U.S. Department of Commerce

FISCAL YEAR

2025

Agency Financial Report

U.S. DEPARTMENT OF COMMERCE

FISCAL YEAR

2025

Agency Financial Report

Table of Contents

Message From Secretary Lutnick

I am pleased to present the Department of Commerce's Fiscal Year 2025 Agency Financial Report.

This report highlights what we accomplished in FY 2025, where we faced challenges, and how we managed taxpayer dollars responsibly while delivering real results for the American economy. At Commerce, our mission is straightforward: strengthen the U.S. economy, create jobs, and expand opportunity by helping American businesses grow, innovate, and compete on a global scale.

In FY 2025, the Department made major advances in areas that will define America's economic leadership for decades to come. We drove progress in artificial intelligence, strengthened domestic semiconductor manufacturing, and delivered record results in export promotion and trade facilitation.

The International Trade Administration helped U.S. companies secure billions of dollars in new commercial deals, open new markets, and deepen economic ties with key partners around the world. Together, these initiatives reflect a strategic focus on technological leadership, economic growth, and global trade expansion, keeping the United States as the leader in innovation and industrial competitiveness. We also committed more than $1 trillion in funds for the benefit of U.S. national security.

These accomplishments are made possible by the trust and investment of the American people, and transparency is essential to honoring that trust. The financial statements in this report show how taxpayer resources were allocated and how those investments translate into economic growth, technological leadership, and expanded global trade. They reflect our commitment to responsible stewardship and measurable results.

To ensure this transparency is meaningful, I am pleased to report that our financial management systems are in substantial compliance with the Federal Financial Management Improvement Act of 1996, applicable financial systems requirements, federal accounting standards, and the U.S. Standard General Ledger, all at the transaction level. 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.

For the twenty-seventh year in a row, the independent auditors tasked with reviewing our financial statements have provided an unmodified opinion. However, two material weaknesses were identified by the financial statement auditors relating to controls over grant accrual processes and significant unusual transactions. We will take appropriate corrective actions to strengthen controls in this area in FY 2026.

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) and 0MB 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, the Government Accountability Office, and others to assist in this effort. Based on activities undertaken during FY 2025, the Department can provide reasonable assurance that its internal controls and financial management systems meet the objectives of the FMFIA, except for the two material weaknesses relating to controls over grant accrual processes and controls over significant unusual transactions.

I am proud of the work our team accomplished in FY 2025 and confident in the path ahead. As we advance the Department's strategic priorities, we remain focused on disciplined financial management and ensuring that every taxpayer dollar delivers real value. These efforts are helping build a stronger, more competitive, and more resilient American economy—one that works for communities across the country.

Howard W. Lutnick
Secretary of Commerce
January 28, 2026

How to Use This Report

This Agency Financial Report (AFR) for the fiscal year ended September 30 (FY) 2025 provides the Department of Commerce's financial and summary performance information in accordance with OMB Circular A-136, *Financial Reporting Requirements.*

The Department has chosen to produce an AFR. The Department will provide performance results in the FY 2027 Congressional Budget in conjunction with performance plan information as the "FY 2025 Annual Performance Report and FY 2027 Annual Performance Plan" for each bureau and will post it on the Department's website at *https://www.commerce.gov/about/budget-and-performance.*

The Department's annual AFR is available on the Department's website at *https://www.commerce.gov/ofm/agency-financial-reports.* The Department welcomes feedback on the form and content of this report, and contact information for providing feedback is located in the Connect with the Department of Commerce section of this report.

This report is organized into the following major components:

Statement from the Secretary of Commerce (Unaudited)

The Secretary's statement includes an assessment of the reliability and completeness of the financial and summary performance information presented in the report and a statement of assurance on the Department's management controls as required by the Federal Managers' Financial Integrity Act (FMFIA).

Management's Discussion and Analysis (MD&A) (Unaudited)

This section provides an overview of the financial and summary-level performance information contained in the Performance Summary, Financial Section, and Other Information. The MD&A includes an overview of the summary of the strategic planning process and performance information, financial performance information to include the analysis of the FY 2025 financial statements, as well as information on financial systems, controls, and legal compliance.

Financial Section

This section contains details of the Department's finances in FY 2025. A message from the Department's Chief Financial Officer (unaudited) is followed by the independent auditors' report, audited financial statements and notes, and required supplementary information (unaudited).

Other Information (Unaudited)

This section provides the Office of Inspector General's (OIG) report on top management and performance challenges, a summary of financial statement audit and management assurances, payment integrity information, civil monetary penalties' information, biennial review of fees, and a summary of oversight of expired grant and cooperative agreement awards.

Appendix (Unaudited)

This section provides a glossary of acronyms, ways to connect with the Department of Commerce, acknowledgements, and Certificate of Excellence in Accountability Reporting information.

Management's Discussion and Analysis (Unaudited)

DEPARTMENT OF COMMERCE

UNITED STATES OF AMERICA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mission and Organization

Mission and Organization

Mission

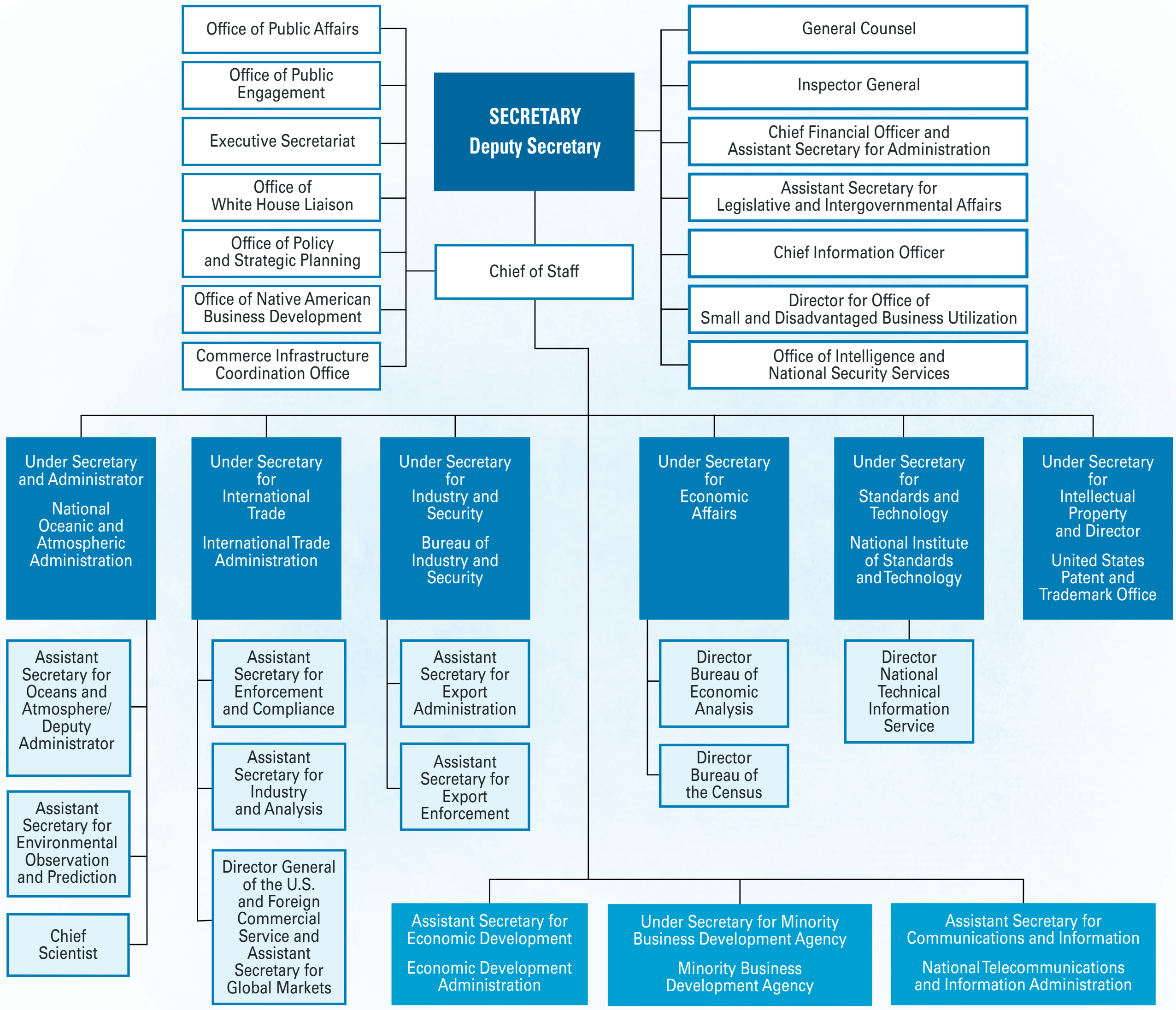
The Department of Commerce's mission is to create the conditions for economic growth and opportunity for all communities.

Organization

The Department's headquarters offices and component bureaus, listed below, implement a wide variety of budgeted programs and activities:

- Office of the Secretary (OS)
- Office of Inspector General (OIG)
- Bureau of Economic Analysis (BEA)
- Bureau of Industry and Security (BIS)
- Census Bureau (Census)
- Economic Development Administration (EDA)
- International Trade Administration (ITA)
- Minority Business Development Agency (MBDA)
- National Institute of Standards and Technology (NIST)
- National Oceanic and Atmospheric Administration (NOAA)
- National Technical Information Service (NTIS)
- National Telecommunications and Information Administration (NTIA)
- Office of the Undersecretary for Economic Affairs (OUSEA)
- U.S. Patent and Trademark Office (USPTO)

U.S. DEPARTMENT OF COMMERCE



Workforce

As of September 30, 2025, the Department had approximately 42,188 employees. The Department's workforce ranges from uniformed service officers in the NOAA Commissioned Officer Corps, diplomats who are Foreign Commercial Service Officers, badged law enforcement officers in BIS, patent examiners at USPTO, to a wide variety of other civil service employees who deliver critical services directly to U.S. businesses and the public.

History and Enabling Legislation

The Department 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). It 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."

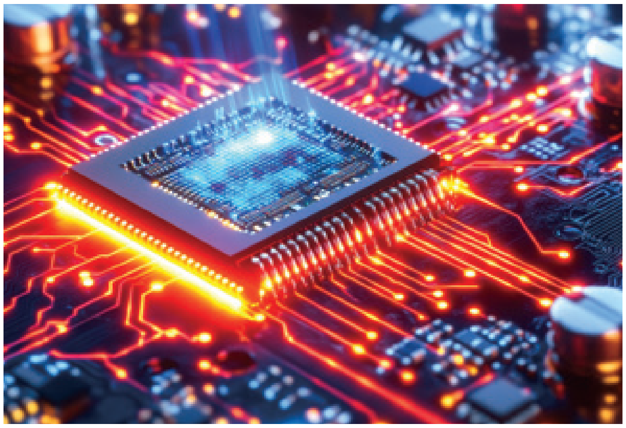
Locations

The Department of Commerce is headquartered in Washington, D.C., at the Herbert Clark Hoover Building. From this location, the Department coordinates its national and international efforts to support economic growth and opportunity.

The Department maintains offices and facilities in every U.S. state and territory, helping it serve communities across the country. One of its largest concentrations of offices and laboratories is located in Boulder, CO.

Internationally, the Department operates trade offices in more than 86 countries, helping U.S. businesses compete in global markets and supporting American jobs at home.

Impact on the American Public



The Department of Commerce helps workers, families, and businesses succeed by supporting a strong and competitive U.S. economy. Its work creates economic opportunity, supports jobs, and helps communities grow in every part of the country.

The Department helps American innovators turn new ideas into products and services that strengthen the economy. By supporting emerging technologies such as artificial intelligence and advanced manufacturing, it helps U.S. businesses compete globally and ensures inventors can protect and benefit from their ideas.

The Department supports manufacturing, small businesses, and local economies by helping workers build new skills and businesses reach new markets. Investments in high-speed internet expand access to jobs, education, health care, and essential online services, especially in rural and underserved communities.

The Department also helps U.S. companies sell their products abroad while protecting national security at home. By supporting exports and enforcing trade and technology rules, it helps American businesses compete fairly and safeguards critical technologies.

Reliable weather forecasts and climate information help families, businesses, and local officials prepare for extreme weather and natural disasters. This work helps save lives, protect property, and reduce the economic impact of severe weather events.

Across its work, the Department provides reliable information and practical tools that help people, businesses, and communities plan for the future. These efforts promote transparency, reduce risk, and help ensure economic growth benefits all Americans.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Strategic Planning and Performance

The Department of Commerce Process for Strategic Planning and Performance Reporting/Organizational Performance Overview

Department of Commerce Strategic Planning, Enterprise Performance Monitoring, and Reporting

Strategic Planning

The Government Performance and Results Act (GPRA) and GPRA Modernization Act of 2010 (GPRAMA) requires federal agencies to publish a new strategic plan a year after the President's term begins. The Foundations for Evidence-Based Policymaking Act of 2018 (Evidence Act), which complements GPRAMA, requires agencies to conduct evaluation and evidence-building activities that answer priority questions about programs, policies, or regulations. The Department publishes these questions in an annual evaluation plan. The Department's previous strategic plan and evaluation plan officially closed out when the President was inaugurated on January 20, 2025.

The Department of Commerce is preparing its 2026 – 2030 strategic plan and annual evaluation plan for publishing concurrently with the FY 2027 President's Budget. The new strategic plan will include strategic goals, strategic objectives, strategies, and key performance indicators (KPIs). The strategic planning structure follows the Office of Management and Budget's (OMB) standardized *Federal Performance Framework*. More detailed information about this framework can be found in OMB Circular A-11 Part 6. The Department's strategic goals contribute to its mission and are grouped by theme. Strategic goals include strategic objectives that state specific outcomes the Department aims to achieve. Strategies are the approaches the Department will use to achieve an objective. KPIs typically measure progress toward achieving the outcome, efficiency, customer experience, output, and impact.

The Department's new strategic plan will align with the President's Management Agenda that was published on December 8, 2025, and presidential actions (i.e., executive orders and memoranda) signed prior to publishing. It will also follow the guiding principles provided by OMB. The planning process is led by the Secretary and politically appointed leadership with collaboration across all bureaus and operating units. In addition to publishing the strategic plan and annual evaluation plan, the Department will also publish its FY 2027 Annual Performance Plan (APP) and two-year Agency Priority Goals (APGs). The APP establishes KPIs and their targets for the next two fiscal years. APGs are high-priority initiatives that can demonstrate a measurable outcome, aligned with the strategic plan, by September 30, 2027.

Enterprise Performance Monitoring

The Department uses a systems-based performance management framework that engages and empowers every employee. This framework aligns and integrates leadership, strategic planning, employee engagement, process management, business information, and customer input into feedback loops that produce continuous monitoring, learning, and improvement. The Department's KPIs, Enterprise Risk Management approach, and program evaluation efforts to increase evidence to support the Department's budget formulation and decision-making. This structure complies with guidance from OMB, the GPRAMA, and the Evidence Act.

