection/allowance compliance rate			
Year	Status	Actual	Target
FY 2010	Met	96.3%	94.5% <sup>1</sup>
FY 2009	Met	94.4%	N/A

<sup>1</sup> The USPTO is seeking input from stakeholders on how quality should be measured. A Federal Register Notice has been published, asking for stakeholders' comments on quality. New quality measures will be introduced based on this feedback. In the meantime, the Agency shifted resources from end-process review to place more emphasis on front-end quality and reviewing non-final actions in order to prevent unnecessary re-work. This approach also allows the Agency to focus on final disposition of applications including final rejections.

USPTO PERFORMANCE MEASURE			
MEASURE: Non-final in-process examination compliance rate			
Year	Status	Actual	Target
FY 2010	Met	94.9%	94.0% <sup>1</sup>
FY 2009	Met	93.6%	N/A

<sup>1</sup> The USPTO is seeking input from stakeholders on how quality should be measured. A Federal Register Notice has been published, asking for stakeholders' comments on quality. New quality measures will be introduced based on this feedback. In the meantime, the Agency shifted resources from end-process review to place more emphasis on front-end quality and reviewing non-final actions in order to prevent unnecessary re-work. This approach also allows the Agency to focus on final disposition of applications including final rejections.

# APPENDIX A: PERFORMANCE AND RESOURCE TABLES

USPTO PERFORMANCE MEASURE			
MEASURE: Patent average first action pendency (months)			
Year	Status	Actual	Target
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

USPTO PERFORMANCE MEASURE			
MEASURE: Patent average total pendency (months)			
Year	Status	Actual	Target
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

USPTO PERFORMANCE MEASURE			
MEASURE: Patent applications filed electronically			
Year	Status	Actual	Target
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%

**PERFORMANCE OUTCOME: Optimize trademark quality and timeliness (USPTO)**

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding	\$120.2	\$122.9	\$119.4	\$112.0	\$144.9	\$149.6	\$191.2	\$190.7	\$184.0	\$183.1
FTE	942	873	719	693	730	665	897	887	890	840

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark first action compliance rate			
Year	Status	Actual	Target
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%

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark final compliance rate			
Year	Status	Actual	Target
FY 2010	Slightly Below	96.8%	97.0%
FY 2009	Met	97.6%	97.0%

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark first action pendency (months)			
Year	Status	Actual	Target
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



## APPENDIX A: PERFORMANCE AND RESOURCE TABLES

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark average total pendency excluding suspended and inter partes proceedings (months)			
Year	Status	Actual	Target
FY 2010	Met	10.5	13.0
FY 2009	Met	11.2	13.0
FY 2008	Met	11.8	14.3

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark applications processed electronically			
Year	Status	Actual	Target
FY 2010	Met	68.1%	65.0%
FY 2009	Met	62.0%	62.0%

**PERFORMANCE OUTCOME:** Provide domestic and global leadership to improve intellectual property policy, protection, and enforcement worldwide (USPTO)\*

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding	N/A	N/A	\$51.9	\$62.0	\$117.7	\$176.9	\$68.4	\$45.7	\$43.2	\$48.7
FTE	N/A	N/A	47	102	74	787	321	141	139	145

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:			
<ol style="list-style-type: none"> <li>1. Institutional improvements of IP office administration for advancing IPR</li> <li>2. Institutional improvements of IP enforcement entities</li> <li>3. Improvements in IP laws and regulations</li> <li>4. Establishment of government-to-government cooperative mechanisms</li> </ol>			
Year	Status	Actual	Target
FY 2010	Exceeded	75%	50%

\* Prior to FY 2010, this outcome was known as "Improve intellectual property and enforcement domestically and abroad."

## STRATEGIC OBJECTIVE 2.3

*Advance global e-commerce as well as telecommunications and information services*

OBJECTIVE 2.3 RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual <sup>1</sup>	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding FTE	\$117.5 219	\$96.2 244	\$97.6 251	\$84.4 269	\$69.9 259	\$70.9 248	\$1,148.2 243	\$1,012.4 268	\$1,161.2 262	\$4,421.8 298

<sup>1</sup> In FY 2007, \$1,070.3 was provided to the newly formed Digital Television and Public Safety Program.**PERFORMANCE OUTCOME:** Ensure that the allocation of radio spectrum provides the greatest benefit to all people (NTIA)

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding FTE	\$21.5 133	\$23.4 141	\$24.5 147	\$28.5 159	\$30.4 169	\$36.8 162	\$38.9 154	\$35.8 168	\$37.3 162	\$35.8 171 <sup>1</sup>

<sup>1</sup> Estimate.

NTIA PERFORMANCE MEASURE			
MEASURE: Frequency assignment processing time (days)			
Year	Status	Actual	Target
FY 2010	Met	9	9 or fewer
FY 2009	Met	9	9 or fewer
FY 2008	Met	9	9 or fewer
FY 2007	Met	9	9 or fewer
FY 2006	Met	9	9 or fewer
FY 2005	Met	10	12
FY 2004	Met	<12	12
FY 2003	Met	15	15

NTIA PERFORMANCE MEASURE			
MEASURE: Certification request processing time (months)			
Year	Status	Actual	Target
FY 2010	Exceeded	.9	2 or fewer
FY 2009	Met	2	2 or fewer
FY 2008	Met	2	2 or fewer
FY 2007	Met	4	4 or fewer
FY 2006	Met	4	4 or fewer

NTIA PERFORMANCE MEASURE			
MEASURE: Space system coordination request processing time			
Year	Status	Actual	Target
FY 2010	Exceeded	100%	90% in 14 days or fewer
FY 2009	Met	98%	90% in 14 days or fewer
FY 2008	Met	95%	90% in 14 days or fewer
FY 2007	Met	97%	80% in 14 days or fewer
FY 2006	Met	95%	80% in 14 days or fewer

NTIA PERFORMANCE MEASURE			
MEASURE: Spectrum plans and policies processing time			
Year	Status	Actual	Target
FY 2010	Exceeded	11.6 days	Comments in 15 days or fewer
FY 2009	Exceeded	11 days	Comments in 15 days or fewer
FY 2008	Met	13.3 days	Comments in 15 days or fewer
FY 2007	Met	13.3 days	Comments in 15 days or fewer
FY 2006	Met	13 days	Comments in 15 days or fewer

NTIA PERFORMANCE MEASURE			
MEASURE: Milestones completed from the implementation plan of the President's Spectrum Policy Initiative			
Year	Status	Actual	Target
FY 2010	Exceeded	16 milestones	11 milestones
FY 2009	Met	14 milestones	14 milestones
FY 2008	Met	22 milestones	22 milestones
FY 2007	Met	23 out of 29 milestones	23 out of 29 milestones
FY 2006	Met	18 out of 22 milestones	18 out of 22 milestones

**PERFORMANCE OUTCOME: Promote the availability, and support new sources, of advanced telecommunications and information services (NTIA)**

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual <sup>1</sup>	FY 2003 Actual <sup>1</sup>	FY 2004 Actual <sup>1</sup>	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding	\$96.0	\$72.8	\$73.1	\$55.9	\$39.5	\$34.1	\$1,109.3	\$976.6	\$1,046.7	\$97.9
FTE	86	103	104	110	90	86	89	100	93	72 <sup>2</sup>
<sup>1</sup> Amounts for FYs 2002-2004 include those for the discontinued outcome "Increase competition within the telecommunications sector and promote universal access to telecommunications services for all Americans." <sup>2</sup> Estimate.										

NTIA PERFORMANCE MEASURE			
MEASURE: Support new telecom and information technology by advocating Administration views in number of FCC docket filings, and Congressional and other proceedings			
Year	Status	Actual	Target
FY 2010	Exceeded	17 dockets and proceedings	5 dockets and proceedings
FY 2009	Exceeded	12 dockets and proceedings	5 dockets and proceedings
FY 2008	Exceeded	11 dockets and proceedings	5 dockets and proceedings
FY 2007	Exceeded	8 dockets and proceedings	5 dockets and proceedings
FY 2006	Exceeded	12 dockets and proceedings	5 dockets and proceedings
FY 2005	Met	5 dockets and proceedings	5 dockets and proceedings

NTIA PERFORMANCE MEASURE			
MEASURE: Number of Web site views for research publications <sup>1</sup>			
Year	Status	Actual	Target
FY 2010	Exceeded	928,000/quarter	240,000/quarter
FY 2009	Met	225,000/quarter	225,000/quarter
FY 2008	Exceeded	127,000/month	75,000/month
FY 2007	Exceeded	105,000/month	75,000/month
FY 2006	Exceeded	94,000/month	75,000/month

<sup>1</sup> In FY 2009, data collection was changed from monthly to quarterly. There was no change in the measure and the amounts are comparable to previous years.

The Department added the following outcome in FY 2009 as a result of the influx of Recovery Act funding. Targets and actuals will not appear until FY 2011, however, funding began in FY 2009 and continued through FY 2010. Therefore the funding and FTE amounts are shown here while targets and actuals will appear in the FY 2011 PAR.

**PERFORMANCE OUTCOME: Ensure the effective implementation of the Broadband Technology Opportunities Program (NTIA)**

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$77.2	\$4,288.1
FTE	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	7	55

## STRATEGIC GOAL 3

### *Promote environmental stewardship*

STRATEGIC GOAL 3 TOTAL RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding	\$3,254.8	\$3,398.4	\$3,458.6	\$3,802.0	\$4,064.0	\$4,306.5	\$4,187.8	\$4,234.4	\$5,158.0	\$5,781.7
FTE	11,473	11,585	11,898	11,868	11,918	12,896	11,933	12,637	12,031	11,709

## STRATEGIC OBJECTIVE 3.1

### *Protect, restore, and manage the use of coastal and ocean resources*

OBJECTIVE 3.1 RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding	\$1,504.0	\$1,334.2	\$1,314.9	\$1,268.5	\$1,379.5	\$1,363.2	\$1,295.1	\$1,354.1	\$1,603.1	\$1,778.4
FTE	3,913	3,042	3,361	3,611	3,479	3,670	3,029	3,068	3,426	3,243

NOAA PERFORMANCE MEASURE			
MEASURE: Fish stock sustainability index (FSSI)			
Year	Status	Actual	Target
FY 2010	Met	582.5	580
FY 2009	Met	565.5	548.5
FY 2008	Met	535	530.5
FY 2007	Met	524	505

NOAA PERFORMANCE MEASURE			
MEASURE: Percentage of living marine resources with adequate population assessments and forecasts			
Year	Status	Actual	Target
FY 2010	Met	34.7%	34.3% <sup>1</sup>
FY 2009	Met	43.9%	42.1%
FY 2008	Slightly Below	40.3%	41.1%
FY 2007	Met	40.8%	40.0%
FY 2006	Not Met	38.8%	41.3%

<sup>1</sup> The drop in the target percentage is due to an increase of 125 protected living marine resource stocks, raising the total number of stocks from 478 to 603.

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 2010	Met	29	25
FY 2009	Met	25	22
FY 2008	Met	24	22
FY 2007	Met	26	26
FY 2006	Met	26	24

NOAA PERFORMANCE MEASURE			
MEASURE: Number of habitat acres restored (annual/cumulative) <sup>1</sup>			
Year	Status	Actual	Target
FY 2010	Not Met	6,907/65,881	8,875 /67,849
FY 2009	Met	9,232/58,974	9,000/58,742
FY 2008	Exceeded	11,254/49,742	9,000/47,488
FY 2007	Met	5,974/38,488	5,000/37,514
FY 2006	Exceeded	7,598/32,514	4,500/29,416
FY 2005	Exceeded	8,333/24,916	4,500/21,083
FY 2004	Exceeded	5,563/16,583	3,700/14,780
FY 2003	Exceeded	5,200/11,020	2,829

<sup>1</sup> Determination of whether target was met or exceeded is based on annual amount, since that is what was done in that year.

NOAA PERFORMANCE MEASURE			
MEASURE: Annual number of coastal, marine, and Great Lakes ecological characterizations that meet management needs			
Year	Status	Actual	Target
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

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 2010	Met	42	42
FY 2009	Met	41	41
FY 2008	Met	38	38
FY 2007	Met	35	35
FY 2006	Met	31	31

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 2010	Met	88%	86%
FY 2009	Met	86%	86%
FY 2008	Met	86%	86%
FY 2007	Met	85%	85%

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 2010	Met	2,000 <sup>1</sup>	2,000
FY 2009	Met	2,247	2,000
FY 2008	Exceeded	6,219	2,000
FY 2007	Exceeded	3,020	2,000
FY 2006	Exceeded	> 86,000,000 <sup>2</sup>	200,137

<sup>1</sup> Estimate.

<sup>2</sup> The large FY 2006 actual reflects the new Northwest Hawaiian Islands Marine National Monument.



## STRATEGIC OBJECTIVE 3.2

*Advance understanding of climate variability and change*

OBJECTIVE 3.2 RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding FTE	\$238.8 693	\$312.0 785	\$347.5 625	\$239.5 603	\$256.9 599	\$236.1 665	\$244.5 457	\$271.8 523	\$370.0 556	\$343.3 544

NOAA PERFORMANCE MEASURE			
MEASURE: U.S. temperature forecasts (cumulative skill score computed over the regions where predictions are made)			
Year	Status	Actual	Target
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

NOAA PERFORMANCE MEASURE			
MEASURE: Uncertainty in the magnitude of the North American carbon uptake			
Year	Status	Actual	Target
FY 2010	Not Met	0.45 GtC/year <sup>1</sup>	0.40 GtC/year
FY 2009	Met	0.40 GtC/year	0.30 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	Met	0.40 GtC/year	0.48 GtC/year
FY 2004	Met	0.50 GtC/year	0.70 GtC/year
FY 2003	Not Met	0.80 GtC/year	0.50 GtC/year

<sup>1</sup> Estimate.

NOAA PERFORMANCE MEASURE			
MEASURE: Uncertainty in model simulations of the influence of aerosols on climate			
Year	Status	Actual	Target
FY 2010	Met	18% improvement	15% improvement
FY 2009	Met	20% improvement	20% improvement
FY 2008	Met	15% improvement	15% improvement
FY 2007	Met	10% improvement	10% improvement
FY 2006	Met	10% improvement	Establish 10% improvement

NOAA PERFORMANCE MEASURE			
MEASURE: Error in global measurement of sea surface temperature			
Year	Status	Actual	Target
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

NOAA PERFORMANCE MEASURE			
MEASURE: Regionally focused climate impacts and adaptation studies communicated to decisionmakers			
Year	Status	Actual	Target
FY 2010	Met	41 assessments/evaluations	41 assessments/evaluations
FY 2009	Met	37 assessments/evaluations	37 assessments/evaluations
FY 2008	Met	37 assessments/evaluations	35 assessments/evaluations
FY 2007	Met	32 assessments/evaluations	32 assessments/evaluations
FY 2006	Met	33 assessments/evaluations	32 assessments/evaluations

## STRATEGIC OBJECTIVE 3.3

*Provide accurate and timely weather and water information*

OBJECTIVE 3.3 RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding FTE	\$1,376.0 5,997	\$1,188.8 5,100	\$1,284.1 4,912	\$883.6 4,760	\$898.1 4,654	\$926.8 4,907	\$946.7 4,708	\$927.6 5,241	\$1,010.8 4,687	\$1,213.3 4,627

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 2010	Met	29%	29%

NOAA PERFORMANCE MEASURE			
MEASURE: Severe weather warnings for tornadoes (storm-based) – Lead time (minutes) <sup>1</sup>			
Year	Status	Actual	Target
FY 2010	Met	14 <sup>2</sup>	12
FY 2009	Met	12	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

<sup>1</sup> Prior to FY 2008, these warnings were county-based rather than storm-based.<sup>2</sup> Estimate.

## APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NOAA PERFORMANCE MEASURE			
MEASURE: Severe weather warnings for tornadoes (storm-based) – Accuracy (%) <sup>1</sup>			
Year	Status	Actual	Target
FY 2010	Met	74% <sup>2</sup>	70%
FY 2009	Slightly Below	66%	69%
FY 2008	Met	72%	67%
FY 2007	Met	80%	76%
FY 2006	Slightly Below	75%	76%
FY 2005	Met	76%	73%
FY 2004	Met	75%	72%
FY 2003	Met	79%	72%
FY 2002	Met	76%	69%
FY 2001	Slightly Below	67%	68%

<sup>1</sup> Prior to FY 2008, these warnings were county-based rather than storm-based.

<sup>2</sup> Estimate.

NOAA PERFORMANCE MEASURE			
MEASURE: Severe weather warnings for tornadoes (storm-based) – False alarm rate (%) <sup>1</sup>			
Year	Status	Actual	Target
FY 2010	Slightly Below	74% <sup>2</sup>	72%
FY 2009	Not Met	77%	72%
FY 2008	Met	75%	74%
FY 2007	Met	75%	75%
FY 2006	Slightly Below	79%	75%
FY 2005	Slightly Below	77%	73%
FY 2004	Improved But Not Met	74%	70%
FY 2003	Not Met	76%	72%
FY 2002	Slightly Below	73%	71%
FY 2001	Met	73%	73%

<sup>1</sup> Prior to FY 2008, these warnings were county-based rather than storm-based.

<sup>2</sup> Estimate.

NOAA PERFORMANCE MEASURE			
MEASURE: Severe weather warnings for flash floods (storm-based) – Lead time (minutes)			
Year	Status	Actual	Target
FY 2010	Exceeded	76	38 <sup>1</sup>
FY 2009	Exceeded	73	49
FY 2008	Exceeded	77	48
FY 2007	Exceeded	61	48
FY 2006	Met	49	48
FY 2005	Met	54	48
FY 2004	Improved But Not Met	47	50
FY 2003	Not Met	41	47
FY 2002	Met	52	45
FY 2001	Met	46	45

<sup>1</sup> 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 areal coverage of our 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. Flash flood performance data using this new verification methodology was computed beginning in FY 2008 with actuals and targets being reported from FY 2010 onward.

NOAA PERFORMANCE MEASURE			
MEASURE: Severe weather warnings for flash floods (storm-based) – Accuracy (%)			
Year	Status	Actual	Target
FY 2010	Met	82%	72% <sup>1</sup>
FY 2009	Met	91%	90%
FY 2008	Met	91%	90%
FY 2007	Met	91%	89%
FY 2006	Met	89%	89%
FY 2005	Met	89%	89%
FY 2004	Met	89%	88%
FY 2003	Met	89%	87%
FY 2002	Met	89%	86%
FY 2001	Met	86%	86%

<sup>1</sup> 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 areal coverage of our 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. Flash flood performance data using this new verification methodology was computed beginning in FY 2008 with actuals and targets being reported from FY 2010 onward.

## APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NOAA PERFORMANCE MEASURE			
MEASURE: Hurricane forecast track error (48 hours) (nautical miles) <sup>1</sup>			
Year	Status	Actual	Target
FY 2010	Exceeded	70 <sup>2</sup>	107
FY 2009	Met	86	108
FY 2008	Exceeded	86	110
FY 2007	Met	97	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

<sup>1</sup> Beginning in FY 2007, NOAA reported the previous year's results because data is not available until February and good estimates cannot be determined.

<sup>2</sup> Reflects FY 2009 target and actual results. FY 2010 results not available until February 2011.

NOAA PERFORMANCE MEASURE			
MEASURE: Hurricane forecast intensity error (48 hours) (difference in knots) <sup>1</sup>			
Year	Status	Actual	Target
FY 2010	Not Met	18 <sup>2</sup>	13
FY 2009	Slightly Below	14	13

<sup>1</sup> NOAA reports the previous year's results because data is not available until February and good estimates cannot be determined.

<sup>2</sup> Reflects FY 2009 target and actual results. FY 2010 results not available until February 2011.

NOAA PERFORMANCE MEASURE			
MEASURE: Accuracy (%) (threat score) of day 1 precipitation forecasts			
Year	Status	Actual	Target
FY 2010	Met	35%	30%
FY 2009	Met	30%	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%

NOAA PERFORMANCE MEASURE			
MEASURE: Winter storm warnings – Lead time (hours)			
Year	Status	Actual	Target
FY 2010	Exceeded	21	15
FY 2009	Met	18	16
FY 2008	Met	17	15
FY 2007	Exceeded	19	15
FY 2006	Met	17	15
FY 2005	Met	17	15
FY 2004	Met	15	14
FY 2003	Met	14	13
FY 2002	Met	13	13
FY 2001	Met	13	13

NOAA PERFORMANCE MEASURE			
MEASURE: Winter storm warnings – Accuracy (%)			
Year	Status	Actual	Target
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	91%	89%
FY 2003	Met	90%	88%
FY 2002	Met	89%	86%
FY 2001	Met	90%	86%



## STRATEGIC OBJECTIVE 3.4

*Support safe, efficient, and environmentally sound commercial navigation*

OBJECTIVE 3.4 RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding FTE	\$136.0 870	\$249.9 942	\$261.6 1,004	\$192.8 716	\$175.0 749	\$198.7 774	\$189.4 691	\$195.0 774	\$240.2 738	254.3 710

NOAA PERFORMANCE MEASURE			
MEASURE: Reduce the hydrographic survey backlog within navigationally significant areas (square nautical miles surveyed per year)			
Year	Status	Actual	Target
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

NOAA PERFORMANCE MEASURE			
MEASURE: Percentage of U.S. counties rated as fully enabled or substantially enabled with accurate positioning capacity			
Year	Status	Actual	Target
FY 2010	Met	79.0%	74.0%
FY 2009	Met	72.0%	69.0%
FY 2008	Met	60.2%	60.0%
FY 2007	Met	51.6%	49.0%
FY 2006	Met	43.3%	39.0%
FY 2005	Met	32.2%	28.0%

NOAA PERFORMANCE MEASURE			
MEASURE: Marine wind speed accuracy (%)			
Year	Status	Actual	Target
FY 2010	Met	74%	69%
FY 2009	Met	73%	69%
FY 2008	Met	72%	68%
FY 2007	Met	73%	68%
FY 2006	Not Met	55%	58%
FY 2005	Met	57%	57%
FY 2004	Met	57%	57%
FY 2003	Met	57%	54%

NOAA PERFORMANCE MEASURE			
MEASURE: Marine wave height accuracy (%)			
Year	Status	Actual	Target
FY 2010	Met	75%	74%
FY 2009	Met	77%	74%
FY 2008	Met	77%	73%
FY 2007	Met	78%	73%
FY 2006	Met	70%	68%
FY 2005	Met	67%	67%
FY 2004	Not Met	67%	69%
FY 2003	Met	71%	66%

NOAA PERFORMANCE MEASURE			
MEASURE: Aviation forecast accuracy for ceiling/visibility (3 mile/1,000 feet or less) (%) <sup>1,2</sup>			
Year	Status	Actual	Target
FY 2010	Met	66%	65%
FY 2009	Slightly Below	63%	64%
FY 2008	Slightly Below	62%	63%
FY 2007	Met	62%	62%
FY 2006	Not Met	43%	47%
FY 2005	Met	46%	46%
FY 2004	Slightly Below	45%	46%
FY 2003	Met	48%	45%
FY 2002	Not Met	13%	18%
FY 2001	Not Met	18%	21%

<sup>1</sup> From FY 2000-FY 2002, NOAA used a different method to calculate accuracy—targets were significantly lower than the current method.

<sup>2</sup> From FY 2007 on, the aviation measures were redefined to cover the IFR (Instrument Flight Rule) airspace instead of the limited IFR range of 5,000 feet to three miles. This change was to increase the usefulness of the measure to the general and commercial aviation communities. This change required the measures to be re-baselined. While the numbers for accuracy and FAR appear to be reversed when comparing earlier years, they are actually measuring different things.

NOAA PERFORMANCE MEASURE			
MEASURE: Aviation forecast FAR for ceiling/visibility (3 miles/1,000 feet or less) (%) <sup>1,2</sup>			
Year	Status	Actual	Target
FY 2010	Met	36%	42%
FY 2009	Met	38%	43%
FY 2008	Met	39%	44%
FY 2007	Met	40%	45%
FY 2006	Met	64%	65%
FY 2005	Met	63%	68%
FY 2004	Met	65%	70%
FY 2003	Met	64%	71%
FY 2002	Met	58%	52%
FY 2001	Met	51%	51%

<sup>1</sup> From FY 2000-FY 2002, NOAA used a different method to calculate false alarm rate—targets were significantly lower than the current method.