Once the Department's strategic plan is published, enterprise performance monitoring begins in accordance with the policies and timelines established by OMB. New strategic goals are incorporated into all employees' annual individual performance plans. The Department's Deputy Secretary, in his role as Chief Operating Officer, reviews quarterly progress on each of the Department's new APGs. Midway through the fiscal year, the Department conducts an internal Agency Strategic Review (ASR) with the Deputy Secretary to assess progress on each of the strategic objectives listed in the strategic plan. The Deputy Secretary typically meets with OMB leadership to discuss ASR findings, including strategic plan progress, major actions, risks, and opportunities based on data, KPIs, and milestones.

At the end of each fiscal year, enterprise performance is analyzed and progress is assessed using KPIs to inform an annual organizational assessment and the budget formulation process. This enterprise performance monitoring approach enables the Department to adjust to changes in the operating environment or evolving priorities by refining strategies and ensuring the right KPIs are in place to measure programs' impact.

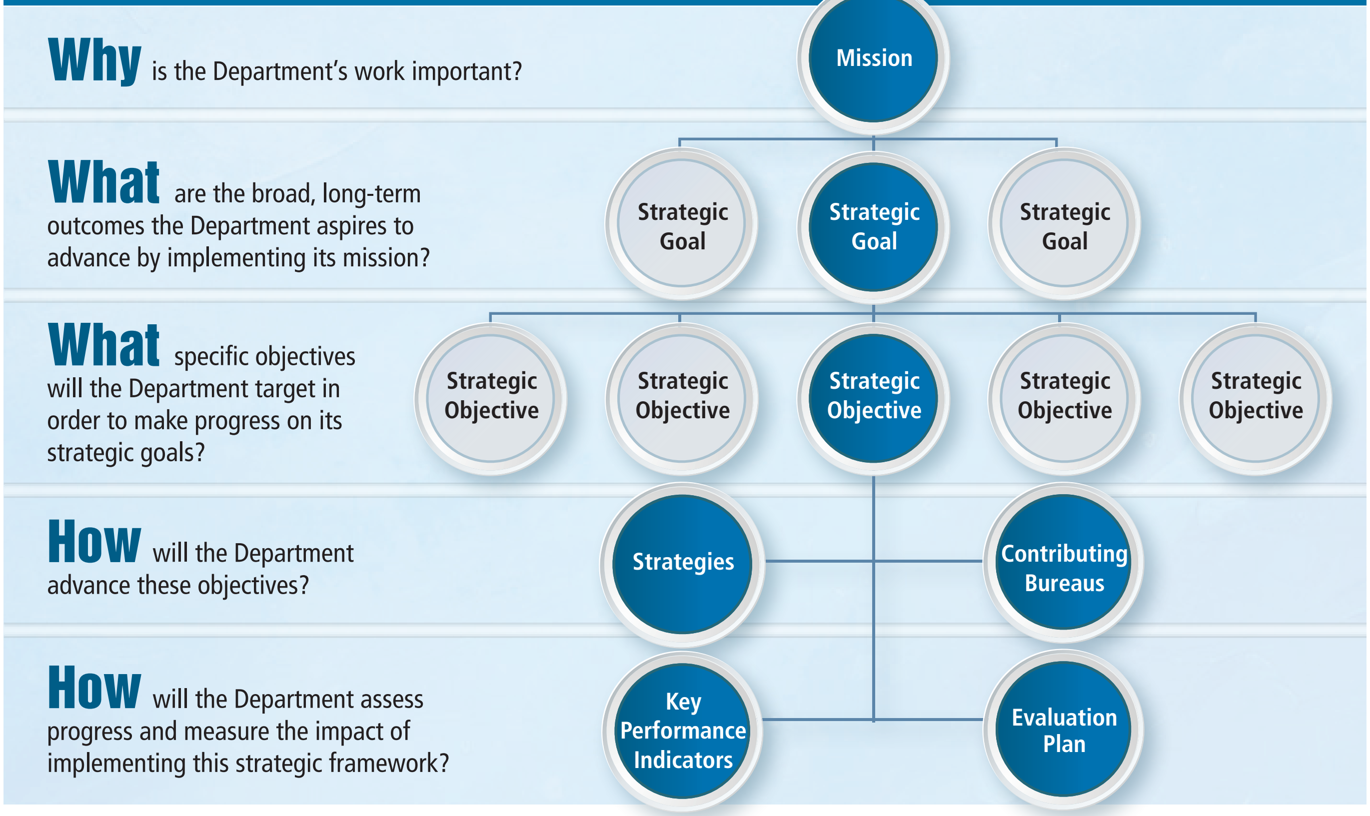
The Department strives to continuously improve its enterprise performance management, monitoring, and analysis efforts. During 2025, the Office of Performance Excellence within the Office of the Secretary implemented several new initiatives to strengthen the capacity to monitor and analyze customer experience for services provided by the Department. To modernize its tools and systems and support better decision-making, the Department is deploying the Business Applications Solution (BAS) program. BAS is an integrated suite of financial and business management applications delivered through a software-as-a-service, cloud-computing environment. As of FY 2025, the Department has successfully deployed BAS for the National Oceanic and Atmospheric Administration (NOAA), the Bureau of Industry and Security (BIS), and the Economic Development Administration (EDA). BAS will be deployed for the Census Bureau beginning FY 2026 and the remaining bureaus and operating units will transition to BAS beginning FY 2027. BAS enables more efficient and timely analysis of data used for enterprise-wide financial and operational performance analysis. During 2025, the Department's Office of the Secretary also integrated artificial intelligence (AI) capabilities into its information technology (IT) network and is exploring several potential use cases for AI to improve the efficiency and effectiveness of various functions including enterprise performance management.

The infographic on the following page illustrates the structure of the Department's strategic plan and monitoring process.

Performance Reporting

The Annual Performance Report (APR) is the primary document the Department publishes to report enterprise performance to the American public. The Department typically combines its APP and APR into one consolidated document referred to as the Annual Performance Plan and Report (APPR). The APPR is usually organized by strategic objective in alignment with the strategic plan. However, the Department's FY 2025 – 2027 APPR may be organized by bureau and operating unit because the 2026 – 2030 Strategic Plan has not yet been published. To supplement the APPR, the Department reports detailed bureau performance data in a standardized section of each bureau's annual budget justification.

The Department's Strategic Plan and Monitoring Process



The Department also provides a summary of enterprise performance within the Agency Financial Report (AFR). Because the 2026 – 2030 Strategic Plan has not yet been published, this year's AFR organizes performance information by bureau as new strategic objectives have not yet been established.

In addition to publishing formal reports, the Department continues to make its performance data easy for the public to access and understand via the **Commerce Performance Data Pro** website (*https://performance.commerce.gov/*). This website provides an interactive online tool where the American public can view, analyze, and download the Department's performance data. It includes ***Citizen's View Dashboards*** that show each major operating unit's performance, ***Commerce Impact Stories*** about the Department's focus areas and new strategic initiatives, and the access to over 200 ***KPI Insights*** tiles that measure program results.

The Department's performance results for the period ending September 30, 2025, will be published and submitted to Congress concurrently with the FY 2027 President's Budget. On that date, the Department will post its FY 2025/2027 APPR and FY 2027 Budget Justification to *https://www.commerce.gov/about/budget-and-performance*.

FY 2025 Performance Summary by Bureau

During FY 2025, the Department implemented the President's *America First* vision of U.S. economic prosperity and delivered real wins for American workers, businesses, and families. Under the Secretary's leadership, the Department negotiated historic trade frameworks, accelerated major investments, strengthened our Nation's commercial diplomacy around the world, and rebuilt America's economic leadership.

The following performance summary lists major accomplishments and illustrative KPIs for the Department's bureaus. In alignment with the Administration's direction to wind down programs within the Economic Development Administration (EDA), Minority Business Development Agency (MBDA), and National Technical Information Service (NTIS), performance data for these three bureaus are not included.

To prepare the bureau performance summaries, the Office of Performance Excellence within the Office of the Secretary coordinated with bureaus and operating units using a standardized approach. Each bureau was responsible for verifying and validating their data and KPIs. The Department's Office of Performance Excellence analyzed enterprise performance by bureau and selected KPIs that illustrate progress on key Departmental initiatives. The FY 2025 performance results listed in this AFR represent a selection of priority organizational outcomes and minimize duplicative reporting with the APPR in accordance with the Statement of Federal Financial and Accounting Standards (SFFAS 15) and OMB Circular A-136.

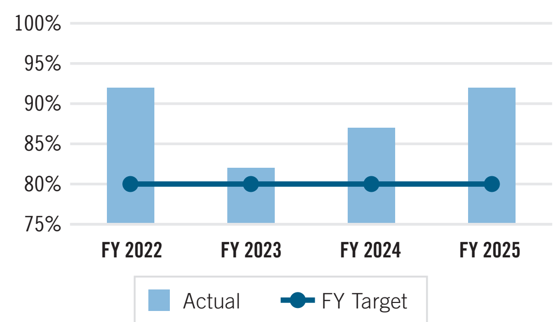
Bureau of Economic Analysis (BEA)

Major Accomplishments

- Released all 66 economic indicator reports on time and on schedule.
- Expanded the level of detail for export, import, and trade balance statistics for U.S. trade in services from 90 to 237 countries and areas.
- Increased the percentage of gross domestic product (GDP) estimates that are statistically reliable to 97 percent.
- The Office of the Undersecretary for Economic Affairs (OUSEA) increased the percentage of annual evaluation plan projects marked "On Track" to 92 percent and published 10 new evidence-building documents.

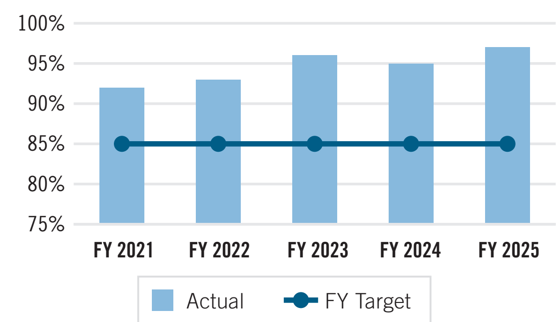
Key Performance Indicators

PERFORMANCE INDICATOR: Percent of annual evaluation plan projects on track



ABOVE TARGET = FAVORABLE
Exceeded FY 2025 Target by 15%

PERFORMANCE INDICATOR: Reliability: Percent of GDP estimates that are statistically reliable



ABOVE TARGET = FAVORABLE
Exceeded FY 2025 Target by 14%

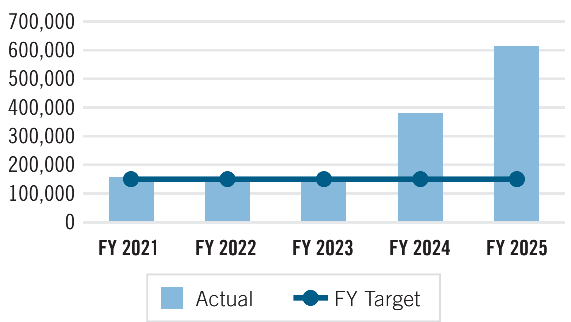
Bureau of Industry and Security (BIS)

Major Accomplishments

- Enhanced AI export controls by releasing guidance, alerting industry to the risks of using Chinese AI chips, warning about the consequences of using U.S. AI chips to train Chinese AI models, and advising U.S. companies how to guard against AI chip diversion. BIS also issued controls on additional AI training and inference chips to arms embargoed countries.
- Since January 20, 2025, BIS added 140 entities to the Entity List to cut off access to U.S. exports by those who support China's military modernization, supply Russia's defense industrial base, contribute to Pakistan's nuclear and missile programs, or supply Iran's unmanned aerial vehicle program.
- Since March 10, 2025, BIS initiated 12 investigations under Section 232 of the Trade Expansion Act to evaluate the national security impact of imports of the following: copper, timber/lumber, semiconductors, pharmaceuticals, trucks, critical minerals, commercial aircraft and jet engines, polysilicon, unmanned aerial systems, wind turbines, robotics, and medical supplies and equipment.
- Pursued deregulatory actions to remove unnecessary export restrictions that harmed U.S. economic competitiveness without advancing national security. For example, in September 2025, BIS streamlined firearms export control requirements. As a result of these improvements to export management, BIS approved more than 600,000 transactions under the Department's authority.

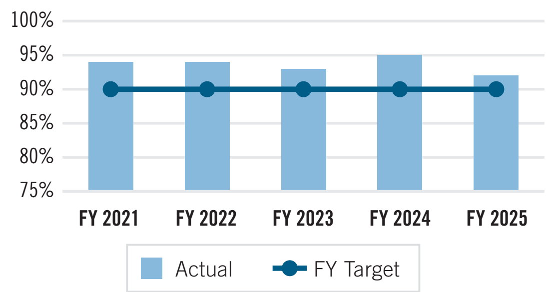
Key Performance Indicators

PERFORMANCE INDICATOR: Number of export transactions completed under the authority of Commerce export licenses and license exceptions



ABOVE TARGET = FAVORABLE
Exceeded FY 2025 Target by 310%

PERFORMANCE INDICATOR: Percent of licenses requiring Information Triage Unit report completed by Export Enforcement within 10 executive order days of referral



ABOVE TARGET = FAVORABLE
Exceeded FY 2025 Target by 2%

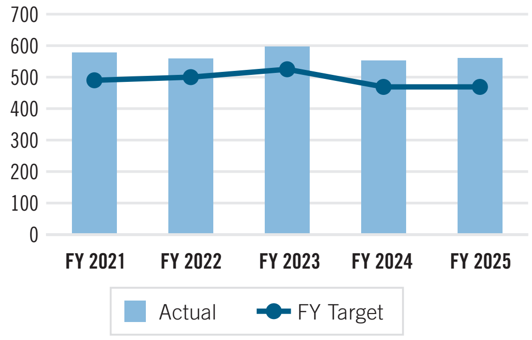
International Trade Administration (ITA)

Major Accomplishments

- In support of the America First Trade Policy, ITA reviewed the policies and regulations regarding the application of antidumping and countervailing duty (AD/CVD) laws.
- Issued 100 percent of its AD/CVD determinations within statutory or regulatory deadlines. By the end of FY 2025, ITA administered a historic high of 781 AD/CVD orders.
- Resolved 49 trade agreement compliance cases.
- Used commercial diplomacy or advocacy 561 times successfully to better improve America's trading position worldwide.
- Implemented four new executive orders to strengthen America's ability to compete with China economically and eliminate non-tariff barriers holding back the U.S. economy.
- In support of the America First Investment Policy, ITA's SelectUSA program served over 11,000 unique investment clients, which facilitated 187 investment promotion successes worth $136.5 billion and supported over 31,500 U.S. jobs.