<sup>2</sup> From FY 2007 on, the aviation measures were redefined to cover the IFR (Instrument Flight Rule) airspace instead of the limited IFR range of 5,000 feet to three miles. This change was to increase the usefulness of the measure to the general and commercial aviation communities. This change required the measures to be re-baselined. While the numbers for accuracy and FAR appear to be reversed when comparing earlier years, they are actually measuring different things.

**MISSION SUPPORT OBJECTIVE: Provide critical support for NOAA's mission (NOAA)\***

PERFORMANCE OBJECTIVE RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding	N/A	\$313.5	\$250.5	\$1,217.6	\$1,354.5	\$1,581.7	\$1,512.1	\$1,485.9	\$1,933.9	\$2,192.4
FTE	N/A	1,716	1,996	2,178	2,437	2,880	3,048	3,031	2,624	2,585

\* There are no GPRA measures for the Mission Support objective, since the activities of this objective support the outcomes of the four other NOAA objectives.

## MANAGEMENT INTEGRATION GOAL

*Achieve organizational and management excellence*

MANAGEMENT INTEGRATION GOAL RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding	\$60.6	\$70.1	\$71.2	\$72.8	\$70.9	\$71.8	\$72.2	\$67.7	\$80.9	\$94.0
FTE	310	319	326	309	292	315	302	297	294	341

**PERFORMANCE OUTCOME: Ensure effective resource stewardship in support of the Department's programs (DM)**

PERFORMANCE OUTCOME RESOURCES <sup>1</sup> (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding	\$40.7	\$49.2	\$49.2	\$51.8	\$49.5	\$49.3	\$49.6	\$36.9	\$43.1	\$46.6
FTE	171	183	186	181	177	177	178	173	164	188

<sup>1</sup> In FY 2008, DM split its one performance outcome into three separate outcomes. All funding for FY 2001-FY 2007 is shown in this outcome. FTE is not split among the three outcomes.

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 2010	Not Met	<ul style="list-style-type: none"> <li>One significant deficiency was not eliminated</li> <li>Completed FY 2010 A-123 assessment of internal controls</li> </ul>	<ul style="list-style-type: none"> <li>Eliminate any significant deficiency within 1 year of determination</li> <li>Complete FY 2010 A-123 assessment of internal controls</li> </ul>
FY 2009	Not Met	<ul style="list-style-type: none"> <li>Completed FY 2009 A-123 assessment of internal controls for financial reporting</li> </ul>	<ul style="list-style-type: none"> <li>Eliminate any significant deficiency within 1 year of determination</li> <li>Complete FY 2009 A-123 assessment of internal controls</li> </ul>
FY 2008	Not Met	<ul style="list-style-type: none"> <li>The Department closed 70% of prior year financial systems audit findings</li> <li>Significant deficiency was not eliminated</li> <li>Completed FY 2008 A-123 assessment of internal controls for financial reporting</li> </ul>	<ul style="list-style-type: none"> <li>Eliminate any significant deficiency within 1 year of determination</li> <li>Complete FY 2008 A-123 assessment of internal controls</li> </ul>
FY 2007	Not Met	<ul style="list-style-type: none"> <li>Significant deficiency was not eliminated</li> <li>Completed assessment of internal controls</li> <li>Completed migration of Commerce Business System</li> </ul>	<ul style="list-style-type: none"> <li>Eliminate any significant deficiency within 1 year of determination</li> <li>Complete internal control and document review</li> <li>Complete FY 2007 A-123 assessment of internal controls</li> <li>Migrate Commerce Business System (CBS) to an all Web-based architecture</li> </ul>
FY 2006	Not Met	Reportable condition not eliminated	<ul style="list-style-type: none"> <li>Eliminate any reportable condition within 1 year of determination</li> <li>95% of management with access to the CRS have financial data/reports by the 15th of month</li> </ul>
FY 2005	Not Met	Reportable condition not eliminated	Eliminate any reportable condition
FY 2004	Met	100%	100%
FY 2003	Met	100%	100%
FY 2002	Met	100%	100%
FY 2001	Met	100%	100%

# APPENDIX A: PERFORMANCE AND RESOURCE TABLES

DM PERFORMANCE MEASURE			
MEASURE: Effectively use commercial services management			
Year	Status	Actual	Target
FY 2010	N/A	<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Increase use of competition by 2%, measured by procurement dollars awarded</li> <li>Decrease procurement dollars awarded on a cost-reimbursement, time and materials, and labor hours contracts by 10%</li> </ul>
FY 2009	Met	<ul style="list-style-type: none"> <li>Due to change in Administration, all new competitive sourcing comparisons have been placed on hold. The same is true for the Green Plan.</li> <li>2009 FAIR Act Inventory filed timely with OMB</li> </ul>	Use business process re-engineering 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 <sup>1</sup>	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
FY 2006	Met	Green Plan <sup>1</sup> 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 competitions on 6.6%	Complete competitions on 10%
FY 2002	Not Met	Completed competitions on 1%	Complete competitions on 5%
FY 2001	Met	Commercial inventory – submitted 6/30/2001	Commercial inventory – completed by 6/30/2001

<sup>1</sup> Green Plan will lay out the Departmental short and long-range plans to conduct feasibility studies of all major commercial (and available) functions and will identify approved FY 2006-2007 competitions.

DM PERFORMANCE MEASURE			
MEASURE: Obligate funds through performance-based contracting (% of eligible service contracting \$)			
Year	Status	Actual	Target
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%

**PERFORMANCE OUTCOME: Ensure retention of highly qualified staff in mission-critical positions (DM)**

<b>PERFORMANCE OUTCOME RESOURCES<sup>1</sup></b> <i>(Dollars in Millions)</i>										
	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Actual</b>	<b>FY 2006 Actual</b>	<b>FY 2007 Actual</b>	<b>FY 2008 Actual</b>	<b>FY 2009 Actual</b>	<b>FY 2010 Actual</b>
Funding	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$2.1	\$2.1	\$2.1
FTE	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

<sup>1</sup> In FY 2008, DM split its one performance outcome into three separate outcomes. All funding for FY 2002-FY 2007 is shown in the first outcome "Ensure effective resource stewardship in support of the Department's programs." All FTE is shown in the first outcome.

<b>DM PERFORMANCE MEASURE</b>			
<b>MEASURE: Acquire and maintain diverse and highly qualified staff in mission-critical occupations</b>			
<b>Year</b>	<b>Status</b>	<b>Actual</b>	<b>Target</b>
<b>FY 2010</b>	<b>Met</b>	<ul style="list-style-type: none"> <li>Produced competency models for four mission-critical occupations</li> <li>Established hiring process baseline at 133 days</li> <li>Trained 98 ALDP, ELDP, and APCP participants via leadership development programs, and 181 employees via the Careers in Motion Program</li> <li>Integrated Commerce Learning Center in program administration to enhance measurement of results</li> </ul>	<ul style="list-style-type: none"> <li>Have new competency models in place for three mission-critical occupations for use in workforce recruitment, training, and development activities</li> <li>Meet or exceed the 80-day hiring goals mandated by OPM</li> <li>Train up to 50-70 participants on leadership development programs via ALDP, ELDP, and APCP, and 180-200 participants via Careers in Motion</li> <li>Integrate Commerce Learning Center in program administration to enhance tracking and progress monitoring</li> </ul>
<b>FY 2009</b>	<b>Exceeded</b>	<ul style="list-style-type: none"> <li>Competency models in place for four series including budget analyst, meteorologist, oceanographer, and hydrologist</li> <li>Average time to fill of 31 days for non-SES candidates</li> <li>100 trainees graduated from leadership development programs</li> <li>Department employees nationwide applied to ALDP</li> </ul>	<ul style="list-style-type: none"> <li>Have new competency models in place for three mission-critical occupations for use in workforce recruitment, training, and development activities</li> <li>Meet or exceed the 45-day hiring goals mandated by OPM</li> <li>Train up to 50-60 participants on leadership development programs via ALDP, ELDP, and APCP</li> <li>Open ALDP to Department employees nationwide</li> </ul>
<b>FY 2008</b>	<b>Exceeded</b>	<ul style="list-style-type: none"> <li>Delivered a total of four competency models for the economist, acquisition, mathematical statistician, and chemist series</li> <li>Exceeded the OPM 45-day-time-to-hire standard with an average fill time of 31 days for non-SES vacancies</li> </ul>	<ul style="list-style-type: none"> <li>Have new competency models in place for three mission-critical occupations for use in applicant selections and training and development decisions</li> <li>Meet or exceed the 45-day hiring goals mandated by OPM</li> </ul>
<b>FY 2007</b>	<b>Met</b>	<ul style="list-style-type: none"> <li>Trained post-secondary internship program applicants to increase applicant pools</li> <li>Trained managers to make better hiring decisions</li> <li>Trained employees in project management to close skill gaps</li> </ul>	<ul style="list-style-type: none"> <li>Improve recruitment strategies via targeted activities</li> <li>Assist managers in making better selections</li> <li>Close skill gaps</li> </ul>
<b>FY 2006</b>	<b>Met</b>	<ul style="list-style-type: none"> <li>Marketed job vacancies to organizations via automated hiring system</li> <li>Participated in career fairs and special programs</li> <li>Conducted training of managers and employees</li> </ul>	<ul style="list-style-type: none"> <li>Improve recruitment strategies via targeted activities</li> <li>Assist managers in making better selections</li> <li>Close skill gaps</li> </ul>
<b>FY 2005</b>	<b>Met</b>	<ul style="list-style-type: none"> <li>Improved from 28 to 29%</li> <li>Maintained 30 day fill-time</li> </ul>	<ul style="list-style-type: none"> <li>Improve representation in underrepresented groups</li> <li>Maintain 30 day fill-time</li> </ul>

**PERFORMANCE OUTCOME: Acquire and manage technology resources to support program goals (DM)**

<b>PERFORMANCE OUTCOME RESOURCES<sup>1</sup></b> <i>(Dollars in Millions)</i>										
	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Actual</b>	<b>FY 2006 Actual</b>	<b>FY 2007 Actual</b>	<b>FY 2008 Actual</b>	<b>FY 2009 Actual</b>	<b>FY 2010 Actual</b>
Funding	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$3.7	\$7.6	\$9.1
FTE	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

<sup>1</sup> In FY 2008, DM split its one performance outcome into three separate outcomes. All funding for FY 2002-FY 2007 is shown in the first outcome "Ensure effective resource stewardship in support of the Department's programs." All FTE is shown in the first outcome.