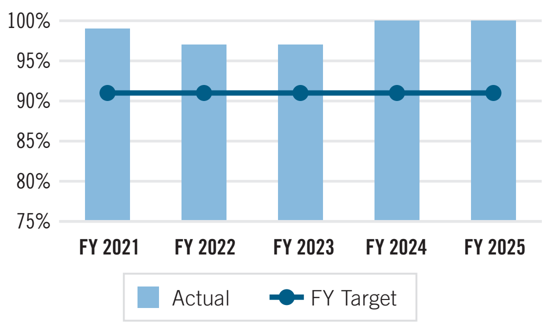
Key Performance Indicators

PERFORMANCE INDICATOR: Number of commercial diplomacy/advocacy successes



ABOVE TARGET = FAVORABLE
Exceeded FY 2025 Target by 20%

PERFORMANCE INDICATOR: Percentage of antidumping and countervailing duty (AD/CVD) determinations issued within statutory and/or regulatory deadlines



ABOVE TARGET = FAVORABLE
Exceeded FY 2025 Target by 10%

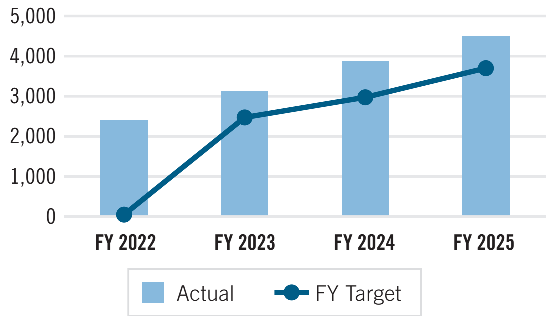
National Institute of Standards and Technology (NIST)

Major Accomplishments

- Transformed the U.S. government's approach for engaging with industry about AI standards, testing, and collaborative research via the Center for AI Standards and Innovation (CAISI) consistent with America's AI Action Plan.
- The United States and United Kingdom (UK) signed a memorandum of understanding between CAISI and the UK AI Security Institute to deepen ties and increase collaboration on AI-related projects and security. In addition, NIST launched a new AI Standards Zero Drafts project that will pilot a process to broaden participation in and accelerate the creation of standards, starting with a proposed Zero Draft for standard documentation of AI datasets and AI models.
- Found and removed fundamental and technological obstacles to practical quantum computing and deployable quantum sensing and implemented an acceleration strategy for Quantum Information Science and Technology.
- Trained 1,093 U.S. government staff to effectively coordinate, participate, and influence technical standards development.
- Chose a new post-quantum cryptography algorithm that can provide a second line of defense for the task of general encryption, which safeguards internet traffic and stored data.
- Increased workforce services provided to small and mid-sized U.S. manufacturers by 17 percent.

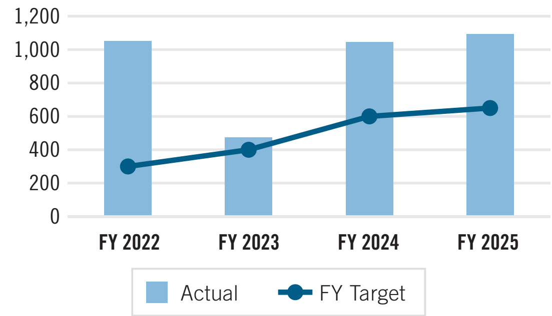
Key Performance Indicators

PERFORMANCE INDICATOR: Growth in workforce services provided to small to midsized U.S. manufacturers



ABOVE TARGET = FAVORABLE
Exceeded FY 2025 Target by 22%

PERFORMANCE INDICATOR: Number of U.S. government staff trained to effectively coordinate, participate, and influence technical standards development



ABOVE TARGET = FAVORABLE
Exceeded FY 2025 Target by 68%

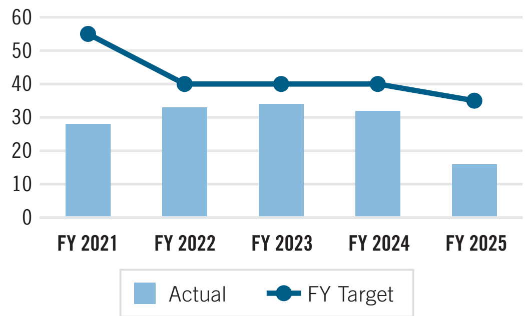
National Oceanic and Atmospheric Administration (NOAA)

Major Accomplishments

- Increased delivery of Flood Inundation Mapping services from 36 percent to 66 percent of the continental U.S. population during FY 2025. This provides near-real-time, street-level visualizations of floodwaters to inform public safety decisions related to evacuations and prepositioning assets to save life and property.
- In support of Executive Order 14276, *Restoring American Seafood Competitiveness*, NOAA identified new Aquaculture Opportunity Areas totaling over 21,000 acres and expanded fishery openings to allow for more use of allocated quota. This accomplishment marks the United States' most significant effort to support offshore aquaculture development.
- Completed key milestones for Joint Polar Satellite System-3 and -4, Geostationary Operational Environmental Satellite (GOES)-19, Near Earth Orbit Network-QuickSounder, and Geostationary Extended Observations (GeoXO) which advanced current and next-generation satellite programs critical for weather forecasting.
- Reduced the number of environmental reviews that exceed regulatory or statutory guidelines by 50 percent from 32 in FY 2024 to 16 in FY 2025. By ensuring prompt environmental reviews, NOAA supports the American economy—helping businesses do more, faster.
- Celebrated the keel laying of the NOAA Ship Navigator and the NOAA Ship Surveyor vessels, as part of broader efforts to modernize NOAA's nautical charting and ocean mapping capabilities.

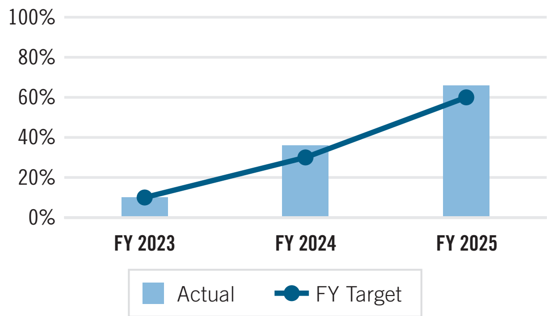
Key Performance Indicators

PERFORMANCE INDICATOR: Number of environmental reviews that exceed regulatory or statutory deadlines



BELOW TARGET = FAVORABLE
Exceeded FY 2025 Target by 119%

PERFORMANCE INDICATOR: Percentage of the continental U.S. population served by flood inundation mapping services



ABOVE TARGET = FAVORABLE
Exceeded FY 2025 Target by 10%

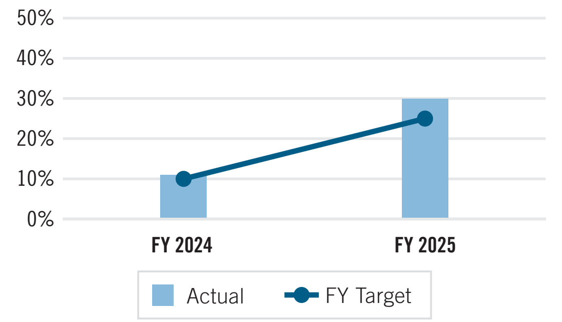
National Telecommunication and Information Administration (NTIA)

Major Accomplishments

- Aligned broadband grant programs with Administration priorities by restructuring the $42.5 billion Broadband Equity, Access, and Deployment (BEAD) program. This restructuring emphasized broadband technology neutrality, reduced policy burdens, and prioritized cost-effectiveness in grant awards.
- Through coordinated efforts in global digital policy and domestic communications initiatives, NTIA strengthened U.S. leadership in Information and Communications Technology networks, 5G/6G supply chain resilience, and internet governance via international partnerships and forums, while supporting key Administration directives on AI and trade.
- Expanded the Nationwide Public Safety Broadband Network (NPSBN) to over 30,000 agencies and 7.8 million connections, with ongoing efforts to enhance geographic coverage and device certification across the United States and its territories.
- The NTIA lab integrated AI and machine learning into research workflows, enabling dynamic spectrum sensing and network simulation tools to support advanced telecommunications research and standards development.

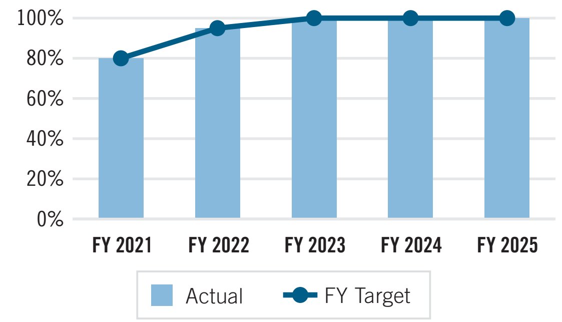
Key Performance Indicators

PERFORMANCE INDICATOR: Percentage of NTIA Spectrum Systems Modernized



ABOVE TARGET = FAVORABLE
Exceeded FY 2025 Target by 20%

PERFORMANCE INDICATOR: Percentage of Broadband Internet Coverage Achieved



ABOVE TARGET = FAVORABLE
Met FY 2025 Target

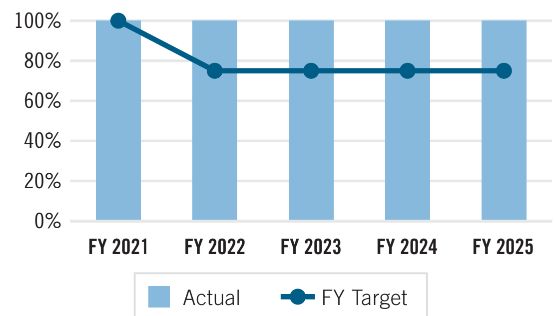
Census Bureau

Major Accomplishments

- Completed critical preparation activities for the 2030 Decennial Census including completing the research phase and releasing the initial Operational Plan in July 2025.
- Released all core data releases of the 2022 Economic Census ahead of the usual release schedule cycle. Consolidated the Geographic Area Statistics into a single release with every industry sector and region available on the same day. Previously the Census Bureau released Geographic Area Statistics by sector and state over several months.
- Integrated with 10 large companies to provide direct company data feeds into the Annual Integrated Economic Survey, which significantly reduced respondent burden and increased data accuracy and granularity.
- In accordance with Executive Order 14303, *Restoring Gold Standard Science*, the Census Bureau drafted new resources and conducted an internal reorganization to increase effectiveness.

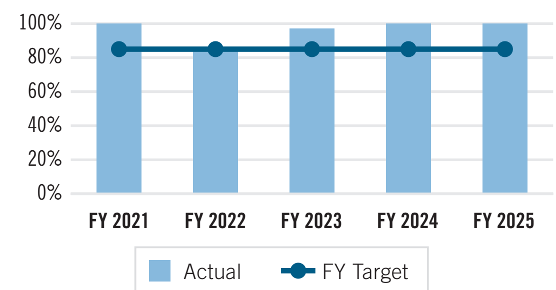
Key Performance Indicators

PERFORMANCE INDICATOR: Complete key activities in support of the Economic Census and Census of Governments on time



ABOVE TARGET = FAVORABLE
Exceeded FY 2025 Target by 33%

PERFORMANCE INDICATOR: Percentage of key data products for Census Bureau programs released on time to support effective decision-making of policymakers, businesses, and the public



ABOVE TARGET = FAVORABLE
Exceeded FY 2025 Target by 18%

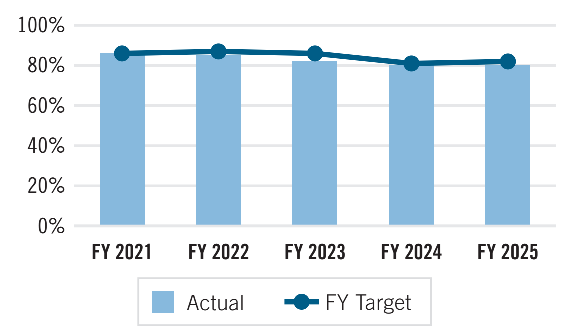
U.S. Patent and Trademark Office (USPTO)

Major Accomplishments

- USPTO strengthened internal operations for patent processing by cutting non-examination work, redirecting staff to the examining corps, introducing new incentives and award programs, increasing examiner production hours, and deploying AI search tools to improve prior art retrieval. These efforts improved capacity to process a record-high number of patent applications.
- Even though the number of trademark applications increased by 57,054 in FY 2025 to 824,192, USPTO exceeded all trademark pendency and quality targets. First office action pendency improved to 5.6 months, disposal pendency improved to 11.7 months, and the unexamined inventory decreased to 346,378. To achieve these improvements, USPTO increased the number of attorneys in the examining corps, enhanced the new Trademark Center website to improve the filing experience, modernized IT systems including TM Exam to reduce downtime and errors.
- Implemented new executive orders including accelerating a measured return to in-person work via phased workspace expansion and new training, reassigning staff into production roles, cutting travel costs, and ending unnecessary contracts.
- Modernized financial and IT controls, upgraded financial systems to Treasury's Financial Quality Service Management Office standards and advanced cloud migrations to improve resiliency and reduce risks.

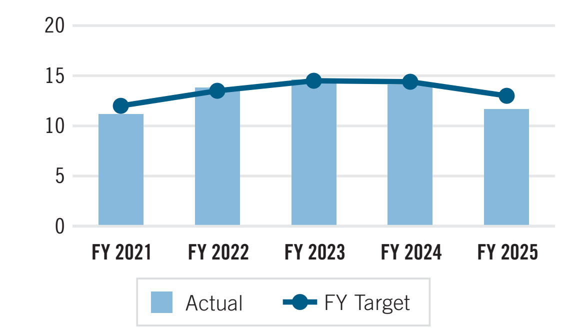
Key Performance Indicators

PERFORMANCE INDICATOR: Total Patent Term Adjustment compliance: remaining inventory



ABOVE TARGET = FAVORABLE
Did Not Meet FY 2025 Target by 2%

PERFORMANCE INDICATOR: Average processing time for trademark applications (days)



BELOW TARGET = FAVORABLE
Exceeded FY 2025 Target by 11%

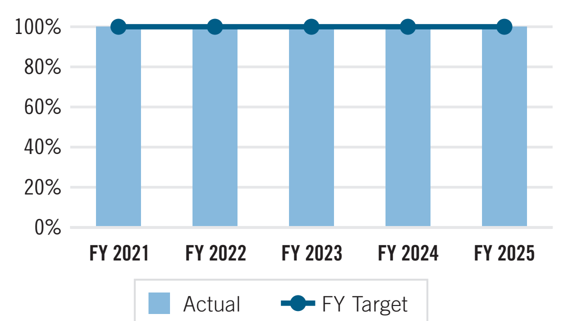
Office of the Secretary (OS)

Major Accomplishments

- The Office of Human Resources Management (OHRM) implemented hiring and workforce directives, supported Department-wide restructuring, maintained core human resources operations, improved time-to-hire, and ensured uninterrupted payroll, benefits, and personnel services for approximately 25,000 employees. The Department met and exceeded Veterans hiring targets, reinforcing its commitment to Veterans and Military Spouses and its position as an "Employer of Choice."
- The Office of the Chief Information Officer (OCIO) prioritized Zero Trust Architecture, IT modernization, and service consolidation, including progress toward an Enterprise Security Operations Center. Major IT modernization programs, such as BAS and the Grants Enterprise Management Solution (GEMS), were stabilized and brought back on track. Key infrastructure projects, such as the HCHBNet Modernization Wireless Project, were ahead of schedule.
- The Office of Acquisition Management (OAM) streamlined and modernized acquisition regulations, issued 12 FAR deviations, and updated grant terms to enhance oversight and flexibility. OAM reviewed contracts and grants, terminated 583 contracts, conducted targeted reviews, and reduced purchase card usage by 71 percent to improve accountability and reduce waste.

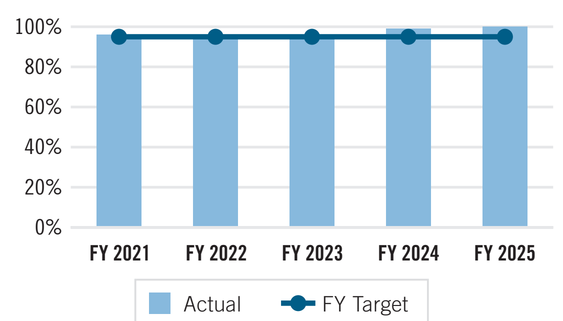
Key Performance Indicators

PERFORMANCE INDICATOR: Percentage of on-time, on-budget deployments of BAS and GEMS



ABOVE TARGET = FAVORABLE
Met FY 2025 Target

PERFORMANCE INDICATOR: Percentage of acquisitions with a cumulative value over $250 thousand completed in 120 days or less



ABOVE TARGET = FAVORABLE
Exceeded FY 2025 Target by 5%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Performance

Analysis of FY 2025 Financial Statements

(Dollars in Tables are Presented in Thousands)

Analysis of Assets

Assets are resources that embody economic benefits or services that the Department can obtain or control and are reported on the Department's *Consolidated Balance Sheet* at a fixed point in time. The Department's assets totaled $135.82 billion as of September 30, 2025. NTIA, NIST, and NOAA made up 91 percent of the Department's assets, and 92 percent of total assets stemmed from three Balance Sheet lines: Fund Balance with Treasury (FBwT); General Property, Plant, and Equipment (PP&E), Net; and Investments.

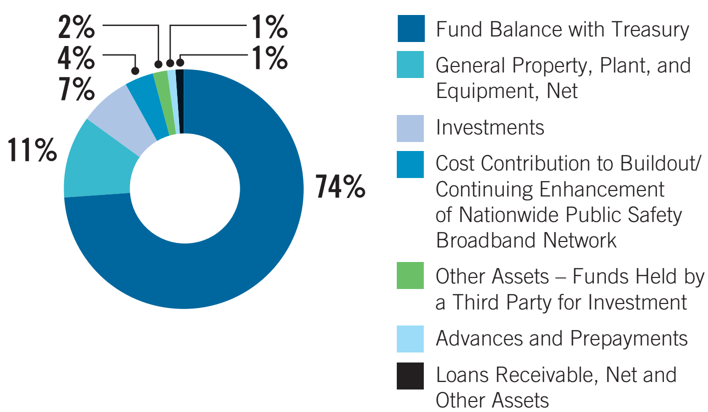
Departmental Assets	FY 2025
Fund Balance with Treasury	$ 101,345,998
General PP&E, Net	14,806,337
Investments	9,235,218
Cost Contribution to Buildout/Continuing Enhancement of Nationwide Public Safety Broadband Network	5,614,034
Other Assets – Funds Held by a Third Party for Investment	2,850,659
Advances and Prepayments	829,620
Loans Receivable, Net and Other Assets	1,134,527
Total Assets	**$ 135,816,393**

$101.35 billion of FBwT is the aggregate amount of funds available with Treasury to make authorized expenditures, including as examples for advances and prepayments, liabilities, and repayments of debt. Treasury processes cash receipts and disbursements for the Department's domestic operations.

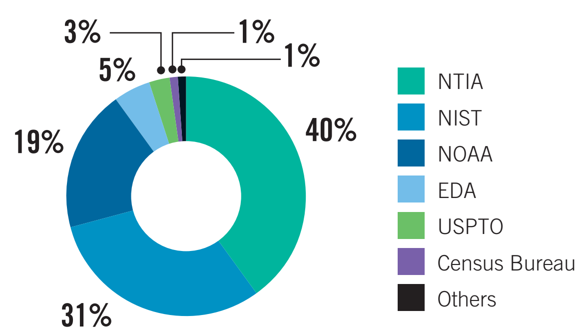
$14.81 billion of General PP&E, Net (Cost of $32.27 billion less Accumulated Depreciation of $17.46 billion) consists of capital assets and right-to-use lease assets used in providing goods or services, and includes $7.09 billion of Satellites/Weather Systems Personal Property; $4.62 billion of Construction-in-progress, primarily for satellites and weather measuring and monitoring systems; $1.76 billion of Structures, Facilities, and Leasehold Improvements; and $1.33 billion of other General PP&E.

$9.24 billion of Investments is comprised of the Department's investments in shares of common stock of the Intel Corporation (Intel),

ASSET COMPOSITION AS OF SEPTEMBER 30, 2025



ASSETS BY BUREAU AS OF SEPTEMBER 30, 2025



recorded at the fair value as of the September 30, 2025 measurement date under a fair value hierarchy, in accordance with guidance issued by the Financial Accounting Standards Board. The shares of Intel common stock were received in August and September of 2025, and were initially recorded based on the dollar amounts of applicable disbursements made to Intel during these months by the U.S. government totaling $5.71 billion under a Warrant and Common Stock agreement dated August 22, 2025 between the Department and Intel whereby the Department received shares of Intel common stock as a result of the U.S. government's applicable disbursements to Intel. Valuation adjustments (unrealized gain) of $3.53 billion were further recorded to arrive at fair value as of September 30, 2025 which is under fair value hierarchy Level 1—Unadjusted quoted prices in active markets for identical assets that the reporting entity can access at the measurement date.

$5.61 billion of Cost Contribution to Buildout/Continuing Enhancement of Nationwide Public Safety Broadband Network (NPSBN) captures NTIA's cost contributions for the buildout and continuing enhancement of the NPSBN. The cost contributions and continuing enhancements that are recorded as an asset include payments made for completed and accepted AT&T contract performance for the buildout and continuing enhancements of the NPSBN under the First Responder Network Authority (FirstNet) contract with AT&T to buildout, deploy, operate, and maintain the NPSBN.

$2.85 billion of Other Assets – Funds Held by a Third Party for Investment represents NIST funds held by the U.S. Department of War for CHIPS program activities, whereby the Department will receive shares of Intel common stock as a result of the Department of War's applicable disbursements to Intel.

$829.6 million of Advances and Prepayments is made up of advance 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, and includes prepayments the Department has made to cover certain periodic expenses before those expenses are incurred. The balance is primarily made up of NOAA's Operations, Research, and Facilities fund group advances and prepayments of $669.2 million, primarily with the public.

$1.13 billion of Loans Receivable, Net and Other Assets is primarily comprised of $564.4 million of Loans Receivable, Net of Allowance for Subsidy Cost (Present Value) and Allowance for Loan Losses for NOAA's loan programs with the public; Accounts Receivable, Net of Allowance for Uncollectible Accounts of $361.6 million primarily with the public; and Inventory and Related Property, Net of Allowance for Excess, Obsolete, and Unserviceable Items of $166.8 million.

Analysis of Liabilities

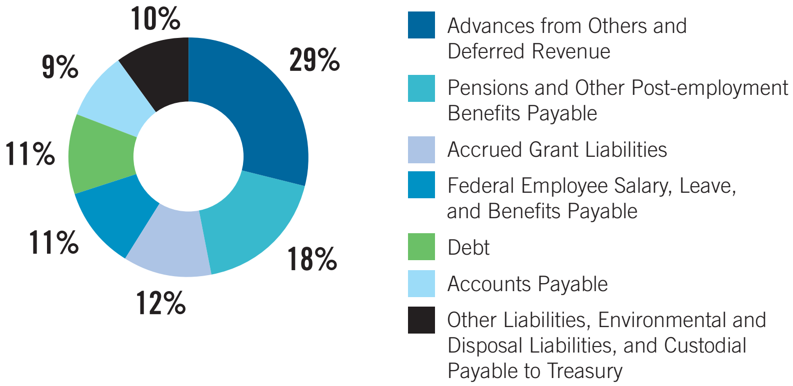
Liabilities are probable and measurable future outflows or other sacrifices of resources caused by past transactions or events. The Department's liabilities totaled $7.46 billion as of September 30, 2025. NOAA, USPTO, and NIST made up 74 percent of the Department's liabilities and four Balance Sheet lines comprised 71 percent of total liabilities: Advances from Others and Deferred Revenue; Pensions and Other Post-employment Benefits Payable; Accrued Grant Liabilities; and Federal Employee Salary, Leave, and Benefits Payable.

Departmental Liabilities	FY 2025
Advances from Others and Deferred Revenue	$ 2,193,365
Pensions and Other Post-employment Benefits Payable	1,348,798
Accrued Grant Liabilities	910,384
Federal Employee Salary, Leave, and Benefits Payable	822,464
Debt	780,564
Accounts Payable	637,504
Other Liabilities, Environmental and Disposal Liabilities, and Custodial Payable to Treasury	762,921
Total Liabilities	**$ 7,456,000**

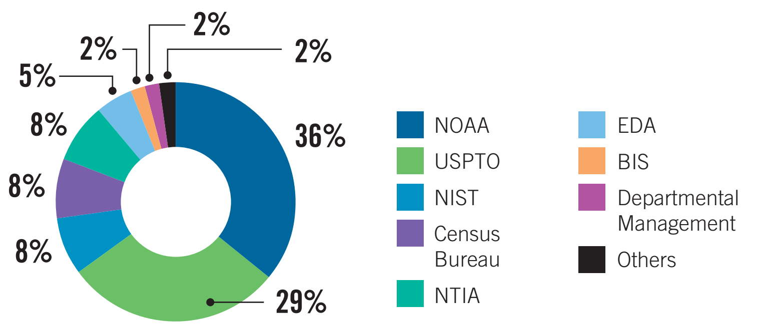
$2.19 billion of Advances from Others and Deferred Revenue primarily includes the portion of monies received under customer orders or similar revenue-generating activities for which goods and services have not yet been provided or rendered by the Department. The Departmental total primarily includes $1.60 billion of USPTO advances from non-federal customers for patent and trademark application and user fees that are pending action by USPTO.

$1.35 billion of Pensions and Other Post-employment Benefits Payable consists of the actuarial present value of projected benefits for the NOAA Corps Retirement System and NOAA Corps Blended Retirement System of $1.15 billion and for the NOAA Corps Post-retirement Health Benefits of $71.1 million, and the Department's Actuarial Federal Employees' Compensation Act (FECA) Liability of $125.2 million, which represents the liability for future workers' compensation benefits and which includes the expected liability for death, disability, medical, and miscellaneous costs for approved cases.

LIABILITY COMPOSITION AS OF SEPTEMBER 30, 2025



LIABILITIES BY BUREAU AS OF SEPTEMBER 30, 2025



$910.4 million of Accrued Grant Liabilities relates to 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. This liability primarily includes accrued grants of $255.0 million for NTIA's Broadband Connectivity Fund; $220.2 million for EDA's Economic Development Assistance Programs fund; and $102.3 million for NOAA's Operation, Research, and Facilities fund.

$822.5 million of Federal Employee Salary, Leave, and Benefits Payable is largely made up of unfunded leave of $429.5 million; accrued funded payroll and leave of $268.5 million which includes funded salaries, wages, annual leave, and other leave that have been earned but are unpaid as of September 30, 2025; and other unfunded employment-related liability of $113.0 million.

$780.6 million of Debt represents borrowings from Treasury for NOAA's direct loan programs with the public of $555.6 million and for EDA's Regional Technology and Innovation Hubs (Tech Hubs) program of $225.0 million, which will serve as a key investment in strengthening the Nation's economic competitiveness and national security by ensuring that the industries of tomorrow are built, grown, and led in the United States.

$637.5 million of Accounts Payable consists primarily of amounts owed for goods, services, or capitalized assets received, progress on contract performance by others, and other expenses due, largely owed to the public.

$762.9 million of Other Liabilities, Environmental and Disposal Liabilities, and Custodial Payable to Treasury primarily includes Environmental and Disposal Liabilities of $223.2 million, including $114.4 million for a nuclear reactor operated by NIST and $95.5 million for asbestos-related cleanup costs; Custodial Payable to Treasury of $181.5 million which represents the amount of applicable custodial non-exchange or exchange revenue yet to be transferred to the General Fund of the U.S. government; Lease Liabilities of $169.0 million related to right-to-use lease assets and which are initially recognized at the present value of payments expected to be made during the lease term; and Employer Contributions and Payroll Taxes Payable of $96.9 million that is payable to other federal entities.

Analysis of Net Costs

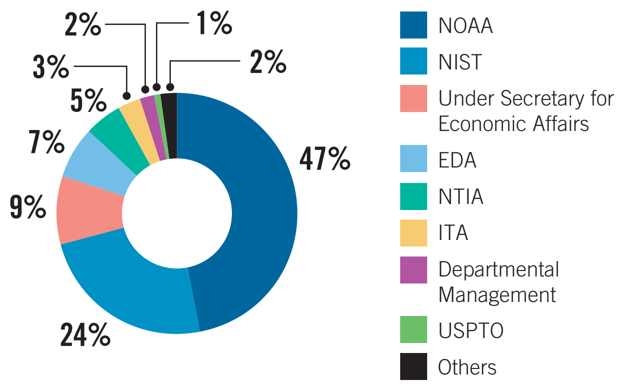
The Department's Net Cost of Operations for FY 2025 totaled $17.69 billion and consisted of Gross Costs incurred of $27.07 billion less Earned Revenue of $5.85 billion and less Unrealized Gain on Investments of $3.53 billion as previously discussed in the Analysis of Assets subsection. NOAA, NIST, Under Secretary for Economic Affairs, and Economic Development Administration comprised 87 percent of the total Net Cost of Operations.

Departmental Net Cost of Operations	FY 2025
Gross Departmental Costs	$ 27,066,207
Less: Total Earned Revenue	(5,846,058)
Less: Unrealized Gain on Investments	(3,526,532)
Net Cost of Operations	**$ 17,693,617**

Net Cost of Operations by Responsibility Segment	FY 2025
National Oceanic and Atmospheric Administration	$ 8,226,866
National Institute of Standards and Technology	4,282,181
Under Secretary for Economic Affairs	1,659,278
Economic Development Administration	1,244,341
National Telecommunications and Information Administration	911,792
International Trade Administration	612,373
Departmental Management	262,556
U.S. Patent and Trademark Office	196,073
Others	298,157
Total Net Cost of Operations	**$ 17,693,617**

NOAA's FY 2025 Net Cost of Operations was $8.23 billion. From daily weather forecasts, severe storm warnings, and climate monitoring to fisheries management, coastal restoration and supporting marine commerce, NOAA's products and services support economic vitality and affect more than one-third of America's gross domestic product. NOAA's dedicated scientists use cutting-edge research and high-tech instrumentation to provide citizens, planners, emergency managers, and other decisionmakers with reliable information they need, when they need it. NOAA's mission to better understand our natural world and help protect its precious resources extends beyond national borders to monitor global weather and climate, and work with partners around the world. NOAA's mission relates to science, service, and stewardship—to understand and predict changes in climate, weather, oceans, and coasts; to share that knowledge and information with others; and to conserve and manage coastal and marine ecosystems and resources

FY 2025 NET COST OF OPERATIONS BY RESPONSIBILITY SEGMENT



NIST's FY 2025 Net Cost of Operations was $4.28 billion (Gross Costs of $7.99 billion less Earned Revenue of $183.1 million and less Unrealized Gain on Investments of $3.53 billion), which includes NIST and NTIS. **NIST's** mission is to promote U.S. innovation and industrial competitiveness by advancing measurement science, standards, and technology in ways that enhance economic security and improve our quality of life. From the smart electric power grid and electronic health records to atomic clocks and advanced nanomaterials and computer chips, innumerable products and services rely in some way on technology, measurement, and standards provided by NIST. NIST measurements support the smallest of technologies to the largest and most complex of human-made creations—from nanoscale devices so tiny that tens of thousands can fit on the end of a single human hair up to earthquake-resistant skyscrapers and global communication networks. **NTIS** has been instrumental for over 70 years in making federal information and data available to American businesses and the public. To continue this mission, NTIS is repositioning itself as a data service agency, building new solutions with our private-sector partners to grow capacity that extends traditional governmental data and analytic competency. NTIS helps agencies leverage new and innovative capabilities, including artificial intelligence, machine learning, and robotics.