<b>DM PERFORMANCE MEASURE</b>			
<b>MEASURE: Improve the management of information technology</b>			
<b>Year</b>	<b>Status</b>	<b>Actual</b>	<b>Target</b>
<b>FY 2009</b>	<b>Met</b>	<ul style="list-style-type: none"> <li>For the year, IT investments had cost/schedule overruns and performance shortfalls averaging less than 10%</li> <li>Completed security assessments and vulnerability assessments for all operating units. Submitted findings and recommendations to operating units and OCIO for review</li> <li>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.</li> <li>Deployed national security and emergency network in the development environment. Received official approval to connect from Defense Intelligence Agency.</li> </ul>	<ul style="list-style-type: none"> <li>IT investments have cost/schedule overruns and performance shortfalls averaging less than 10%</li> <li>Perform IT security compliance review of all operating units, and 10 FISMA systems in CSAM</li> <li>Deploy an enterprise-wide role-based cybersecurity training program</li> <li>Deploy national security and emergency network initial operating capability</li> </ul>
<b>FY 2009</b>	<b>Met</b>	<ul style="list-style-type: none"> <li>Cost/schedule overruns/performance shortfalls averaged under 10%</li> <li>CSAM C&amp;A enhancements were deployed</li> <li>IT security compliance in all operating units and five FISMA systems in CSAM were reviewed</li> </ul>	<ul style="list-style-type: none"> <li>Cost/schedule overruns/performance shortfalls less than 10%</li> <li>All national-critical and mission-critical systems certified and accredited with acceptable, quality documentation in place</li> </ul>
<b>FY 2008</b>	<b>Met</b>	<ul style="list-style-type: none"> <li>Cost/schedule overruns/performance shortfalls less than 10%</li> <li>All national-critical and mission-critical systems certified and accredited with acceptable, quality documentation in place</li> </ul>	<ul style="list-style-type: none"> <li>Cost/schedule overruns/performance shortfalls less than 10%</li> <li>All national-critical and mission-critical systems certified and accredited with acceptable, quality documentation in place</li> </ul>
<b>FY 2007</b>	<b>Met</b>	<ul style="list-style-type: none"> <li>Cost/schedule overruns/performance shortfalls less than 10%.</li> <li>All national-critical and mission-critical systems certified and accredited</li> </ul>	<ul style="list-style-type: none"> <li>Cost/schedule overruns/performance shortfalls less than 10%</li> <li>All national-critical and mission-critical systems certified and accredited</li> </ul>
<b>FY 2006</b>	<b>Met</b>	<ul style="list-style-type: none"> <li>Cost overruns and performance shortfalls less than 10%</li> <li>All national-critical and mission-critical systems certified and accredited</li> </ul>	<ul style="list-style-type: none"> <li>Cost/schedule overruns/performance shortfalls less than 10%</li> <li>All national-critical and mission-critical systems certified and accredited</li> </ul>
<b>FY 2005</b>	<b>Met</b>	<ul style="list-style-type: none"> <li>Cost overruns and performance shortfalls less than 10%</li> </ul>	<ul style="list-style-type: none"> <li>Cost overruns and performance shortfalls less than 10%</li> </ul>



**PERFORMANCE OUTCOME:** Promote improvements to Department programs and operations by identifying and completing work that (1) promotes integrity, efficiency, and effectiveness; and (2) prevents and detects fraud, waste, and abuse (OIG)

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)										
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding FTE	\$19.9 139	\$20.9 136	\$22.0 140	\$21.0 128	\$21.4 115	\$22.5 138	\$22.6 124	\$25.0 124	\$28.1 114	\$36.2 161

OIG PERFORMANCE MEASURE			
MEASURE: Percentage of OIG recommendations accepted by Departmental and bureau management			
Year	Status	Actual	Target
FY 2010	Met	95%	95%
FY 2009	Met	97%	95%
FY 2008	Met	100%	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%

OIG PERFORMANCE MEASURE			
MEASURE: Dollar value of financial benefits identified by the OIG			
Year	Status	Actual	Target
FY 2010	Exceeded	\$47.8M	\$38.0M
FY 2009	Exceeded	\$126.9M	\$32.0M
FY 2008	Exceeded	\$113.0M	\$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

OIG PERFORMANCE MEASURE			
MEASURE: Percentage of criminal and civil matters that are accepted for prosecution			
Year	Status	Actual	Target
FY 2010	Not Met	42%	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%

## 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	OTHER FEDERAL AGENCIES AND ORGANIZATIONS <sup>1</sup>	
Chemical Weapons Convention compliance	Department of Agriculture	National Science Foundation
Defense industrial base activities	Department of Defense	Small Business Administration
Economic development	Department of Education	U.S. Postal Service
Economic distress and recovery efforts	Department of Energy	Agency for Health Care Research and Quality
Environmental programs	Department of Health and Human Services	Customs/Border and Transportation Security/Homeland Security
Export controls	Department of Homeland Security	Federal Aviation Administration
Homeland security	Department of Housing and Urban Development	Federal Bureau of Investigation
Improvements to the environment	Department of Justice	Food and Drug Administration
Market access/improvements	Department of Labor	Bureau of Justice Statistics
Measurements and standards	Department of State	National Institutes of Health
Minority-owned business development	Department of Transportation	Bureau of Transportation Statistics
Patents and trademarks and intellectual property	Department of the Treasury	U.S. Coast Guard
Research	Agency for International Development	Delta Regional Authority
Telecommunications	Appalachian Regional Commission	Indian Tribes
Technology transfer	Central Intelligence Agency	States
Tracking the U.S. economy through GDP and other statistics	Environmental Protection Agency	Other Countries and Organizations
Trade policies	Federal Communications Commission	European Patent Office
	National Aeronautics and Space Administration	

<sup>1</sup> Note: This is not an all-inclusive listing.

## THE INSPECTOR GENERAL'S STATEMENT OF MANAGEMENT CHALLENGES

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

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

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

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

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

*Inspector General  
Todd J. Zinser*

*Continued on next page*

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

## TOP MANAGEMENT CHALLENGES FOR FY 2010

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

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

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

While much of the Bureau's plan appears to be on schedule, the efficiency and accuracy of NRFU are at some risk, and final decennial costs remain uncertain. The Bureau's ability to manage NRFU effectively, and thus control its cost, hinges on two systems: the paper-based operations control system (PBOCS) and the Decennial Applicant, Personnel, and Payroll System (DAPPS). Described by the Bureau as the "nerve center" of its field offices, PBOCS manages enumerator assignments and provides current information on enumerator productivity. DAPPS supports recruiting, applicant, personnel, and payroll processing and is therefore also critical to the smooth functioning of NRFU. Both systems support smaller early field operations such as those in rural areas where Census leaves a form

for households to mail back (known as update/leave), doorstep interviews occurring in places such as Native American reservations (update/enumerate), and counting residents living in group situations and nontraditional households (group quarters enumeration, service-based enumeration, and enumeration of transitory locations). Both systems have experienced problems in testing and, more importantly, during field operations.

Census is on a very tight schedule to complete the PBOCS capabilities needed for NRFU and to resolve existing problems. Once NRFU begins, the system has no margin for error. Yet PBOCS development and testing remain behind schedule, and frequent outages and slow performance are impacting early operations. If not revamped for NRFU, these problems place the schedule and cost of this massive operation at serious risk. As a core requirement with a high level of uncertainty late in the decennial life cycle, PBOCS is one of the most significant decennial challenges facing the Department. While DAPPS also experienced outages and slow performance in early operations, a recent hardware upgrade appears to have significantly improved performance.

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

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

## **Challenge 2: IT Security – Continue Enhancing the Department’s Ability to Defend its Systems and Data Against Increasing Cyber Security Threats**

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

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

Our evaluations have focused on the Department’s process for planning, implementing, and assessing security controls, including continuous monitoring, for the more than 300 systems employed by various operating units (including USPTO), each with its own management structure. We found deficiencies in security planning (including defining security requirements and implementing controls), assessments (leaving risks inadequately understood), vulnerability remediation (through required plans of action and milestones), and continuous monitoring. In recent years we have increased our efforts to independently assess technical security controls and have consistently found vulnerabilities requiring remediation.

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

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

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

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

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

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

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

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

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

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

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The Department continues to implement programs under the American Recovery and Reinvestment Act (ARRA) of 2009, which provided Commerce with \$7.9 billion. The Office of Inspector General (OIG) ARRA oversight priorities include agency and recipient reporting, the Broadband Technology Opportunities Program (BTOP), and National Institute of Standards and Technology (NIST) and NOAA construction contracts and grants.

The sheer amount of ARRA money received by the Department, coupled with the act's unique requirements, makes ensuring appropriate spending—while also providing economic stimulus as quickly as possible—a particular challenge. The Department's operating units must spend funds appropriately with little time to prepare for the many new and expanded programs, grants, and contracts established under the act.

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

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

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

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

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

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



### Challenge 5: USPTO – Address the Patent Office’s Resource and Process Issues

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

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

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

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

In November 2008, our *Top Management Challenges* report suggested that USPTO's unique financing structure could become increasingly risky. Subsequent downturns in the U.S. and global economies quickly showed the structure's vulnerabilities. In the President's FY 2009 budget, USPTO estimated that it would collect over \$1.8 billion in patent fees. However, by the end of that year, patent fee collections totaled just over \$1.6 billion. Multiple factors contributed to the difference, including a reduction in the number of patent applications filed and a decline in maintenance fees collected for existing patents. To align expenses with actual patent fee collections, USPTO deferred hiring patent examiners and curtailed or suspended overtime and training. USPTO currently projects a FY 2010 surplus, but does not have authority to spend above its legislatively mandated appropriation ceiling.

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

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

**OTHER ISSUES REQUIRING SIGNIFICANT MANAGEMENT ATTENTION****Centralized Management and Oversight**

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

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

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

**Major Systems Acquisition**

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

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

### Contracts and Grants Management Workforce

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

According to Department data, more than 1,500 Commerce employees hold certifications in various acquisition positions. While the Department does not track the number of grants personnel, we recently conducted a survey of the sufficiency and qualifications of the Recovery Act acquisition and grants workforce. Based on our survey, the grants workforce for the five Department operating units receiving ARRA funding totaled over 800 employees. This includes grant officers, grants program managers, and grants specialists.

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

### NOAA Headquarters Leadership Structure

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

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

### Department Headquarters Renovation

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

## THE DEPARTMENT'S STATEMENT ON ACTIONS TAKEN TO ADDRESS THE FY 2010 TOP MANAGEMENT CHALLENGES

Each year, the OIG reviews the Department's and its component bureaus' program activities to ensure that the management, financial, and operational activities are sound and meet the requirements of the Chief Financial Officers (CFO) Act and the Government Performance and Results Act (GPRA).

The emphasis by the President, the Office of Management and Budget (OMB), and Congress on improved government accountability underscores the Department's resolve to enhance transparency within the Department while promoting improved efficiency and effectiveness. Progress in these endeavors requires strong commitment from the Department's senior leadership and staff at all levels.

The following are descriptions of Departmental and bureau actions to address the management challenges identified by the IG.

### TOP MANAGEMENT CHALLENGES FOR FY 2010

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

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

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

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

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

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

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The Department has continuously made strides in improving its IT security program over the years. In 2010, the Department developed an IT security strategic plan to strengthen its IT security infrastructure as an effort to institute a sustainable and consistent security practice to guard against the ever increasing cyber security threats. The following are some of the most significant IT security accomplishments achieved this year:

- Conducted rigorous IT security compliance reviews based on federal standards and guidelines, and previous OIG certification and accreditation recommendations; 90 percent of the Department’s 280 information systems have authority to operate status.
- Implemented monthly reviews of Departmental information systems utilizing information within the automated IT security tool, Cyber Security Assessment and Management (CSAM). CSAM tracks progress in authority to operate status, contingency plans and tests, and privacy threshold analysis. Used scorecards to develop quarterly trend analysis, and provided them to the Department’s CIO Council. Also implemented a Department-wide plans of action and milestones (POA&M) management monitoring program using CSAM. Dashboards are sent to operating unit CIOs tracking POA&M status. The implementation of this monitoring program has improved operating unit POA&M management.
- Worked with the Office of Financial Management to create the IT audit working group to address and resolve financial statements audit IT findings, develop enterprise-wide solutions, and prepare for future financial statements audits. The group developed and implemented a tracking and management procedure to provide monthly progress reports on the resolution of audit findings. By July 2010, the group reported nearly 84 percent of the 70 FY 2009 IT findings as closed.
- Addressed the findings and recommendations issued by the OIG in the *Commerce Should Take Steps to Strengthen Its IT Workforce*<sup>1</sup>, by developing and implementing a cyber security development program, a security role-based training program offered to candidates throughout the Department.
- Updated the IT security program policy by implementing a number of interim policies relating to areas such as remote access, password requirements, and peer-to-peer technology. Provided additional guidance on IT security roles and responsibilities in terms of the security authorization process and IT investment security authorization responsibilities.
- Coordinated with the Federation of Computer Incident Response Team (CIRT) and the U.S. Computer Emergency Readiness Team (US-CERT) at the Department of Homeland Security (DHS) to receive timely security alerts and notifications. As a result, the Department detected malicious cyber attacks against its network and developed plans to remediate and prevent potential threats and vulnerabilities.
- Signed a memorandum of agreement with DHS to begin implementing trusted Internet connections. The Department completed the compliance validation assessment for NOAA’s efforts. The majority of the Department’s operating units have completed a statement of work for the Managed Trusted Internet Protocol Service (MTIPS). MTIPS orders are expected to begin in FY 2011.

USPTO continues to work diligently with the OIG and the Department to improve the Agency’s overall IT security program. The OCIO revised IT Security policies and procedures to comply with new OMB FISMA guidance.

<sup>1</sup> *Commerce Should Take Steps to Strengthen Its IT Workforce* Final Audit Report No. 19569-1, September 2009.

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

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NOAA and NASA are developing a Management Control Plan for JPSS, modeled on the GOES-R plan, to ensure that the appropriate management and engineering oversight are applied to both. NOAA believes that both JPSS and GOES-R are on the path to achieve mission success through the following actions:

- **Alignment with a proven acquisition center.** JPSS and GOES-R are aligned with NASA's Goddard Space Flight Center as its acquisition center. By having NASA as NOAA's acquisition agent, NOAA will be implementing the satellite systems using the rigorous framework of NASA's disciplined, comprehensive strategic acquisition and program management process. NOAA structured acquisitions with significantly more direct government control with the government team supported by the depth and breadth of the technical and business resources of the NASA Goddard Space Flight Center. This construct builds upon the decades-long, successful partnership between NOAA and NASA.
- **Realistic budget at a cost confidence level of 80 percent.** JPSS and GOES-R are budgeted with sufficient resources to address known challenges as well as to address issues that may arise during development.
- **Clear lines of authority and responsibility (NOAA as lead with NASA as the acquisition agent).** Both JPSS and GOES-R are structured with clear lines of authority and accountability. Decision-making lies with the NOAA Deputy Under Secretary who receives technical and management input from NOAA and NASA. The JPSS programmatic decision-making has been streamlined to the NOAA Program Management Council which includes participation from senior executives at NASA Goddard Space Flight Center and NASA headquarters. The programs are structured so that technical and engineering decisions are dealt with by the technical experts at NASA Goddard Space Flight Center and the strategic direction is provided by a single organization—NOAA. Therefore decision-making is not stymied because of conflicting priorities and/or budgeting strategies.
- **Frequent independent reviews by technical teams.** The NPOESS Independent Review Team lead by Tom Young will continue to provide frequent and in-depth reviews of the JPSS and GOES-R programs. The teams will provide input at all significant stages of the programs and provide their assessments so that cost, schedule, and technical issues are addressed as efficiently as possible and communicated to all appropriate levels of authority.

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

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NIST supports the Department as it determines and implements the appropriate solutions for the automated transfer of data from the bureaus to Department headquarters. NIST implemented an automated script to generate the Financial Activity Report data and to provide it to the NIST Budget Division, which must submit it manually to the Department. NIST has also implemented an automated reconciliation process for ARRA reporting.

NIST Business Systems Division began to repair a previously existing automated interface between NIST's Grants Management Information System (GMIS) and the NIST Core Financial System in the third quarter of FY 2009. The fix was fully deployed in early July 2010.

In addition, NIST implemented an automated data exchange for grants information between the NIST instance of its Core Financial System and NOAA's Grants Online system. This data exchange, which went live in early November 2009, is used for EDA and NTIA grants for which NOAA performs grants administration and NIST performs financial accounting functions.



The NIST Grants and Agreements Management Division (GAMD) implemented the ARRA Recipient Reporting Standard Operating Procedures (Procedures) on September 12, 2009. These Procedures were created prior to the first reporting cycle in [www.federalreporting.gov](http://www.federalreporting.gov). Among other ARRA reporting requirements, the Procedures define material omissions and significant reporting errors, including the necessary actions GAMD staff need to take when confronted with these issues. In addition, the Acquisition Management Division (AMD) at NIST, in response to ARRA, issued seven Standard Operating Procedures (SOP) in May and June 2009 to ensure AMD's compliance with the review and reporting requirements in ARRA. The SOPs have been reviewed and revised as needed when new guidance is issued by the Department or OMB. AMD's SOPs also include the definition of material omissions and significant reporting errors and the necessary action to be taken by AMD staff.

In order to ensure that the recipient's primary place of performance is captured for [usaspending.gov](http://usaspending.gov), NIST has added the primary place of performance data field in its GMIS. This will mitigate any risk of inconsistencies between the data in [federalreporting.gov](http://federalreporting.gov) and the data in [usaspending.gov](http://usaspending.gov).

Due to the small size of the workload related to BTOP grants, NIST is not pursuing an automated means of reviewing the data at this time. NIST had hired seven contractors to work solely on ARRA awards. With this additional staff, the data review in [federalreporting.gov](http://federalreporting.gov) will be more accurate since there is a small workload per staff member. If it is determined that subsequent rounds of BTOP awards will increase the workload to a point where there could be a risk of failure to validate the data, then an automated system will be considered. Currently, an automated system other than [federalreporting.gov](http://federalreporting.gov) is not needed.

AMD also supports EDA and the National Technical Information Service (NTIS) with contracting services increasing the workload for AMD staff. Neither EDA nor NTIS has its own contracting staff. Due to the tremendous workload in FY 2010, AMD has awarded a contract for contract support for ARRA projects.

NTIA is in the process of finalizing integrated and responsive systems, tools, and technical assistance resources that will assist the recipients, BTOP staff, and NOAA/NIST to report and track projects. These systems include Grants Online, GMIS, the Management Dashboard Tool (MDT), the Correspondence Tracker, and the Post Award Monitoring System (PAM). NTIA also established a link on each grant Web page to post performance reports. The Grants Online and GMIS systems, used by NOAA and NIST respectively, allow NOAA and NIST to manage and administer grants and will be accessible by recipients and program staff through a PAM interface. PAM, launched in July 2010, serves as a workspace and database that houses document libraries for most recipient data and will enable the transfer of files between recipients and the BTOP Program Office. MDT was delivered in March 2010 and provides recipient-specific program and portfolio views of grant status for use by BTOP senior leadership and program management. Program staff will also be able to use MDT as a monitoring tool that synthesizes information from various databases into a single user interface. The Correspondence Tracker was used in pre-award and will be leveraged for tracking post-award communications as well. During final development and implementation, manual procedures are in place to support staff in fulfilling post award responsibilities.

### **Challenge 5: USPTO – Address the Patent Office's Resource and Process Issues**

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One of USPTO's strategic goals and USPTO's High Priority Performance Goal identifies USPTO's commitment to reducing the backlog of unexamined patent applications. USPTO must reduce the time it takes for first action and final action on a patent application below the respective FY 2009 levels of 25.8 months and 34.6 months by the end of FY 2011. More importantly, USPTO will reduce the backlog of unexamined patents below the FY 2009 level of 735,961 by the end of FY 2011. There are a number of challenges involved, including application filings which may be largely driven by the economy, improvements in process efficiencies, and the hiring of new examiners.



The following activities either have been or will be implemented to meet the management challenges to reform the patent application process, update IT systems, and reduce pendency:

- USPTO and its patent professional employee union have agreed to a new production crediting system that places its emphasis on complete and thorough initial examination, decreases redundancy, and encourages quicker resolution of issues in the patent application process. This fundamental design is aimed at improving quality and reducing rework, thereby resulting in a decrease in the application backlog and pendency.
- USPTO proposed a new patent examination initiative that will provide applicants greater control over the speed with which their applications are examined and promote greater efficiency in the patent examination process, thus allowing USPTO to deploy its resources to better meet the needs of innovators. Under the Three-Track initiative, an applicant may request: Track I: prioritized examination within 12 months; Track II: traditional examination under current procedures; or Track III: an applicant-controlled delay for up to 30 months prior to docketing for examination.
- USPTO is re-engineering its quality management program from top to bottom to focus on improving the process for obtaining the best prior art, as well as on improving the quality of the initial application and the entire examination and prosecution process. USPTO published requests for comments and conducted two public roundtable meetings soliciting input from the public with respect to methods that may be employed by applicants and USPTO to enhance the quality of issued patents, to identify appropriate indicia of quality, and to establish metrics for the measurement of the indicia. Based upon the inputs gathered, USPTO, in conjunction with Patent Policy Advisory Committee is now in the process of developing new quality metrics to be implemented in FY 2011. A key objective in the design of these new metrics is to place emphasis on monitoring quality at each major step in the prosecution and examination processes in order to reduce duplication of work and to increase examination efficiency and quality, and thereby reduce pendency.
- USPTO plans to hire, train, and retain highly skilled and diverse examiners. While continuing to draw candidates from traditional sources, it is expected that including IP experienced hires will assist in developing a balanced workforce, a lower attrition rate, and a faster transition to productivity for new hires. Recruiting candidates having significant IP experience will lead to a reduced training burden and increased ability to examine applications much sooner than a traditional hire.

Additional management challenges include funding authority that sustains operations on a multi-year basis and takes into account revenue fluctuations and the need to better align fees to costs. USPTO strategic goals cannot be achieved without a reliable and sustainable source of funding. To accomplish these goals USPTO must have the authority to set the fees necessary to recover the cost of operations, to spend fees collected on requirements-based operations, and to adapt and manage its funding requirements as changes occur in internal and external conditions.

USPTO does not have sufficient resources to reduce the patent application backlog and achieve the stated pendency goals without an increase in funding. The Agency is seeking legislative authority to implement an interim increase in patent fees to recover the cost of operations as defined in its requirements-based budgets. The interim fee increase is a bridge to provide the required resources until USPTO obtains fee-setting authority and develops a fee structure in cooperation with its stakeholders that will provide sufficient financial resources to support its multi-year performance goals and objectives. USPTO must have a means to ensure a sufficient and predictable revenue stream year over year. A temporary interim fee increase will not accomplish that goal.

## OTHER ISSUES REQUIRING SIGNIFICANT MANAGEMENT ATTENTION

**Centralized Management and Oversight**

**NOTE:** *This Management Challenge crosses multiple functional boundaries within the Office of the Secretary. It would be inappropriate for OAM to answer on behalf of other offices within the Office of the Secretary, or for the CFO/Assistant Secretary for Administration (ASA).*

Provided below is a discussion of efforts to address this challenge within the context of the Acquisition and Grants functional areas.

**Stakeholder Perspective**

- Some acquisition customers are often confused by differing process requirements imposed by different Department Acquisition offices.
- Some acquisition customers are perplexed by differing customer service levels provided by differing Department Acquisition offices.
- Senior Departmental managers have differing perspectives on the roles and responsibilities of OAM.

**Background**

While the Department Senior Procurement Executive has responsibility for Departmental acquisitions and grants, she has extremely limited authority over the offices or employees who conduct these actions. This makes it difficult to implement Departmental initiatives desired by senior management. Bureau Acquisition and Grant offices report to bureau managers, not to the Department Senior Procurement Executive.

Acquisition service delivery and related customer service standards are similarly difficult to manage from a Departmental perspective. Because of her lack of authority over Department Acquisition and Grant offices, Bureau Acquisition and Grant office managers operate autonomously.

**Actions Taken**

OAM has contracted with the Logistics Management Institute to perform an acquisition improvement study to evaluate all aspects of the Department acquisition system and make appropriate recommendations. Part of their task is to evaluate and recommend an appropriate organizational and functional structure that can better meet Department needs.

**Major Systems Acquisitions**

On June 18, 2010 Secretary Locke directed then Deputy Secretary Hightower and General Counsel Cameron Kerry to spearhead an immediate and comprehensive review of the acquisition processes across the Department. In his directive, he requested an evaluation of the current acquisition process to determine lessons learned, identify problems and inefficiencies with the current processes and implement best practices to ensure that effective processes are in place.

The Acquisition Council, chaired by Scott Quehl, CFO and Assistant Secretary for Administration, is leading this effort. In July 2010, the Department engaged LMI, a government consulting firm, to undertake an Acquisition Improvement Study. As part of the study

and overall improvement effort, the Department is focused on improvements in several critical areas, including but not limited to, requirements development, planning, workforce, and leveraging of spending across the Department.

### **Contracts and Grants Management Workforce**

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Acquisition and contract management has been a consistent watch list item for IGs and the Government Accountability Office (GAO), as related government spending has ballooned in recent years. Spending on contracts government-wide, for example, has more than doubled since 2000, from \$208 billion to \$538 billion in FY 2009, while the federal acquisition workforce has remained fairly constant. Roughly the same number of skilled professionals now oversees more than twice as many federal contract dollars as they did nine years ago, and the projects they support have greatly increased in complexity and risk. Shortfalls and failures in major systems acquisitions are all too common in federal programs. Contracts of all sizes and complexity are at risk for fraud and waste because of poor oversight and lax controls.