The **Under Secretary for Economic Affairs FY 2025 Net Cost of Operations was $1.66 billion**, which includes BEA and the Census Bureau. The **Office of the Under Secretary for Economic Affairs** delivers economic insights to policy and program decisionmakers, evaluates programs for impact, strengthens the Nation's statistical system, and maximizes the value of data to promote growth and opportunity for all communities. **BEA** promotes a better understanding of the U.S. economy by providing the most timely, relevant, and accurate economic accounts data in an objective and cost-effective manner. Governments of all levels, businesses big and small, and Americans everywhere rely on BEA's statistics. BEA's work underpins decisions about interest rates and trade policy, taxes and spending, hiring and investing, and more. **Census Bureau's** mission is to serve as the Nation's leading provider of quality data about its people and economy and its goal is to provide the best mix of timeliness, relevancy, quality, and cost for the data it collects and services it provides. Data that the Census Bureau collects include the American Community Survey, Census of Governments, Decennial Census of Population and Housing, and Economic Census. At a glance, data collected by the Census Bureau is used to determine the distribution of Congressional seats to states; to make planning decisions about community services; to inform how trillions of dollars in federal funds are distributed to local, state and tribal governments each year; and to provide age search information.

EDA's FY 2025 Net Cost of Operations was $1.24 billion. EDA's mission is to lead the federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide economy. EDA investments help to establish a foundation for long-term job growth and build durable regional economies throughout the United States. This foundation builds upon two key economic drivers—innovation and regional collaboration. EDA encourages its partners around the country to develop initiatives that advance new ideas and creative approaches to address rapidly evolving economic conditions. EDA plays a critical role in facilitating regional economic development efforts in communities across the Nation. Guided by the basic principle that economic development should be locally driven, EDA works directly with communities and regions to help them build the capacity for economic development based on local business conditions and needs.

NTIA's FY 2025 Net Cost of Operations was $911.8 million. NTIA is the Executive Branch agency principally responsible by law for advising the President on telecommunications and information policy issues. NTIA's mission is to build a better-connected world by ensuring that affordable, reliable high-speed internet service is available to everyone in America; enabling new, innovative uses of America's wireless airwaves; developing policies that keep the internet safe, secure, and trusted; putting the best communications technologies in the hands of our first responders; conducting cutting-edge research to inform tech policy decisions; and working to achieve America's vision of a single, open, and secure internet around the world. These goals are critical to America's competitiveness in the 21st century global economy and to addressing many of the Nation's most pressing needs, such as improving education, health care, and public safety. NTIA includes FirstNet, an independent authority within NTIA which was created by the Middle Class Tax Relief and Job Creation Act of 2012 to provide emergency responders with the first high-speed, nationwide network dedicated to public safety.

ITA's FY 2025 Net Cost of Operations was $612.4 million. ITA's mission is to create prosperity by strengthening the international competitiveness of U.S. industry, promoting trade and investment, and ensuring fair trade and compliance with trade laws and agreements. ITA assists and advocates for U.S. businesses in international markets and helps global companies invest in the United States; produces in-depth trade analyses and engages with industries on trade strategies; and works to ensure a level playing field for U.S. industries by defending against unfair trade and ensuring compliance with existing trade agreements.

USPTO's FY 2025 Net Cost of Operations was $196.1 million (Gross Costs of $4.62 billion less Earned Revenue of $4.42 billion). USPTO grants patents, registers trademarks, and advises the Administration, through the Secretary of Commerce, on intellectual property (IP) policy issues. USPTO's mission is to drive U.S. innovation and global competitiveness for the benefit of all Americans. USPTO also advises federal agencies on national and certain international IP policy issues. USPTO furthers effective IP protection for U.S. innovators and entrepreneurs worldwide by working with other agencies to secure strong IP provisions in free trade and other international agreements. It also provides training, education, and capacity building programs designed to foster respect for IP and encourage the development of strong IP enforcement regimes by U.S. trading partners.

Other Departmental Bureaus' FY 2025 Net Cost of Operations was $298.2 million, which is comprised of BIS and MBDA. **BIS** advances national security through technology leadership and vigilant export controls. BIS's mission is to protect the security of the United States, which includes its national security, economic security, cybersecurity, and homeland security. For example, in the area of dual-use export controls, BIS will vigorously administer and enforce such controls to stem the proliferation of weapons of mass destruction and the means of delivering them, to halt the spread of weapons to terrorists or countries of concern, and to further important U.S. foreign policy objectives. **MBDA's** mission is to promote the growth and global competitiveness of minority business enterprises in order to unlock the country's full economic potential. MBDA works throughout the Nation to link minority-owned businesses with the capital, contracts, and markets they need to grow. Through a national network of MBDA Business Centers and a wide range of domestic and international strategic partners, it provides its clients with technical assistance and access to capital, contract, and new markets opportunities to create new jobs.

Departmental Management's FY 2025 Net Cost of Operations was $262.6 million, which includes Gifts and Bequests, Herbert C. Hoover Building Renovation Project, Nonrecurring Expenses Fund, Office of Inspector General, Salaries and Expenses, and Working Capital Fund. The Office of the Secretary is the general management arm of the Department and provides the principal support to the Secretary of Commerce in formulating policy and in providing advice to the President.

It provides program leadership for the Department's functions and exercises general supervision over the operating units. It also directly carries out program functions as may be assigned by the Secretary and provides—as determined to be more economical or efficient—administrative and other support services for designated operating units. The Office of the Secretary consists of the Secretary, certain secretarial officers, designated staff immediately serving those officials and a number of offices which serve Department-wide functions or perform program functions directly on behalf of the Secretary.

Analysis of Net Position

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

The Department's Net Position totaled $128.36 billion as of September 30, 2025 and is comprised of Unexpended Appropriations of $97.79 billion and Cumulative Results of Operations of $30.57 billion. NTIA, NIST, and NOAA made up 93 percent of the Department's Net Position.

Departmental Net Position	FY 2025
Unexpended Appropriations	$ 97,790,807
Cumulative Results of Operations	30,569,586
Total Net Position	**$ 128,360,393**

Net Position by Bureau	FY 2025
National Telecommunications and Information Administration	$ 53,609,298
National Institute of Standards and Technology	42,079,675
National Oceanic and Atmospheric Administration	23,619,197
Economic Development Administration	5,744,569
U.S. Patent and Trademark Office	1,470,217
Census Bureau	1,162,768
Departmental Management	292,370
International Trade Administration	167,997
Minority Business Development Agency	134,608
Bureau of Industry and Security	37,868
National Technical Information Service	21,288
Bureau of Economic Analysis	20,538
Total Net Position	**$ 128,360,393**

$1.67 billion of total financing sources of the Department for FY 2025, excluding the effect of Net Cost of Operations, is included in the Department's *Consolidated Statement of Changes in Net Position* for FY 2025 and primarily includes:

- **$20.11 billion of Appropriations Received** for FY 2025 which reflects appropriations received by the Department under provisions of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose.

- **$(10.86) billion of Other Adjustments of Unexpended Appropriations** for FY 2025 which largely includes a permanent rescission of unobligated balances for Departmental Management/Nonrecurring Expenses Fund of $9.56 billion and a permanent rescission of unobligated balances for NTIA's Public Wireless Supply Chain Innovation Fund of $850.0 million.
- **$(8.81) billion of Other Adjustments of Cumulative Results of Operations** for FY 2025 which relates to a budgetary early cancellation of $8.81 billion for NTIA's Digital Television Transition and Public Safety Fund that was carried out in September 2025 whereby $8.81 billion of Fund Balance with Treasury that was not available for obligation during FY 2025 was paid to the General Fund of the U.S. government.

Analysis of Budgetary Resources

Budgetary resources represent amounts available to incur obligations in a given fiscal year. These resources are composed of new budget authority and unobligated balances of budget authority provided in previous fiscal years. Commonly referred to as funding, budget authority is the amount of money available to a federal agency for a specific purpose. The authority to commit to spending federal funds is provided to agencies by law.

The Department's Total Budgetary Resources for FY 2025 amounted to $97.04 billion and NIST, NTIA, and NOAA made up 86 percent of the Department's total budgetary resources.

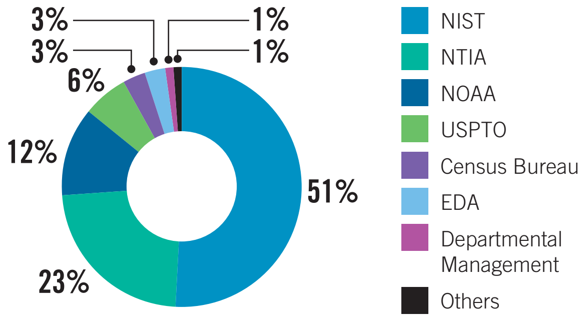
The status of the Department's FY 2025 budgetary resources consisted of New Obligations and Upward Adjustments of $74.12 billion; Unobligated Balance, End of Year, Unexpired Accounts of $22.27 billion; and Unobligated Balance, End of Year, Expired Accounts of $647.4 million.

The Department's Outlays, Net for FY 2025, related to all funding available to the Department and which is made up of Outlays, Gross less Offsetting Collections, amounted to $29.71 billion. Outlays are payments to liquidate an obligation (other than the repayment of debt principal or other disbursements that are "means of financing" transactions). Outlays generally are equal to cash disbursements but also are recorded for cash-equivalent transactions. Outlays are the measure of government spending. Offsetting collections are payments to the government that, by law, are credited directly to expenditure accounts. Usually, offsetting collections are authorized to be spent for the purposes of the account without further action by Congress. They usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the government and from intragovernmental transactions with other government accounts.

Selected Lines from the Statement of Budgetary Resources	FY 2025
Unobligated Balance from Prior Year Budget Authority, Net	$ 74,456,194
Appropriations	9,699,253
Borrowing Authority	5,910,893
Spending Authority from Offsetting Collections	6,976,393
Total Budgetary Resources	**$ 97,042,733**
Status of Budgetary Resources – New Obligations and Upward Adjustments	**$ 74,120,702**
Status of Budgetary Resources – Unobligated Balance, End of Year, Unexpired Accounts	**$ 22,274,621**
Outlays, Net	**$ 29,706,701**

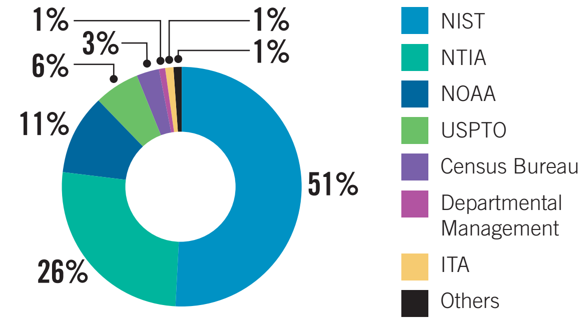
$74.46 billion of Unobligated Balance from Prior Year Budget Authority, Net for FY 2025 consists of unobligated balance brought forward as of October 1, as increased or decreased by FY 2025 activity related to the unobligated balance brought forward—typical items include recoveries of prior year unpaid obligations, cancellations of annual or multi-year appropriations, nonexpenditure transfers of prior year unobligated balances, and other changes including refunds collected for downward adjustments of prior year paid delivered obligations, and borrowing authority withdrawn.

FY 2025 TOTAL BUDGETARY RESOURCES BY BUREAU



$9.70 billion of Appropriations in FY 2025 includes appropriations received under provisions of law authorizing the expenditure of funds for a given purpose. For FY 2025, Appropriations includes negative Appropriations for a permanent rescission of unobligated balances for Departmental Management/Nonrecurring Expenses Fund of $9.56 billion and for a permanent rescission of unobligated balances for NTIA's Public Wireless Supply Chain Innovation Fund of $850.0 million.

FY 2025 NEW OBLIGATIONS AND UPWARD ADJUSTMENTS BY BUREAU



$5.91 billion of Borrowing Authority in FY 2025 is made up of borrowing authority for NIST's CHIPS direct loan program of $5.56 billion, for EDA's Tech Hubs program of $220.0 million, and for NOAA's loan programs of $132.1 million. Borrowing authority is a type of budget authority that permits obligations and outlays to be financed by borrowing.

$6.98 billion of Spending Authority from Offsetting Collections in FY 2025 is a type of budget authority that permits obligations and outlays to be financed by offsetting collections. This line is primarily made up of $4.52 billion for USPTO's patents and trademarks programs, $940.6 million for Census Bureau's offsetting collection activities, and $420.0 million for NTIA's FirstNet which includes collections from AT&T under the contract awarded to AT&T to build out, deploy, operate, and maintain the NPSBN.

$74.12 billion of New Obligations and Upward Adjustments in FY 2025—obligations are binding agreements that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.