In FY 2009, implementation of the ARRA significantly increased the workload of the Department Acquisition and Grants workforces, straining an already over-burdened workforce to the breaking point.

FY 2010 has seen even further increases in both the amount and complexity of work required of the Acquisition and Grants workforces. OMB and Congressional requests for data, the submission of new reports, and other measures intended to increase transparency all consume available time and resources. Little of the data required to respond to these requests is available within existing information management systems. Without additional management support and resources, it is likely that the quality and timeliness of support provided to the Department by its operational contracting and grants offices will decline.

### ***Actions Taken***

Department Acquisition and Grants offices have worked closely with the Office of Human Resources Management (OHRM) to attract and hire additional employees, employing a variety of hiring authorities. All appropriate authorities (Direct Hire, Rehired Annuitants, Veteran Rehabilitation Act, etc.) are being utilized to bring contract specialists on board. The Department continues to struggle, as do other federal agencies, to identify and bring on board qualified candidates.

With the assistance of OHRM, OAM completed actions establishing a Department Federal Acquisition Intern program to attract and hire new employees into the Department acquisition workforce. The program developed was modeled after the Department's highly successful Financial Management Intern program, administered by the Office of Financial Management. This initiative is deemed essential to building the future acquisition workforce of the Department. Implementation of this initiative was planned for FY 2010; however, funding constraints precluded participation in this program by any Department bureaus. If additional funding is provided in FY 2011, OAM will again attempt to initiate a Federal Acquisition Intern program at the Department. OAM also completed the following actions:

- Updated and published the Commerce Acquisition Regulation, which establishes uniform acquisition policies and guidance that implement and supplement the Federal Acquisition Regulation;
- Prepared and disseminated acquisition guidance to enhance processes to more effectively execute and administer contracts such as Procurement Memoranda, Commerce Acquisition Manual (CAM) Chapters and a Department Administrative Order;
- Revised the Acquisition Career Management program to update training and certification requirements of the Federal Acquisition Certification programs for Contracting Officer Representatives (COR) to include the role of Task Manager and to emphasize the need to appoint CORs during the first stage of the acquisition planning process as they are key members of the acquisition team;

- Provided classroom and online training opportunities to the acquisition workforce for 21 different competency areas;
- Established guidance to define requirements and processes for certification under the Federal Acquisition Certification program for program/project managers, including those managing ARRA-funded projects;
- Provided policy and guidance for planning, awarding, and administering contractual actions and/or processing or administering interagency acquisitions involving funding provided in whole or in part under the ARRA;
- Provided guidance to ensure contracting offices conducted appropriate outreach activities and offered assistance to recipients of ARRA-funded contracts in meeting their reporting requirements, and tools to help contractors reduce the risk of miscoding or omitting required ARRA data;
- Developed an Acquisition Human Capital Plan which identifies the long-term recruitment, retention, and development needs of the acquisition workforce and a strategic action plan to address them;
- Revised the CAM chapter on the Purchase Card program to reflect best practices in oversight, including limiting card limits in excess of the micro-purchase limit to those individuals holding a Level I Contracting Officer warrant, establishing a formal oversight process, conducting oversight reviews, and utilizing the automated oversight tools available under the SmartPay2 contract and task order. Enhanced purchase card oversight to enable automated notifications to purchase card holders and their supervisors of any duplicate or split purchases. Awarded a task order to have a contractor conduct regular purchase card oversight reviews; and
- Conducted Acquisition Management Reviews to evaluate the effectiveness and efficiency of the contracting offices and provided suggestions to improve any noted weaknesses or deficiencies. These are the first such reviews performed in over 10 years.

As of August 26, 2010, a total of 1508 CORs, and 47 program/project managers have completed the requirements established in CAM chapter 1301.670 *Contracting Officer Representative Certification Program*, and CAM chapter 1301.671 *Program/Project Manager Certification Program* and have received Federal Acquisition Certification.

But success in these efforts will not be enough to improve the Department's overall acquisition operations without commensurate success in hiring and retaining a qualified acquisition workforce. The pool of applicants for these jobs is not large, and the looming retirement of some 50 percent of the current federal acquisition workforce over the next 10 years may well push shortages beyond the critical point. Working jointly, OAM and OHRM have developed a comprehensive human capital strategy that (1) taps into all available recruiting initiatives, (2) explicitly defines what acquisition skills and competencies are needed and how they will evolve over the short and long-term, and (3) offers professional development and other incentives to attract and keep qualified candidates.

But even if all of these measures succeed in attracting qualified candidates, the Department's Acquisition and Grants offices are limited in the number of employees they can hire by budgetary restrictions, and in NOAA's case, a statutory cap on overhead. While acquisition and grants processes can be continually improved, and current employees trained to acquire additional knowledge, the simple fact remains that the workforce has reached the point of workload saturation, and additional employees are required if the Department is to meet presidential mandates to improve the quality and effectiveness of the acquisitions and grants it awards and administers.

An important clarification that merits discussion is the OIG's statement that more than 1,500 Department employees hold certification in various acquisition positions, and more than 800 employees are included in the grants workforce. It must be noted that this number includes Department employees who work in program offices, developing requirements, and overseeing contract and grant performance. It does not reflect the true size of the workforce challenged to prepare, award, and administer

contracts and grants valued in billions of dollars annually. This much smaller workforce consists of only 263 employees working in Department Acquisition offices and 172 employees working in Department Grants offices.

### NOAA Headquarters Leadership Structure

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NOAA headquarters proposed a reorganization of senior leadership to: (1) streamline decision-making and increase accountability, and (2) to clearly delineate authority and responsibilities. Under the proposed reorganization, the three key functions of the Agency—conservation and management, environmental observation and prediction, and research and education—align directly to the two Assistant Secretaries and the Chief Scientist to ensure comprehensive policy development around these mission requirements. On December 11, 2009, Congress approved the reorganization proposal, and on July 14, 2010, the Department approved the Department Organization Order, the final step in the reorganization process.

The reorganization created the Principal Deputy Under Secretary for Oceans and Atmosphere, who focuses on implementing priorities across NOAA. NOAA now has two Assistant Secretaries: the Assistant Secretary for Conservation and Management who drives policy and programs related to stewardship responsibilities, and the Assistant Secretary for Environmental Observations and Predictions who will drive policy and programs related to observation capabilities and environmental data. In addition, the Chief Scientist position, which existed in past Administrations, has been recreated. Two additional key positions were also created: (1) the Director of Policy who will ensure better integration of the Under Secretary's policy and budget priorities, and (2) the Deputy Assistant Secretary for International Fisheries who will bridge the offices of NMFS and International Affairs and who will lead international fishery negotiations. Finally, the Deputy Under Secretary for Oceans and Atmosphere has been renamed as Deputy Under Secretary for Operations and will have authority to oversee NOAA operations critical to the Agency's management responsibilities and mission execution. The new structure allows for greater leadership-level attention on policy priorities and reduces the number of direct reports to the Under Secretary from 28 to 6, vastly improving efficiency at the highest levels.

As a result of these changes, NOAA has already experienced improved strategic guidance and leadership direction. The Assistant Secretary for Conservation and Management has played a key role in the Deepwater Horizon Spill Response, particularly related to gathering and communicating scientific information—one of NOAA Administrator Dr. Lubchenco's priorities for the Agency. In addition, the Ocean Policy Task Force is about to release its final recommendations. The Director of Policy, Assistant Secretaries, Chief Scientist, and others will be critical for ensuring NOAA engages fully in interagency coordination and coastal and marine spatial planning nationwide. Another strategic priority for NOAA—strengthening science across the Agency—will be overseen by the Chief Scientist.

NOAA also recently hired a new Assistant Administrator for NMFS. The Assistant Administrator has been instrumental in taking steps to improve NOAA enforcement efforts and relations with fishermen, particularly in the Northeast Region—the focus of the two recent OIG reports.

**Scientific Methods of the Northeast Fisheries Science Center.** The first report examined the quality of the science used to determine catch limits for New England commercial fisheries. Overall the Northeast Fisheries Science Center (NEFSC) was found to meet the “best available science” requirements of the Magnuson-Stevens Fishery Conservation and Management Act, but the report noted the industry's underlying lack of confidence in NOAA science in the Northeast Region. Therefore, the report recommendations focused on what NOAA can do to improve its relationship with the fishing industry.

To enhance the participation of the Northeast groundfish industry in the fisheries management process, the OIG recommended NMFS incorporate data from scientifically rigorous industry-based surveys into fishery management. In response, NEFSC assisted with the peer review of one such survey, the Northeast Area Monitoring and Assessment Program, conducted by the Atlantic States Marine Fisheries Commission. NEFSC is working with the survey managers to ensure that these data are available for stock assessments and to find permanent, secure funding for this work. NEFSC also continues to expand the use of electronic logbooks and to pilot electronic trip reporting to improve submission efficiency and timeliness of fishermen's catch data used by managers.

The OIG also saw the benefits of NEFSC's cooperative research program to the fishing industry and recommended that this effort be enhanced. Since that time, NEFSC has developed a five-year strategic plan with industry. The program's current focus is creating a gear technology network involving both academic scientists and industry to develop ways of fishing more efficiently and selectively.

In addition, the OIG recommended improved communication with industry through formal education, a better Web site, and improved outreach. NEFSC continues to provide instructors and speakers for the region's Marine Research Education Program. This is a classroom-based project for fishing professionals intended to foster leadership, break down historical barriers to cooperation, forge new areas of involvement for fishermen in the regulatory system, and fully engage the industry in the development of best available science.

**Review of NOAA Fisheries Enforcement Programs and Operations.** The second report on NOAA enforcement activities—requested by the Under Secretary—echoed the message of NOAA needing better communication and fair engagement with the fishing community. As a result of the OIG finding, NOAA has taken decisive action to control enforcement funds, create new regulations to justify penalty assessments, and freeze hiring until a detailed workforce analysis is completed, all in an effort to restore trust in this region. In addition, the Office of External Affairs Director—another new position in NOAA headquarters—has created a communications plan that aims to increase NOAA's transparency and rapport with fishermen, increase the frequency and improve the quality of interactions among fishermen and NOAA enforcement officers, increase public knowledge and understanding of fisheries and other regulations, and promote the biological and financial benefits of sustainable fishing. Of note, NOAA will hold a summit on law enforcement practices on August 3, 2010, to openly discuss these issues with the community.

NOAA is committed to improving relationships with fishermen, particularly in the Northeast Region, as a means to achieving a balance between conservation and commercial fishing. The improved management structure at NOAA headquarters has already allowed the Agency to promptly address the issues raised in the two IG reports and to engage with the fishery to address current issues. NOAA staff at all levels will continue to take steps to improve transparency and build trust with fishermen nationwide as an important component of sound fisheries management.

Specific actions related to the report on the Scientific Methods of the Northeast Fisheries Science Center:

- Both the Northeast Area Monitoring and Assessment Program survey and the Maine-New Hampshire survey are now conducted twice per year, complementing the NEFSC bottom trawl surveys by collecting data in coastal areas too shallow for the FSV HENRY B. BIGELOW—one of NMFS's primary fishery research vessels in the region.
- Cooperative research efforts, following successful development of a haddock excluder trawl for larger vessels through the program, field tested two smaller excluder trawls and a 500 horsepower-scaled excluder net built and made available for trial aboard southern New England vessels.
- In a project designed to address industry interest in better survey data for flatfish species, four southern New England vessels are testing survey nets designed to fish on rocky habitats. Three cruises were conducted in 2009, and two more are set for 2010. The results will help determine whether a regular, specialized survey for flatfishes is needed to improve data used for stock assessments.
- To improve education and outreach, NOAA has created a specialized Web site for groundfishermen and a newsletter for that industry sector; held telephone and in-person town meetings; appeared on local seafood-oriented radio programs; and conducted an extensive educational effort using small group instruction, hotlines, webinars, and conference calls to ensure understanding of new reporting and monitoring requirements. A revamped NEFSC Web site is expected to deploy in the fall of 2010.