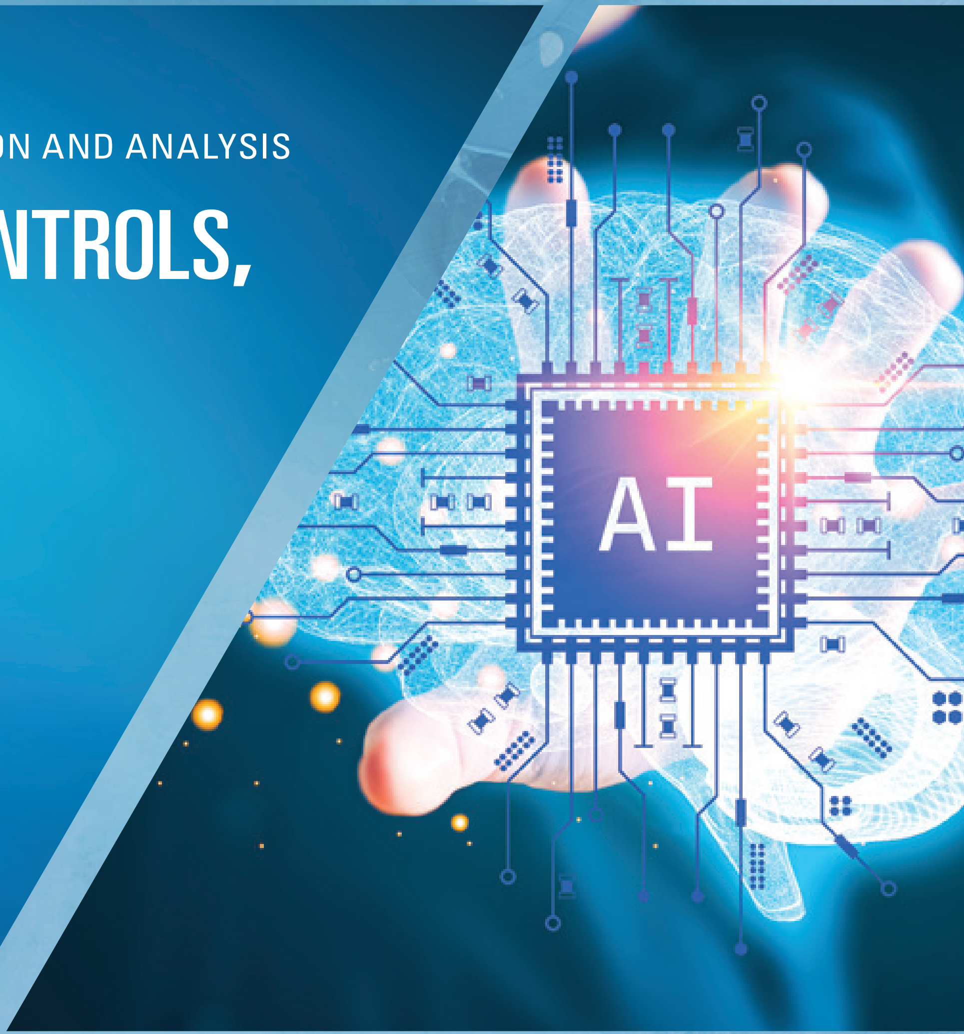
Limitations of the Financial Statements

The principal financial statements in the financial section have been prepared to report the overall financial position, financial condition, and results of operations of the Department, pursuant to the requirements of 31 U.S.C. 3515(b). The statements have been prepared from the books and records of the Department in accordance with the generally accepted accounting principles (GAAP) for federal entities and the formats prescribed in OMB Circular A-136, *Financial Reporting Requirements*. Reports produced and used to monitor and control budgetary resources are prepared from the same records. Users of the financial statements are advised that the statements are for a component of the U.S. government.

THIS PAGE LEFT INTENTIONALLY BLANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE



Management Controls

Statement of Assurance

The Department's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act (FMFIA). During FY 2025, 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 Enterprise Risk Management and Internal Control*. Based on the results of this evaluation, the Department can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2025, was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

The Department conducted its assessment of the effectiveness of internal control over 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 reporting as of September 30, 2025, was operating effectively except for material weaknesses identified by our independent financial statement auditors related to controls over grant accrual processes and controls over significant unusual transactions.

Section 4 of FMFIA and the Federal Financial Management Improvement Act of 1996 (FFMIA) require agencies to implement and maintain financial management systems that substantially comply with federal financial management system requirements, federal accounting standards, and the U.S. Standard General Ledger at the transaction level. Based on reviews conducted, the Department has determined that its financial systems are in substantial compliance with FFMIA.

Jeremy Pelter
Deputy Assistant Secretary for Administration,
performing the non-exclusive functions and duties of the
Chief Financial Officer and Assistant Secretary for Administration
Department of Commerce
January 28, 2026

Howard W. Lutnick
Secretary of Commerce
January 28, 2026

Federal Managers' Financial Integrity Act (FMFIA) of 1982

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

- Resources are economically and efficiently controlled, communicated, and monitored and obligations and costs are in compliance with applicable laws;
- Assets are safeguarded against fraud, waste, loss, unauthorized use, abuse, or misappropriation;
- 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.

The Federal Managers' Financial Integrity Act of 1982 requires federal agencies to annually evaluate and report on the effectiveness and efficiency of their internal controls and financial management systems to ensure the integrity of federal programs and operations. Section 2 of FMFIA requires that federal agencies report, based on annual assessments, any material weaknesses that have been identified in connection with their internal and administrative controls, while Section 4 requires conformance with federal financial systems requirements. Based on FY 2025 evaluations and a review of the management control system in accordance with the requirements of FMFIA, OMB, and Departmental guidelines, the Department can provide reasonable assurance that its (1) internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations operated effectively; and (2) financial management systems substantially comply with FFMIA. No material weaknesses were found in either the design or operation of the internal controls nor its financial systems.

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), evaluations conducted by other federal agencies such as the Office of Personnel Management, and other specifically requested studies. The diverse reviews that took place during FY 2025 that were key to the organization provide assurance that Department systems and management controls comply with standards established under FMFIA.

The revised Appendix A to OMB Circular A-123, *Management of Reporting and Data Integrity Risk*, expands assurance for internal controls over reporting beyond finance. In preparing the Department's statement of assurance, attention was given to activities related to the Digital Accountability and Transparency Act (DATA Act), OIG Top Management Challenges, GAO High Risk List, the Creating Helpful Incentives to Produce Semiconductors (CHIPS) and Science Act of 2022, broadband initiatives related to the Consolidated Appropriations Act of 2021, American Rescue Plan Act of 2021, and above-base appropriations for all other major above-base legislative initiatives between 2021 and 2025. Controls related to risks in the Department's risk profile and fraud risk were also considered in providing reasonable assurance on internal controls.

During FY 2025, the Department prioritized efforts and its limited resources to complete corrective actions and remediated two material weaknesses identified in FY 2024. However, as reported in the FY 2025 Department Agency Financial Report, two new material weaknesses related to controls over the grant accrual process and significant unusual transactions were identified. The Department will develop corrective actions to address and correct the underlying issues comprising the material weaknesses in FY 2026.

Federal Financial Management Improvement Act (FFMIA) of 1996

Under FFMIA, the Department is required to have financial management systems that comply with federal financial management system requirements, federal accounting standards, and the U.S. Standard General Ledger at the transaction level. In FY 2025, the Department remained in compliance with FFMIA.

Report on OIG Audit Follow-up

This report shows audit follow-up activity on OIG audits, as well as the amount of potential monetary benefits the OIG found could be achieved through implementing recommendations. Reports are closed when final action has been taken to implement all recommendations.

SUMMARY OF ACTIVITY ON AUDIT REPORTS
OCTOBER 1, 2024 THROUGH SEPTEMBER 30, 2025

	Number of Reports[1]	Potential Monetary Benefits[2]
Beginning Balance	51	$ 1,648,557,926[3]
Additions	18	11,596,219
Total Open During the Period	69	1,660,154,145
Total Closed During the Period	14	396,853,604
Ending Balance	55	$ 1,263,300,541

1 The table includes Performance Audits, Evaluations, and Inspections with recommendations. Audits comply with standards established by the Comptroller General of the United States for audits of federal establishments, organizations, programs, activities, and functions. Evaluations and inspections include evaluations, inquiries, and similar types of reviews that do not constitute an audit or a criminal investigation.

2 In some audits, the OIG identifies potential monetary benefits that could be realized when or if the recommendations are implemented. Potential Monetary Benefits of open recommendations include Questioned Costs and Funds to Be Put to Better Use.

- Questioned Costs: This is a cost questioned by the OIG because of (1) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (3) a finding that an expenditure of funds for the intended purpose is unnecessary or unreasonable.
- Funds to Be Put to Better Use: This dollar value results from an OIG recommendation that funds could be used more efficiently if Departmental Management took action to implement and complete the recommendation. Such actions may include (1) reductions in outlays; (2) deobligation of funds from programs or operations; (3) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; (4) costs not incurred by implementing recommended improvements related to the Department, a contractor, or a grantee; (5) avoidance of unnecessary expenditures identified in preaward reviews of contracts or grant agreements; or (6) any other savings specifically identified.

3 The Beginning Total for Potential Monetary Benefits of Open Recommendations was corrected from the Ending Total in the FY 2024 Report. In the FY 2024 Report, $19.0 million from a closed recommendation was included in error. Also, OIG made a correction to remove $24.7 million in unsupported costs from OIG-24-018-A because the costs were related to the Bureau of Indian Affairs not NOAA.

The beginning balance of $1.65 billion in potential monetary benefits stems primarily from five OIG audit reports: OIG-24-026-A, Audit of FirstNet Authority's NPSBN Coverage, which questioned $834.8 million in costs; OIG-24-021-A, Audit of the 2020 Census Paid Advertising Campaign, which questioned $363.1 million; OIG-23-005-A, FirstNet Authority Investment Decision Audit, which identified $296.3 million in funds put to better use; OIG-24-034-A, Audit of IT Security Threats to NOAA's Cloud-Based Common Ground System, which identified $98.0 million in funds put to better use; and OIG-23-028-A, GeoXO Program Audit, which identified $32.8 million in funds put to better use.

During the period, the Department closed audit recommendations identifying a total of $396.9 million in potential monetary benefits. This total includes $296.3 million from OIG-23-005-A, FirstNet Authority Investment Decision Audit; $2.6 million from OIG-24-017-I, Independent Program Evaluation of NIST Pandemic Relief Program; and $98.0 million from OIG-24-034-A, Audit of IT Security Threats to NOAA's Cloud-Based Common Ground System.

The ending balance of $1.26 billion in potential monetary benefits is primarily attributable to two audit reports.

Compliance With Other Laws and Regulations

In addition to the aforementioned laws and regulations that the Department complies with, the Department makes it a priority to comply with all other applicable legal and regulatory requirements such as the Antideficiency Act (ADA), Prompt Payment Act (PPA), Payment Integrity Information Act of 2019 (PIIA), etc.

- The ADA is one of the key laws through which fiscal control of appropriated funds is maintained. Among other things, the ADA prohibits agencies from obligating funds in excess of appropriations. In the event of a suspected ADA violation, the Department completes a thorough review of the suspected ADA violation and reports on the findings as appropriate. As of September 30, 2025, the Department is currently investigating 16 potential ADA violations impacting the Department and its bureaus.
  - While exact amounts of all the potential violations are not known, the total dollar amount is immaterial to the Department's budgetary resources. Additionally, the violations are not of a recurrent or systemic nature.
- The PPA requires agencies to pay proper invoices within 30 days or be liable for interest on delinquent payments and, in FY 2025, the Department's overall PPA success rate was 96.08 percent.
- PIIA replaced multiple other improper payment-related laws and regulations but still requires agencies to conduct improper payment risk assessments for all programs and report on improper payments to OMB annually, among other things. For more information on PIIA-related activities, see the Other Information section.

Financial Management Systems

The Department maintains an FFMIA-compliant financial management system, Commerce Business Systems (CBS), which 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, including the Budget and Execution Data Warehouse. CBS is interfaced with the Electronic Travel System (E2), the SmartPay3 bankcard system, the U.S. Department of Agriculture's National Finance Center (NFC) Payroll System, and the U.S. Department of the Treasury's (Treasury) Automated Standard Application for Payments (ASAP).

The Department has continued its efforts to enhance its financial systems by working toward implementing the Business Applications Solution (BAS). The BAS program is a Department modernization initiative to deploy an integrated suite of financial and business management applications in support of the Department's mission. The objectives of BAS include implementing and integrating a suite of commercial off-the-shelf (COTS) business systems, Enterprise Data Warehouse and Business Intelligence reporting solution, and system interfaces in a hosted environment. Interfaces include E2, SmartPay3, NFC Payroll System, Treasury ASAP, and new interfaces such as Treasury G-Invoicing and Treasury Invoice Payment Processing. The BAS program will continue the ongoing emphasis on achieving organizational excellence and outstanding customer service for the Department.

The financial information from CBS and BAS is integrated in the Corporate Database for consolidated financial reporting, resulting in a single integrated financial management system. The Corporate Database is a COTS 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.

The Department remains dedicated to providing monthly submissions to meet the Digital Accountability and Transparency Act (DATA Act) requirements, as well as addressing any necessary modifications as required.

During FY 2025, the Department accomplished the following initiatives:

- BAS successfully maintained and operated for Phase 1B bureaus (NOAA, BIS, and EDA), including the full BAS solution suite (Oracle EBS, PRISM, Sunflower, BAS Enterprise Data Warehouse, and BAS Sign On Portal):
  - Bureaus operated in production for FY 2025 including all financial management activities, acquisitions management activities, and asset management activities;
  - BAS Production Support successfully supported the end users in production including managing help desk incidents/requests, defect management, configuration management, end user refreshers training and ongoing change/adoption activities, assistance in operations processing, audit support, and ongoing development in the enterprise data warehouse;
  - Production support and operations activities will continue into FY 2026 for end users in production;
- BAS kicked off the Census Bureau Phase 3 deployment phase in July 2024 in preparation for an October 2025 deployment;
- The CBS program continued operations and maintenance for bureaus still using CBS;
- The DATA Act program successfully transmitted monthly submissions to Treasury;
- The E2 program continued to provide production support for the Electronic Travel System, the Department's travel management system;
- The Enterprise Application Systems program continued operations and maintenance for C.Suite, Relocation, Hyperion, and Office of Human Resources Management (OHRM) General Support Systems (GSS);
- The OHRM GSS continued operations and maintenance for Performance Payout System, Automated Classification System, Honor Awards Nomination System, Senior Executive Service Bonus Pool, and Senior Executive Service Year-End Systems; and
- The GovTA program continued operations and maintenance for GovTA, the Department's time and attendance system.

The Department plans to accomplish the following in FY 2026 and beyond:

- Provide production support for BAS to NOAA, EDA, BIS, and the Census Bureau end users;
- Resume Phase 2 BAS implementation activities and prepare for the deployment of the Phase 2 bureaus (NIST and all serviced customers: OS, OIG, MBDA, BEA, NTIA, FirstNet, ITA, NTIS) on the new financial and acquisition system;
- Continue to integrate with Treasury on planning and implementation activities and provide their Quality Service Management Offices team with regular status updates regarding the BAS project;
- Provide operations and maintenance support activities for the SmartPay3 interface files for CBS; and
- Continue to coordinate with financial management staff and travel support contractors to design, build, and deploy new E2 travel reporting capabilities.

FINANCIAL SECTION

Message From the Chief Financial Officer

(Unaudited)

This FY 2025 Agency Financial Report provides financial and high-level program performance information to enable the Department's stakeholders to understand and evaluate our achievements relative to our mission and resources. The Department continues its commitment to operational excellence, with a focus on providing outstanding service to our customers. This includes providing the public with highlights of our performance and detailed financial information. This report fulfills several statutory requirements, including the Reports Consolidation Act of 2000, the Chief Financial Officers Act, the Federal Managers' Financial Integrity Act (FMFIA), and the Government Management Reform Act.

In FY 2025, the Department achieved an unmodified audit opinion for the twenty-seventh consecutive year from independent auditors of the financial statements. The auditors identified two material weaknesses related to controls over grant accrual processes and significant unusual transactions. The Department will take appropriate corrective actions to strengthen controls in these areas in FY 2026.

The Department continues to strengthen financial and non-financial controls in accordance with FMFIA and OMB Circular A-123. In FY 2025, the Department developed specific and highly effective corrective actions and swiftly remediated both material weaknesses identified in the FY 2024 audit.

Improving the Department's capacity to deliver its mission with customer-focused outcomes remains a priority for the Department's leadership team. As with most organizations, our most important resource is our people, whose continued commitment to the Commerce mission and public service makes that mission possible. Sound financial management is a cornerstone of effective and efficient stewardship of the financial resources entrusted to us. Through effective financial management, the Department can accomplish its mission and goals and assure the American public that it is a responsible steward of public resources.

The Department's Financial Management team achieved many accomplishments during FY 2025. Notably, the Department was once again recognized by AGA with the Certificate of Excellence in Accountability Reporting (CEAR) for its FY 2024 AFR. This award reflects the diligence, collaboration, and professionalism of the Financial Management team and partners across the Department in producing clear, concise, and accurate financial reporting.

One of the Department's key technological initiatives is the multi-year implementation of the Business Applications Solution (BAS), a suite of integrated software replacing legacy financial, acquisition, and property systems across the Department. In FY 2025, the Department achieved additional milestones in modernizing its financial and management systems, including post-implementation progress for NOAA, BIS, and EDA, and preparations for the Census Bureau to implement BAS in FY 2026 and NIST in FY 2027. The Department also continued operations of the legacy Commerce Business System, supported Treasury submissions for the DATA Act, maintained the E2 travel system, and provided maintenance for other enterprise applications. These systems support internal and external reporting and enable Departmental Leadership to make timely, informed business decisions.

Jeremy Pelter
Jeremy Pelter
Deputy Assistant Secretary for Administration,
performing the non-exclusive functions and duties of the
Chief Financial Officer and Assistant Secretary for Administration
Department of Commerce

January 28, 2026

FINANCIAL SECTION

Independent Auditors' Report

UNITED STATES DEPARTMENT OF COMMERCE
Office of Inspector General
Washington, DC 20230

January 30, 2026

MEMORANDUM FOR: Secretary of Commerce Howard Lutnick

FROM: Duane E. Townsend
Performing the Duties of Inspector General

SUBJECT: *Department of Commerce Fiscal Year 2025 Consolidated Financial Statements Audit*
Report No. OIG-26-007-A

I am pleased to provide you with the attached audit report, which presents an unmodified opinion on the U.S. Department of Commerce's fiscal year (FY) 2025 consolidated financial statements. KPMG LLP—an independent public accounting firm—performed the audit in accordance with U.S. generally accepted auditing standards, standards applicable to financial audits contained in *Government Auditing Standards,* and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. We will post this report on our website per the Inspector General Act of 1978, as amended (5 U.S.C. §§ 404, 420).

In its audit of the Department, KPMG:

- determined that the consolidated financial statements were fairly presented, in all material respects, and in accordance with U.S. generally accepted accounting principles;
- identified certain deficiencies in internal control over financial reporting, specifically:
    - material weaknesses related to controls over grant accrual processes and significant unusual transactions, and;
    - significant deficiencies related to the validity of undelivered orders, general information technology controls, and monitoring of service organizations; and
- identified no instances of reportable noncompliance with *Government Auditing Standards* or OMB Bulletin No. 24-02, as well as no instances in which the Department's financial management systems did not substantially comply with (1) federal financial management systems requirements, (2) applicable federal

accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

KPMG is solely responsible for the attached audit report and the conclusions expressed in it. We do not express any opinion on the Department's consolidated financial statements, any conclusions about the effectiveness of internal control over financial reporting, or any conclusions on compliance with applicable laws, regulations, contracts, and grant agreements.

Within 60 calendar days, please provide an action plan addressing the report's recommendations, as required by Department Administrative Order 213-5.

We appreciate the cooperation and courtesies extended to KPMG and my office during this audit by Department staff and management. If you have any questions or concerns about the report, please contact me at 202-794-7788.

Attachment

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Inspector General, U.S. Department of Commerce and
Secretary, U.S. Department of Commerce:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of U.S. Department of Commerce (Department), which comprise the consolidated balance sheet as of September 30, 2025, and the related consolidated statements of net cost and changes in net position, and combined statement of budgetary resources for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Department as of September 30, 2025, and its net cost, changes in net position, and budgetary resources for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-02 are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter - Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the *Agency Financial Report* to provide additional information for the users of its consolidated financial statements. Such information is not a required part of the consolidated financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 24-02 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 24-02, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the *Agency Financial Report*. The other information comprises the Table of Contents, Message from Secretary Lutnick, How to Use This Report, Message from the Chief Financial Officer, Other Information, and Appendix, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial

KPMG

statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2025, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in Exhibits I and II, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in Exhibit I as items A and B to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Exhibit II as items A, B, and C to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's consolidated financial statements as of and for the year ended September 30, 2025, are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-02.

We also performed tests of the Department's compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests 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.

KPMG

Department's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Department's responses to the findings identified in our audit and described in Exhibits I and II. The Department's responses were not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the responses.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or compliance. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, District of Columbia
January 28, 2026

Exhibit I – Material Weaknesses

A. Controls over Grant Accrual Processes

The National Telecommunications and Information Administration (NTIA) managed several grant programs, including a recently established significant grant program (Program), during fiscal year (FY) 2025. The Program and the related grant accrual process are relatively new, with grant periods of performance beginning in FY 2023. As of September 30, 2025, we identified the following deficiencies related to the Program's grant accrual:

- Management's control over the retrospective review of its grant accrual was not designed at an adequate level of precision to appropriately validate the reasonableness of its grant accrual methodology or determine that revisions were necessary by using actual grant expense amounts from subsequent grantee reporting.
- Management did not have a review control designed and implemented to assess the overall reasonableness of the calculated accrued grant liability based on available program and grantee information prior to recording the liability.
- Management did not have a control designed and implemented to identify and record advance accruals, if required as a result of the grant accrual estimate calculation.

Although the availability of historical information was limited to a few years for consideration in the grant accrual methodology, management did not identify and respond to the risk that the initial assumptions made related to grantee spend rates required modification based on actual spend experience. Program policy changes made in the 4th quarter of FY 2025 may have impacted grantee spending patterns; however, because of time constraints, management did not factor such changes into the initial grant accrual calculation as of September 30, 2025. In addition, management did not identify and respond to the risk that advances to grantees may need to be recorded as a result of the accrual calculation.

As a result, the initial accrued grant liability for the Program as of September 30, 2025, was $1.29 billion more than the liability reported in the final FY 2025 consolidated financial statements. Management subsequently recorded an entry to correct this overstatement. In addition, as of September 30, 2025, other than intragovernmental advances may be understated and NTIA gross costs may be overstated by $28.9 million; management did not correct this misstatement.

Criteria

The relevant criteria are:

- The U.S. Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*, dated September 2014*;*
- Statement of Federal Financial Accounting Standards (SFFAS) No. 1, *Accounting for Selected Assets and Liabilities*; and
- The Federal Accounting Standards Advisory Board's Federal Financial Accounting Technical Release No. 12: *Accrual Estimates for Grant Programs*

Recommendations

We recommend that NTIA management:

1. Enhance its retrospective review process to validate its grant accrual estimate using expenses subsequently reported based on the SF-425, *Financial Status Report,* and defined variance thresholds for investigation;

Exhibit I – Material Weaknesses, continued

2. Develop and implement a supervisory review control to assess the overall reasonableness of the calculated accrued grant liability based on available program and grantee information prior to recording the liability; and

3. Develop and implement a process to identify and record advances if required as a result of the grant accrual calculation.

Management's Response

The Department concurs with this material weakness. We understand the importance of remediating these deficiencies and will dedicate resources to remediating the underlying issues in FY 2026.

Exhibit I – Material Weaknesses, continued

B. Controls over Significant Unusual Transactions

During FY 2025, certain significant unusual transactions occurred at the U.S. Department of Commerce (Department) related to a publicly traded company (Company), which were recorded by National Institute of Standards and Technology (NIST) because of the funding sources. As of September 30, 2025, we identified the following deficiencies related to these transactions:

- Although management prepared a documented analysis supporting the inclusion of unrealized gains from investments in non-federal securities in the Consolidated Statement of Net Cost (SNC), their financial reporting review controls did not identify that the unrealized gain from the investment in non-federal securities should be excluded from net program costs presented on the SNC. In the Department's draft FY 2025 SNC, the unrealized gain from investment of $3.5 billion was included in NIST earned revenue instead of as a separate line item, which understated NIST net program costs. Management corrected this presentation error in its final FY 2025 SNC.

- Although management prepared a documented analysis supporting the classification of Secure Enclave funds transferred to the Department of War (DoW) and recorded an advance under an interagency agreement, that classification did not account for the exchange of the Company's common stock from escrow for Secure Enclave Disbursements under the subsequently executed Warrant and Common Stock Agreement (Agreement). Additionally, management did not incorporate input from relevant external parties to reach their conclusions. In the Department's draft FY 2025 Consolidated Balance Sheet, Intragovernmental Other Assets of $2.85 billion were misclassified as Intragovernmental Advances and Prepayments. Management corrected the misclassification of Other Assets in its final Consolidated Balance Sheet.

- Although management prepared a documented analysis that supported the fair value determination of warrants received under the Agreement that could result in the acquisition of up to 240 million shares of common stock, they did not incorporate input from a financial specialist or consider the perspective of economic market participants regarding the warrants to further support the conclusion reached given the nature of the transaction analyzed. This weakness increases the risk that management's assessment may not fully address the complexity and subjectivity of the transaction and may result in an inaccurate conclusion on the fair value of the warrants and a related misstatement in the consolidated financial statements.

- Management did not obtain sufficient documentation in a timely manner from the DoW to support transactions related to the Secure Enclave award. Lack of sufficient documentation over transactions increases the risk that such transactions are inaccurately or incompletely recorded and reported in the Department's consolidated financial statements and related disclosures.

Management did not fully identify and respond to risks associated with the accounting and reporting of the new, significant, and unusual Company-related transactions. Contributing to this issue, management's financial reporting policies and procedures did not provide guidance on when to consult external or internal specialists or authoritative accounting organizations for assistance on unique and significant accounting and financial reporting matters.

Criteria

The relevant criteria are:

- GAO's *Standards for Internal Control in the Federal Government*, dated September 2014;

- SFFAS No. 1, *Accounting for Selected Assets and Liabilities*;

- SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*;

Exhibit I – Material Weaknesses, Continued

- OMB Circular No. A-136, *Financial Reporting Requirements*, dated July 14, 2025;
- OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget*, dated August 2023; and
- Treasury Financial Manual (TFM) Bulletin No. 2025-08 - *A Treasury Financial Manual (TFM) Supplement*, dated September 2025.

Recommendations

We recommend that:

1. Management of NIST and the Department's Office of Financial Management (OFM) should enhance their financial reporting policies and procedures to specifically address significant unusual transactions and to provide guidance on considerations for consulting with specialists and authoritative accounting organizations.
2. NIST management should coordinate with the DoW to identify documentation needed to support NIST's general ledger transactions and establish timelines for receipt of such documentation by NIST.

Management's Response

The Department concurs with this material weakness. We understand the importance of remediating these deficiencies and will dedicate resources to remediating the underlying issues in FY 2026.

Exhibit II – Significant Deficiencies

A. Controls over the Validity of Undelivered Orders

During FY 2025, the National Oceanic and Atmospheric Administration (NOAA) did not implement the Department-wide periodic control to monitor the timely deobligation of undelivered orders (UDOs) that will not result in future outlays (i.e., invalid UDOs). Specifically, for 2 of 4 NOAA non-federal, non-grant UDOs sampled at September 30, 2025, without FY 2025 activity, future outlays were not expected but the remaining amount had not been deobligated. Continued unanticipated challenges surrounding its FY 2024 financial management system implementation and certain staff turnover resulted in management prioritizing other activities in FY 2025 over implementing the periodic review of UDOs. In addition, management did not perform additional analysis to determine the validity of the remaining non-grants UDOs in the population subject to this audit procedure because of time constraints. As a result, the New Obligations and Upward Adjustments line of the Statement of Budgetary Resources and the Undelivered Orders disclosure in Note 19 were overstated by a factual amount of $907 thousand and a judgmental amount of $662 million.

Criteria

The relevant criteria are:

- GAO's *Standards for Internal Control in the Federal Government*, dated September 2014;
- 31 U.S. Code § 1501, *Documentary evidence requirement for Government obligations*;
- OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget*, dated August 2023, and
- UDO review policies and procedures of the Department's OFM

Recommendation

We recommend that NOAA management implement the Department-wide periodic review of UDOs to support the timely deobligation of non-federal, non-grant UDO balances that will not result in future outlays.

Management's Response

The Department concurs with this significant deficiency. We understand the importance of remediating these deficiencies and will dedicate resources to remediating the underlying issues in FY 2026.

Exhibit II – Significant Deficiencies, continued

B. General Information Technology Controls

General information technology controls (GITCs) are the foundational controls that address specific risks arising from the use of information technology (IT). Effective GITCs provide reasonable assurance that application controls are reliable and that system-generated reports used to prepare and report financial information and statements are complete and accurate. During fiscal year (FY) 2025, certain deficiencies existed in GITCs associated with the U.S. Department of Commerce's (Department) financial management systems and supporting infrastructure that we considered collectively to be a significant deficiency under the standards issued by the American Institute of Certified Public Accountants. Specifically, we identified new and repeat deficiencies in logical access controls. The objectives of limiting access are to ensure that users have only the access needed to perform their duties; that access to sensitive resources, such as security software programs, is limited to few individuals; that access is appropriately reviewed and monitored; and that users are restricted from performing incompatible functions or duties beyond their responsibility. In this GITC area, we identified deficiencies in (1) access administration controls, including access authorization, removal, and periodic access review and recertification of privileged and non-privileged users, for certain financial system applications, databases, source code management tools, network, and operating systems; and (2) financial system applications controls over the assigning of permissions, rights, and/or roles based on least privilege[1].

Collectively, these logical access control deficiencies pose a risk to the integrity of the Department's financial data, which affects certain Departmental financial management systems and their supporting infrastructure and can ultimately impact the Department's ability to accurately and timely perform its financial reporting duties. These deficiencies resulted from issues in the design, implementation, or operating effectiveness of the controls at the Department and its bureaus. Additionally, several of these deficiencies resulted from system limitations or a lack of resources, competing priorities, and recent employee turnover.

The relevant criteria are Department-wide and bureau-level policies and various federal standards and guidance, such as (1) the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*, dated September 2014, and (2) National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53, Revision 5, *Security and Privacy Controls for Information Systems and Organizations*.

Recommendations

Because of the sensitive nature of GITCs, certain information has been omitted from this report. We provided the Department's management with a separate letter that includes specific information about the control deficiencies, our understanding of the cause of the control deficiencies, and our recommendations.

Management's Response

The Department concurs with this significant deficiency. We understand the importance of remediating these deficiencies and will dedicate resources to remediating the underlying issues in FY 2026.

[1] NIST SP 800-53 defines least privilege as granting a user or system with only the minimum level of access necessary to perform their required tasks.

Exhibit II – Significant Deficiencies, continued

C. Monitoring of Service Organizations

A service organization is an entity that provides services to other organizations (user entities) that are relevant to the user entities' internal control over financial reporting. When a user entity outsources a service, it retains responsibility for ensuring that appropriate controls are in place over that service. System and Organization Controls (SOC) reports can provide assurance to the user entity that the service organization has effective controls in place relevant to the user entity's internal control over financial reporting. SOC reports identify complementary user entity controls (CUECs) that are the responsibility of the user entity and work in conjunction with the control activities at the service organization to achieve related control objectives.