Highlights of progress made related to the Review of NOAA Fisheries Enforcement Programs and Operations:

- The process for setting enforcement priorities will be completed in summer 2010 as scheduled and will be discussed during the August Enforcement Summit. The Enforcement Summit will provide a venue to gather stakeholder recommendations related to priority setting and approaches to enforcement services.
- On February 3, 2010, NOAA implemented a hiring freeze imposed on Special Agent positions, which remains in place. The workforce analysis team has been created and has completed their analysis phase. The team has prepared draft recommendations that continue to undergo refinement and internal review.
- In updating the National Enforcement Operation Manual, the NMFS Office of Law Enforcement is reviewing other agencies' approach to regulatory enforcement and has initiated initial document collection.
- The Office of General Counsel for Enforcement and Litigation is integrating their new electronic information system with the Office of Law Enforcement's electronic law enforcement information system. The interim combined monthly report was completed by July 7, 2010 on schedule. Going forward, the Office of Law Enforcement has contracted services to create the interface between the two systems.

### Department Headquarters Renovation

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Because of the scale of the Herbert C. Hoover Building (HCHB) Renovation Project, the renovation has the potential to disrupt Department operations and affect its workforce. Accordingly, the Department is working with the GSA to ensure the renovation is completed on time, within budget, and free of fraud.

As the renovation progresses, the OIG will continue oversight of the project management including coordination with GSA National Capital Region's IG and Public Buildings Services, Commerce's Office of Administrative Services, and the primary construction contractor (Gilbane-Grunley Joint Venture). The OIG completed its initial report and findings on the management of the HCHB Renovation Project on August 5, 2010. The Office of Administrative Services is working on a remediation plan to the OIG's recommendations regarding GSA Reimbursable Work Authorizations tracking process and a formal HCHB rent agreement between GSA and the Department.

The Department has instituted a balanced scorecard as a strategic and management system. The HCHB renovation is part of this scorecard. This will align the renovation project to the Department's vision and strategy, improve internal and external communications, and monitor performance against its strategic goals. The balance scorecard will view the HCHB Renovation Project from four perspectives:

- Financial;
- Schedule;
- Scope – changes from the baseline; and
- Customer – disruptive incident.

Continued interactions with the Department and GSA will continue throughout the project.



## IMPROPER PAYMENTS INFORMATION ACT (IPIA) OF 2002, AS AMENDED, REPORTING DETAILS

**I**PIA of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010, was enacted to provide for estimates and reports of improper payments by federal agencies. The act requires that federal agencies estimate improper payments and report on actions to reduce them. A review of all programs and activities that the Department administers is required annually to assist in identifying and reporting improper payments. The Department has not identified any significant problems with improper payments; however, the Department recognizes the importance of maintaining adequate internal controls to ensure proper payments, and the Department's commitment to 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 2011 and beyond, the Department will continue its efforts to ensure the integrity of its disbursements.

**I. Briefly describe the risk assessment(s) performed subsequent to completing its full program inventory. List the risk-susceptible programs (i.e., programs that have a significant risk of improper payments based on Office of Management and Budget (OMB) guidance thresholds) identified through its risk assessments. Be sure to include the programs previously identified in the former Section 57 of OMB Circular A-11, *Preparation, Submission, and Execution of the Budget* (now located in OMB Circular A-123, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*). Please highlight any changes to its risk assessment or its risk assessment results that occurred since its 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*. The FY 2010 assessment included a review of internal controls over disbursement processes, which indicated that current internal controls over disbursement processes are sound.

Each of the Department's bureaus/reporting entities have completed or are performing, 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 corporate control, procurement, and grants management environments, and will thereafter be updated or revised on a periodic basis. The improper payments program/activity risk assessments performed thus far revealed no risk-susceptible programs.

The results of Departmental assessments revealed no risk-susceptible programs, 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 improper payments is low.

**II. Briefly describe the statistical sampling process conducted to estimate the improper payment rate for each program identified. Please highlight any changes to its statistical sampling process that have occurred since the last report in this section.**

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In FY 2010, the Department conducted a sampling process to draw and review random samples of disbursements greater than \$100 thousand from a Department-wide universe of disbursements. Grants, travel payments, bankcards/purchase cards, all procurement vehicles with other federal agencies, government bills of lading, and gifts and bequests were excluded from review. Each selected sample item was then subjected to a review of original invoices and supporting documentation to determine that the disbursement was accurate, made only once, and that the correct vendor was compensated. The results of the Department's review did not reveal any significant improper payments. The same results were achieved following a similar review in FY 2009. An estimated improper payment rate, accordingly, was deemed not necessary.

**III. Describe the Corrective Action Plans (CAP) for reducing the estimated rate and amount of improper payments for each type of root cause of error. Include in this discussion the corrective action(s) most likely to significantly reduce future improper payments due to each type of error an agency identifies. If efforts are ongoing, it is appropriate to include that information in this section, and to highlight current efforts, including key milestones.**

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The results of Departmental assessments demonstrate 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 improper payments is low. While the Department, accordingly, does not have a need for CAPs 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 2010, 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.

**IV. Discuss payment recapture audit efforts, if applicable, including any contract types excluded from review and the justification for doing so; actions taken to recoup improper payments; and the business process changes and internal controls instituted and/or strengthened to prevent further occurrences.**

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In May 2010 and October 2010, payment recapture audits were completed for the Bureau of Industry and Security (BIS), and for the National Technical Information Service (NTIS). Contracts/obligations closed after September 30, 2005 greater than \$100 thousand were reviewed. Grants, travel payments, bankcards/purchase cards, all procurement vehicles with other federal agencies, government bills of lading, and gifts and bequests were excluded from review. The Department determined that, for the above categories of closed contracts/obligations that were excluded from review, the Department's costs for the payment recapture audit activities would likely exceed the benefits of a 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 vendors. Of the \$11.6 million reviewed, \$6 thousand was identified for payment recapture. The following table presents a summary of the results of the Department's current year (CY) and prior years (PY) 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)
BIS	\$ 3,746	\$ 3,181	\$ -	\$ -	N/A	N/A	\$ -	\$ -
NTIS	\$ 9,603	\$ 8,402	\$ 6	\$ -	N/A	N/A	\$ 6	\$ -
EDA/S&E, and ITA	N/A	N/A	N/A	N/A	\$ -	\$ -	\$ -	\$ -
DM/S&E, DM/WCF, and ESA/BEA	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

**V. Describe the steps the agency has taken and plans to take (including time line) to ensure that agency managers (including the agency head) are held accountable for reducing and recovering improper payments.**

The Department has not identified any significant problems with improper payments; however, the Department recognizes the importance of maintaining adequate internal controls to ensure proper payments, and its commitment to continuous improvement in disbursement management processes remains very strong. The Department's CFO has responsibility for establishing policies and procedures for assessing 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 2010, 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 at or below two-tenths of one percent in FY 2010 and FY 2009. The bureau CFOs are accountable for internal controls over improper payments, and for monitoring and minimizing improper payments.

For FY 2011 and beyond, the Department will continue its efforts to ensure the integrity of its disbursements.

**VI. Describe whether the agency has the information systems and other infrastructure it needs to reduce improper payments to the levels the agency has targeted.**

The Department has ensured that internal controls, manual, as well as financial system, relating to payments are in place throughout the Department, and has reviewed all financial statement audit findings/comments and results of 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. 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.**

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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, if any, on overall agency efforts, specific programs, best practices, or common challenges identified, as a result of IPIA implementation.**

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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 2010. Table 1 relates to the Department's FY 2010 financial statement audit, which resulted in an unqualified opinion with no material weaknesses. Table 2 presents the number of material weaknesses reported by the Department under Section 2 of the Federal Managers' Financial Integrity Act (FMFIA)—either with regard to internal controls over operations or financial reporting—and Section 4, which relates to internal controls over financial management systems; as well as the Department's compliance with the Federal Financial Management Improvement Act (FFMIA).

The Department had one recurring material weakness under FMFIA, Section 2 relating to information technology (IT) certification and accreditation (C&A). Because of the significant progress that has been made in this area, this material weakness is considered resolved. IT security will, however, continue to receive focused attention internally due to its importance to the Department and its operating units.

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

- **Audit Opinion:**                      • Unqualified
- **Restatement:**                      • No

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
No Material Weaknesses	0	0	0	0	0
<b>Total Material Weaknesses</b>	0	0	0	0	0

**Table 2. Summary of Management Assurances**

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA § 2)						
<b>Statement of Assurance:</b>		Unqualified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
No Material Weaknesses	0	0	0	0	0	0
<b>Total Material Weaknesses</b>	0	0	0	0	0	0
EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS (FMFIA § 2)						
<b>Statement of Assurance:</b>		Qualified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
IT Certification and Accreditation	1	0	1	0	0	0
<b>Total Material Weaknesses</b>	1	0	1	0	0	0
CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS (FMFIA § 4)						
<b>Statement of Assurance:</b>		Systems conform with financial management system requirements				
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
No Non-Conformance Issues	0	0	0	0	0	0
<b>Total Non-Conformances</b>	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		

## GLOSSARY OF KEY ACRONYMS

ABBREVIATION	TITLE	ABBREVIATION	TITLE
<b>A</b>			
<b>ACS</b>	American Community Survey	<b>COOP</b>	Continuity of Operations Plan
<b>ACSI</b>	American Customer Satisfaction Index	<b>COTR</b>	Contracting Officer Technical Representative
<b>AD</b>	Antidumping	<b>CPD</b>	Coastal Programs Division
<b>ADP</b>	Automated Data Processing	<b>CPI</b>	Consumer Price Index
<b>AHS</b>	American Housing Survey	<b>CPS</b>	Current Population Survey
<b>AML</b>	Advanced Measurement Laboratory (NIST)	<b>CRADA</b>	Cooperative Research and Development Agreements
<b>APP</b>	Annual Performance Plan	<b>CSRS</b>	Civil Service Retirement System
<b>ARRA</b>	American Recovery and Reinvestment Act of 2009	<b>CSTL</b>	Chemical Science and Technology Laboratory (NIST)
<b>ASAP</b>	Automated Standard Application for Payments	<b>CVD</b>	Countervailing Duty
<b>ATP</b>	Advanced Technology Program (NIST)	<b>CWC</b>	Chemical Weapons Convention
<b>ATS</b>	Annual Trade Survey	<b>CWCIA</b>	CWC Implementation Act
<b>AWIPS</b>	Advanced Weather Interactive Processing System	<b>CZM</b>	Coastal Zone Management (NOAA)
		<b>CZMA</b>	CZM Act
		<b>CZMP</b>	CZM Program
<b>B</b>		<b>D</b>	
<b>BAS</b>	Boundary and Annexation Survey	<b>DFI</b>	Digital Freedom Initiative
<b>BDC</b>	Business Development Centers (MBDA)	<b>DHS</b>	U.S. Department of Homeland Security
<b>BEA</b>	Bureau of Economic Analysis	<b>DM</b>	Departmental Management
<b>BIS</b>	Bureau of Industry and Security	<b>DOJ</b>	U.S. Department of Justice
<b>BLS</b>	Bureau of Labor Statistics	<b>DOL</b>	U.S. Department of Labor
<b>BNQP</b>	Baldrige National Quality Program	<b>DOL/OLMS</b>	DOL Online Labor Management System
<b>C</b>		<b>DPAS</b>	Defense Priorities and Allocations System
<b>CAMS</b>	Commerce Administrative Management System	<b>DSSR</b>	Demographic Surveys Sample Redesign
<b>CBP</b>	U.S. Customs and Border Protection		
<b>CCSPS</b>	Climate Change Science Program Strategic Plan	<b>E</b>	
<b>CEDS</b>	Comprehensive Economic Development Strategies	<b>EAA</b>	Export Administration Act
<b>CEIP</b>	Coastal Energy Impact Program (NOAA)	<b>EAR</b>	Export Administration Regulations
<b>CFO</b>	Chief Financial Officer	<b>ECASS</b>	Export Control Automated Support System
<b>CFO/ASA</b>	Chief Financial Officer and Assistant Secretary for Administration (OS)	<b>EDA</b>	Economic Development Administration
<b>CIO</b>	Chief Information Officer	<b>EDD</b>	Economic Development Districts
<b>CIRT</b>	Computer Incident Response Team	<b>EEEL</b>	Electronics and Electrical Engineering Laboratory (NIST)
<b>CNST</b>	Center for Nanoscale Science and Technology (NIST)	<b>EFT</b>	Electronic Funds Transfer
<b>COOL</b>	Commerce Opportunities Online	<b>ELGP</b>	Emergency Oil and Gas and Steel Loan Guarantee Programs
		<b>ENC</b>	Electronic Navigational Chart
		<b>ENSO</b>	El Niño/Southern Oscillation

## APPENDIX G: GLOSSARY OF KEY ACRONYMS

ABBREVIATION	TITLE	ABBREVIATION	TITLE
<b>E</b> <b>EPO</b>	European Patent Office	<b>GSP</b>	Gross State Product
<b>ESA</b>	Economics and Statistics Administration	<b>GSS</b>	Geographic Support System
<b>F</b> <b>FAIR</b>	Federal Activities Inventory Reform	<b>H</b> <b>HR</b>	Human Resources
<b>FAR</b>	False Alarm Rate	<b>HSS</b>	Heidke Skill Scores
<b>FCC</b>	Federal Communications Commission	<b>I</b> <b>IA</b>	Import Administration (ITA)
<b>FECA</b>	Federal Employees Compensation Act	<b>G</b> <b>ICANN</b>	Internet Corporation for Assigned Names and Numbers
<b>FEGLI</b>	Federal Employees Group Life Insurance Program	<b>ICEP</b>	International Catalog Exhibition Program (ITA)
<b>FEHB</b>	Federal Employees Health Benefit Program	<b>ICT</b>	Information and Communication Technology
<b>FEMA</b>	Federal Emergency Management Agency	<b>IDS</b>	Intrusion Detection Software
<b>FERS</b>	Federal Employees Retirement System	<b>IFQ</b>	Individual Fishing Quota Direct Loans (NOAA)
<b>FFMIA</b>	Federal Financial Management Improvement Act of 1996	<b>IFW</b>	Image File Wrapper
<b>FICA</b>	Federal Insurance Contributions Act	<b>IP</b>	Intellectual Property
<b>FISMA</b>	Federal Information Security Management Act	<b>IP</b>	Internet Protocol
<b>FMFIA</b>	Federal Managers' Financial Integrity Act of 1982	<b>IRAC</b>	Interdepartmental Radio Advisory Committee
<b>F</b> <b>FMP</b>	Fishery Management Plan	<b>IRC</b>	Investment Review Committees
<b>FR</b>	Field Representative	<b>IRS</b>	Internal Revenue Service
<b>FTA</b>	Free Trade Agreement	<b>ISI</b>	Institute for Scientific Information
<b>FTAA</b>	Free Trade Area of the Americas	<b>IT</b>	Information Technology
<b>FTE</b>	Full-Time Equivalent	<b>ITA</b>	International Trade Administration
<b>FVOG</b>	Fishing Vessel Obligation Guarantee Program (NOAA)	<b>H</b> <b>ITL</b>	Information Technology Laboratory (NIST)
<b>FWC</b>	Future Workers' Compensation	<b>ITS</b>	Institute for Telecommunication Sciences (NTIA)
<b>FY</b>	Fiscal-year	<b>ITU</b>	International Telecommunication Union
<b>G</b> <b>G&amp;B</b>	Gifts and Bequests (a fund that is part of DM)	<b>I</b>	
<b>GAAP</b>	Generally Accepted Accounting Principles	<b>K</b> <b>KSA</b>	Knowledge, Skills, and Abilities
<b>GAO</b>	U.S. Government Accountability Office	<b>L</b> <b>LMS</b>	Learning Management System
<b>GDP</b>	Gross Domestic Product	<b>M</b> <b>MAF</b>	Master Address File
<b>GFDL</b>	Geophysical Fluid Dynamics Laboratory (NOAA)	<b>MBDA</b>	Minority Business Development Agency
<b>GLERL</b>	Great Lakes Environmental Research Laboratory	<b>MBEC</b>	Minority Business Enterprise Centers (MBDA)
<b>GPRA</b>	Government Performance and Results Act of 1993	<b>MBE</b>	Minority Business Enterprise
<b>GPS</b>	Global Positioning System	<b>MBOC</b>	Minority Business Opportunity Center (MBDA)
<b>GSA</b>	U.S. General Services Administration		



ABBREVIATION	TITLE	ABBREVIATION	TITLE
<b>MDCP</b>	Market Development Cooperator Program (ITA)	<b>OCS</b>	Office of Computer Services (Franchise Fund)
<b>MED</b>	Minority Enterprise Development	<b>OECD</b>	Organization for Economic Cooperation and Development
<b>MEP</b>	Manufacturing Extension Partnership (NIST)	<b>OFM</b>	Office of Financial Management (OS)
<b>MOU</b>	Memorandum of Understanding	<b>OFPP</b>	Office of Federal Procurement Policy
<b>MTS</b>	U.S. Marine Transportation System	<b>OHRM</b>	Office of Human Resources Management (OS)
<b>N</b> <b>NABEC</b>	Native American Business Enterprise Center (MBDA)	<b>OI</b>	Office of Investigations (OIG)
<b>NAICS</b>	North American Industry Classification System	<b>OIG</b>	Office of Inspector General (DM)
<b>NAO</b>	North Atlantic Oscillation	<b>OIPE</b>	Office of Inspections and Program Evaluations (OIG)
<b>NAPA</b>	National Academy of Public Administration	<b>OMB</b>	Office of Management and Budget
<b>NASA</b>	National Aeronautics and Space Administration	<b>OPEM</b>	Office of Planning, Evaluation and Management (BIS)
<b>NBS</b>	National Bureau of Standards	<b>OPM</b>	U.S. Office of Personnel Management
<b>K</b> <b>NCDC</b>	National Climatic Data Center (NOAA)	<b>OS</b>	Office of the Secretary (DM)
<b>NCNR</b>	NIST Center for Neutron Research (NIST)	<b>OSDBU</b>	Office of Small and Disadvantaged Business Utilization (OS)
<b>L</b> <b>NERR</b>	National Estuarine Research Reserve	<b>OSE</b>	Office of Systems Evaluation (OIG)
<b>NIH</b>	National Institutes for Health	<b>OSM</b>	Office of Spectrum Management (NTIA)
<b>M</b> <b>NIPA</b>	National Income and Product Accounts	<b>OSY</b>	Office of Security (OS)
<b>NIPC</b>	National Intellectual Property Law Enforcement Coordination Council	<b>OTE</b>	Office of Technology Evaluation
<b>NIST</b>	National Institute of Standards and Technology	<b>OTP</b>	Office of Technology Policy (TA)
<b>NM</b>	Nautical Miles	<b>P</b> <b>PALM</b>	Patent Application Location and Monitoring System
<b>NMFS</b>	National Marine Fisheries Service (NOAA)	<b>PAR</b>	Performance and Accountability Report
<b>NOAA</b>	National Oceanic and Atmospheric Administration	<b>PART</b>	Program Assessment Rating Tool
<b>NOS</b>	National Ocean Service (NOAA)	<b>PBSA</b>	Performance-based Service Acquisitions
<b>NPV</b>	Net Present Value	<b>PBSC</b>	Performance-based Service Contracting
<b>NRC</b>	National Research Council	<b>O</b> <b>PBViews</b>	Panorama Business Views
<b>NSRS</b>	National Spatial Reference System	<b>PKI</b>	Public Key Infrastructure
<b>NTIA</b>	National Telecommunications and Information Administration	<b>PMA</b>	President's Management Agenda
<b>NTIS</b>	National Technical Information Service	<b>PNA</b>	Pacific North America
<b>N</b> <b>NWLON</b>	National Water Level Observation Network	<b>PORTS®</b>	Physical Oceanographic Real-time System
<b>O</b> <b>OA</b>	Office of Audits (OIG)	<b>PP&amp;E</b>	Property, Plant, and Equipment, Net
<b>OAM</b>	Office of Acquisition Management (OS)	<b>PPS</b>	Post-project Survey
<b>OCAD</b>	Office of Compliance and Administration (OIG)	<b>PRT</b>	Program Review Team (NOAA)
		<b>PSV</b>	Post-shipment Verification
		<b>PTFP</b>	Public Telecommunications Facilities Program (NTIA)

## APPENDIX G: GLOSSARY OF KEY ACRONYMS

ABBREVIATION	TITLE	ABBREVIATION	TITLE
<b>Q</b>	<b>QFR</b> Quarterly Financial Report	<b>Q</b>	<b>TIP</b> Technology Innovation Program (NIST)
	<b>QPF</b> Quantitative Precipitation Forecasts		<b>TIS</b> Trademark Information System
	<b>QSS</b> Quarterly Services Survey		<b>TPA</b> Trade Promotion Authority
<b>R</b>	<b>R&amp;D</b> Research and Development		<b>TPC</b> Tropical Prediction Center (NOAA)
	<b>RLF</b> Revolving Loan Fund (EDA)	<b>R</b>	<b>TPCC</b> Trade Promotion Coordinating Committee
	<b>ROP</b> Reserve's Operations Plan (NOAA)		<b>TRAM</b> Trademark Reporting and Monitoring System
<b>S</b>	<b>S&amp;E</b> Salaries and Expenses		<b>Treasury</b> U.S. Department of the Treasury
	<b>S&amp;T</b> Science and Technology		<b>TROR</b> Treasury Report on Receivables
	<b>SAS</b> Services Annual Survey		<b>TRP</b> Take Reduction Plan
	<b>SAV</b> Site Assistance Visits	<b>S</b>	<b>TRT</b> Take Reduction Team
	<b>SBA</b> U.S. Small Business Administration		<b>TSP</b> Thrift Savings Plan
	<b>SBR</b> Combined Statement of Budgetary Resources		<b>TVA</b> Tennessee Valley Authority
	<b>SCNP</b> Consolidated Statement of Changes in Net Position	<b>U</b>	<b>UAE</b> United Arab Emirates
	<b>SDDS</b> Special Data Dissemination Standards		<b>UC</b> University Center
	<b>SES</b> Senior Executive Service		<b>US&amp;FCS</b> U.S. and Foreign Commercial Service
	<b>SIPP</b> Survey of Income and Program Participation		<b>US/OTP</b> Office of the Under Secretary/Office of Technology Policy (TA)
<b>P</b>	<b>SME</b> Small and Medium-sized Enterprise		<b>USCRN</b> U.S. Climate Reference Network
	<b>SNM</b> Square Nautical Miles		<b>USDA</b> U.S. Department of Agriculture
	<b>SPD</b> Survey of Program Dynamics		<b>USPTO</b> U.S. Patent and Trademark Office
	<b>SRD</b> Standard Reference Data		<b>USTR</b> Office of the U.S. Trade Representative
	<b>SRM</b> Standard Reference Materials		<b>USWRP</b> U.S. Weather Research Program
	<b>STEP</b> Standard for the Exchange of Product Model Data		<b>UWB</b> Ultra-wideband
<b>T</b>	<b>3G</b> Third Generation	<b>V</b>	<b>VCAT</b> Visiting Committee on Advanced Technology
	<b>TA</b> Technology Administration		<b>VoIP</b> Voice over Internet Protocol
	<b>TAA</b> Trade Adjustment Assistance Program (EDA)	<b>W</b>	<b>WCF</b> Working Capital Fund (DM)
	<b>TAAC</b> Trade Adjustment Assistance Center		<b>WMD</b> Weapons of Mass Destruction
	<b>TABD</b> Trans-Atlantic Business Dialogue		<b>WTO</b> World Trade Organization
	<b>TCC</b> Trade Compliance Center (ITA)	<b>T</b>	
	<b>TECI</b> Transshipment Country Export Control Initiative		
	<b>TIC</b> Trade Information Center (ITA)		
	<b>TIGER</b> Topologically Integrated Geographic Encoding and Referencing System		

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# STRATEGIC GOALS

## GOAL 1

Maximize U.S. Competitiveness and Enable Economic Growth  
for American Industries, Workers, and Consumers

## GOAL 2

Promote U.S. Innovation and Industrial Competitiveness

## GOAL 3

Promote Environmental Stewardship

## MANAGEMENT INTEGRATION GOAL

Achieve Organizational and Management Excellence