The Department relies on several service organizations to support its internal control over financial reporting. During FY 2025, we identified weaknesses in management's monitoring of service organizations that support certain core financial systems. Specifically, we noted the following deficiencies:

- Department management did not obtain and perform an independent assessment of the SOC reports of certain service organizations to determine if the service organization controls were designed, implemented, and operating as intended to support a core financial system. Additionally, Department management did not assess the CUECs identified in these SOC reports to determine if the Department had effective local IT controls in place to support the overall control objectives.

- Department management did not identify that another service organization did not produce or provide its user entities with a SOC report, and Department management did not otherwise gain assurance over the design, implementation, and operating effectiveness of this service organization's controls over grant processing.

Ineffective monitoring controls over service organizations increase the risk of operational disruption and modification or destruction of information that could impact the integrity and reliability of information processed in the associated applications and systems, which may affect the integrity of the Department's financial data. These deficiencies resulted from competing mission priorities and an overreliance on third-party contractors.

The relevant criteria are bureau-level policies and GAO's *Standards for Internal Control in the Federal Government*, dated September 2014.

Recommendations

We recommend that Department management develop and implement procedures to support the integrity and effectiveness of financial reporting controls in relation to service organizations, including:

- Annually obtain and review SOC 1 reports for all relevant systems and service organizations;

- Identify controls at these service organizations that are relevant to the Department's consolidated financial statements;

- Verify that the SOC 1 reports accurately describe the controls in place at the service organizations;

- Evaluate any deficiencies identified within the SOC 1 reports to assess their impact on the Department's financial reporting control environment; and

- Review CUECs included in the SOC 1 reports and determine if effective local IT controls are implemented to address the relevant CUECs.

Management's Response

The Department concurs with this significant deficiency. We understand the importance of remediating these deficiencies and will dedicate resources to remediating the underlying issues in FY 2026.

FINANCIAL SECTION

PRINCIPAL FINANCIAL STATEMENTS

Introduction to the Principal Financial Statements

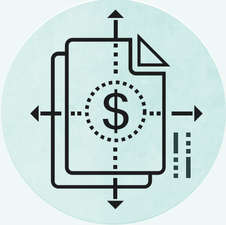
The principal financial statements are prepared to report the financial position and results of operations of the Department of Commerce, pursuant to the requirements prescribed by the Office of Management and Budget (OMB) in OMB Circular A-136, *Financial Reporting Requirements*.

Consolidated Balance Sheet

provides information on assets, liabilities, and net position as of the end of the reporting period. Net position is the difference between assets and liabilities. It is a summary measure of the Department's financial condition at the end of the reporting period. Intra-Departmental balances have been eliminated from the amounts presented.

Consolidated Statement of Net Cost

reports the components of the net costs of the Department's operations for the reporting period. The net cost of operations consists of the gross costs incurred by the Department less any earned revenue from our activities. Intra-Departmental balances have been eliminated from the amounts presented.



Consolidated Statement of Changes in Net Position

reports the beginning net position, the transactions that affect net position for the reporting period, and the ending net position. Intra-Departmental transactions have been eliminated from the consolidated amounts presented.

Combined Statement of Budgetary Resources

reports information on the sources and status of budgetary resources for the reporting period. Information in this statement is reported on the budgetary basis of accounting, which supports compliance with budgetary controls and controlling legislation.

United States Department of Commerce Consolidated Balance Sheet
As of September 30, 2025 *(In Thousands)*

	FY 2025
ASSETS (Note 10)	
Intragovernmental:	
Fund Balance with Treasury (Notes 2 and 19)	$ 101,345,998
Accounts Receivable (Note 3)	173,717
Advances and Prepayments	223,538
Other Assets – Funds Held by a Third Party for Investment	2,850,659
Total Intragovernmental	**104,593,912**
Other than Intragovernmental:	
Cash and Other Monetary Assets (Note 4)	16,180
Accounts Receivable, Net (Notes 3 and 20)	187,923
Loans Receivable, Net (Note 5)	564,405
Inventory and Related Property, Net (Note 6)	166,847
General Property, Plant, and Equipment, Net (Note 7)	14,806,337
Advances and Prepayments	606,082
Investments (Note 8)	9,235,218
Other Assets	
Cost Contribution to Buildout/Continuing Enhancement of Nationwide Public Safety Broadband Network (Note 22 – NTIA's Network Construction Fund and First Responder Network Authority Fund)	5,614,034
Other (Note 9)	25,455
Total Other than Intragovernmental	**31,222,481**
TOTAL ASSETS	**$ 135,816,393**
Stewardship Property, Plant, and Equipment – Heritage Assets (Note 24)	
LIABILITIES (Note 16)	
Intragovernmental:	
Accounts Payable	$ 82,563
Debt (Note 11)	780,564
Advances from Others and Deferred Revenue	327,083
Other Liabilities	
Custodial Payable to Treasury (Note 20)	181,500
Other (Note 12)	167,852
Total Intragovernmental	**1,539,562**
Other than Intragovernmental:	
Accounts Payable	554,941
Federal Employee Salary, Leave, and Benefits Payable (Note 13)	822,464
Pensions and Other Post-employment Benefits Payable (Note 13)	1,348,798
Environmental and Disposal Liabilities (Note 14)	223,198
Advances from Others and Deferred Revenue	1,866,282
Other Liabilities	
Accrued Grant Liabilities	910,384
Liability for Non-fiduciary Deposit Funds, Undeposited Collections, and Clearing Accounts	(61,721)
Other (Note 12)	252,092
Total Other than Intragovernmental	**5,916,438**
TOTAL LIABILITIES	**$ 7,456,000**
Commitments and Contingencies (Note 17)	
NET POSITION	
Unexpended Appropriations – Funds from Dedicated Collections (Note 22)	$ –
Unexpended Appropriations – Funds from Other than Dedicated Collections	97,790,807
Total Unexpended Appropriations (Consolidated)	**97,790,807**
Cumulative Results of Operations – Funds from Dedicated Collections (Note 22)	8,042,310
Cumulative Results of Operations – Funds from Other than Dedicated Collections	22,527,276
Total Cumulative Results of Operations (Consolidated)	**30,569,586**
TOTAL NET POSITION	**$ 128,360,393**
TOTAL LIABILITIES AND NET POSITION	**$ 135,816,393**

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

United States Department of Commerce Consolidated Statement of Net Cost
For the Year Ended September 30, 2025 (Note 18) *(In Thousands)*

	FY 2025
National Oceanic and Atmospheric Administration	
Gross Costs	$ 8,486,382
Less: Earned Revenue	(259,516)
Net Cost of Operations	**8,226,866**
National Institute of Standards and Technology	
Gross Costs	7,991,789
Less: Earned Revenue	(183,076)
Net Program Costs	7,808,713
Less: Unrealized (Gain) or Loss on Other than Intragovernmental Investments (Note 8)	(3,526,532)
Net Cost of Operations	**4,282,181**
Under Secretary for Economic Affairs	
Gross Costs	1,992,564
Less: Earned Revenue	(333,286)
Net Cost of Operations	**1,659,278**
Economic Development Administration	
Gross Costs	1,248,822
Less: Earned Revenue	(4,481)
Net Cost of Operations	**1,244,341**
National Telecommunications and Information Administration	
Gross Costs	1,509,135
Less: Earned Revenue	(597,343)
Net Cost of Operations	**911,792**
International Trade Administration	
Gross Costs	632,340
Less: Earned Revenue	(19,967)
Net Cost of Operations	**612,373**
Departmental Management	
Gross Costs	286,062
Less: Earned Revenue	(23,506)
Net Cost of Operations	**262,556**
U.S. Patent and Trademark Office	
Gross Costs	4,618,874
Less: Earned Revenue	(4,422,801)
Net Cost of Operations	**196,073**
Others	
Gross Costs	300,239
Less: Earned Revenue	(2,082)
Net Cost of Operations	**298,157**
Total Gross Departmental Costs	27,066,207
Less: Total Earned Revenue	(5,846,058)
Less: Unrealized (Gain) or Loss on Other than Intragovernmental Investments (Note 8)	(3,526,532)
NET COST OF OPERATIONS	**$ 17,693,617**

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

United States Department of Commerce Consolidated Statement of Changes in Net Position
For the Year Ended September 30, 2025 *(In Thousands)*

	Funds from Dedicated Collections (Consolidated Totals) (Note 22)	Funds from Other than Dedicated Collections (Consolidated Totals)	Eliminations	Consolidated Total
Unexpended Appropriations:				
Beginning Balance	$ –	$ 114,088,352	$ –	$ 114,088,352
Appropriations Received	–	20,112,915	–	20,112,915
Appropriations Transferred In/Out	–	21,114	–	21,114
Other Adjustments	–	(10,860,231)	–	(10,860,231)
Appropriations Used	–	(25,571,343)	–	(25,571,343)
Net Change in Unexpended Appropriations	–	(16,297,545)	–	(16,297,545)
Unexpended Appropriations: Ending	**–**	**97,790,807**	**–**	**97,790,807**
Cumulative Results of Operations:				
Beginning Balance	16,719,429	13,577,081	–	30,296,510
Other Adjustments	(8,811,749)	–	–	(8,811,749)
Appropriations Used	–	25,571,343		25,571,343
Non-exchange Revenue	48,077	10,621	–	58,698
Donations and Forfeitures of Cash and Cash Equivalents	–	328	–	328
Transfers In/Out Without Reimbursement	71,700	348,774	–	420,474
Donations and Forfeitures of Property	–	273	–	273
Imputed Financing	231,864	508,423	–	740,287
Other	(26)	(12,935)	–	(12,961)
Net Cost of Operations	(216,985)	(17,476,632)	–	(17,693,617)
Net Change in Cumulative Results of Operations	(8,677,119)	8,950,195	–	273,076
Cumulative Results of Operations: Ending	**8,042,310**	**22,527,276**	**–**	**30,569,586**
NET POSITION	**$ 8,042,310**	**$ 120,318,083**	**$ –**	**$ 128,360,393**

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

United States Department of Commerce Combined Statement of Budgetary Resources For the Year Ended September 30, 2025 (Note 19) *(In Thousands)*

	Budgetary	Non-budgetary Credit Reform Financing Accounts
BUDGETARY RESOURCES:		
Unobligated Balance From Prior Year Budget Authority, Net	$ 74,455,929	$ 265
Appropriations	9,699,253	–
Borrowing Authority	220,000	5,690,893
Spending Authority From Offsetting Collections	6,958,628	17,765
TOTAL BUDGETARY RESOURCES	**$ 91,333,810**	**$ 5,708,923**
STATUS OF BUDGETARY RESOURCES:		
New Obligations and Upward Adjustments	$ 68,411,876	$ 5,708,826
Unobligated Balance, End of Year		
Apportioned, Unexpired Accounts	21,072,142	–
Exempt From Apportionment, Unexpired Accounts	686	–
Unapportioned, Unexpired Accounts	1,201,696	97
Unobligated Balance, End of Year, Unexpired Accounts	22,274,524	97
Unobligated Balance, End of Year, Expired Accounts	647,410	–
Total Unobligated Balance, End of Year	**22,921,934**	**97**
TOTAL STATUS OF BUDGETARY RESOURCES	**$ 91,333,810**	**$ 5,708,923**
OUTLAYS, NET, AND DISBURSEMENTS, NET:		
Outlays, Net	$ 29,706,701	
Distributed Offsetting Receipts	5,121	
AGENCY OUTLAYS, NET	**$ 29,711,822**	
DISBURSEMENTS, NET		**$ 109,548**

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

FINANCIAL SECTION

NOTES TO THE FINANCIAL STATEMENTS

Notes to the Financial Statements

(Dollars in Tables are Presented in Thousands unless Otherwise Noted)

(Dollars in 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.

For the *Consolidated Statement of Net Cost,* the Department's entities have been grouped together as follows:

- National Oceanic and Atmospheric Administration (NOAA)
- Under Secretary for Economic Affairs
  - Bureau of Economic Analysis (BEA)
  - Census Bureau
- National Institute of Standards and Technology (NIST)
  - National Technical Information Service (NTIS)
- Economic Development Administration (EDA)
- National Telecommunications and Information Administration (NTIA)
  - First Responder Network Authority (FirstNet)[1]
- International Trade Administration (ITA)
- Departmental Management (DM)
  - Gifts and Bequests
  - Herbert C. Hoover Building Renovation Project
  - Nonrecurring Expenses Fund (NEF)
  - Office of Inspector General (OIG)
  - Salaries and Expenses (S&E)
  - Working Capital Fund (WCF)
- U.S. Patent and Trademark Office (USPTO)
- Others
  - Bureau of Industry and Security (BIS)
  - Minority Business Development Agency (MBDA)

Accounting standards require all entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

---

[1] The Middle Class Tax Relief and Job Creation Act of 2012 created the First Responder Network Authority (FirstNet), included in these financial statements, as an independent authority within NTIA, to provide emergency responders with the first high-speed, nationwide network dedicated to public safety.

Disclosure Entities: The Federal Accounting Standards Advisory Board's (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) 47, *Reporting Entity*, is intended to guide federal agencies in recognizing complex, diverse organizations possessing varying legal designations (e.g., government agencies, not-for-profit organizations, and corporations) that are involved in addressing public policy challenges. It provides guidance for determining what organizations should be included in a federal agency's financial statements (consolidation entities) and footnote disclosures (disclosure entities; and related parties) for financial accountability purposes, and is not intended to establish whether an organization is or should be considered a federal agency for legal or political purposes. Consolidation entities are organizations that should be consolidated in the Department's proprietary financial statements based on an assessment as prescribed in SFFAS 47. Disclosure entities are identified as such based on an assessment as prescribed in SFFAS 47; however, are not consolidated in the Department's proprietary financial statements, and for which information is disclosed in the Department's footnotes to the financial statements.

The Department performs evaluations at least annually to determine if there are any organizations that should be included in the Department's financial reporting as consolidation entities, disclosure entities, and/or related parties. Based on the Department's evaluations, the Department did not identify any consolidation entities that are not already included in the financial statements, or related parties, for inclusion in the Department's financial reporting. See Note 25, *Disclosure Entity*, page 121, for information for the one organization identified for disclosure.

The Department is a component of the U.S government. For this reason, some of the assets and liabilities reported by the entity may be eliminated for government-wide reporting because they are offset by assets and liabilities of another U.S. government entity. These financial statements should be read with the realization that they are for a component of the U.S. government.

B Basis of Accounting and Presentation

The financial statements and footnotes reflect transactions and balances under the proprietary, accrual basis of accounting with the exception of the *Combined Statement of Budgetary Resources (SBR)* and the *SBR*-related footnote as they both reflect transactions and balances under the budgetary basis of accounting. Under the proprietary basis of accounting, appropriations are recognized as used and exchange revenue is recognized as earned as costs are incurred (e.g., goods have been received or services have been rendered), without regard to the receipt or payment of cash. See Note 1.R, *Revenue and Other Financing Sources*, for more information on accounting policies for revenue and financing sources/(uses). Departmental costs include both Gross Costs reported in the *Consolidated Statement of Net Cost* that relate to the fiscal year being reported on, and capitalized costs that are included in the *Consolidated Balance Sheet* and that are subsequently expensed in future fiscal year(s).

The purpose of federal budgetary accounting is to control, monitor, and report on funds made available to federal agencies by law and help ensure compliance with the law, and is designed to recognize budgetary resources for appropriations, spending authority from offsetting collections, borrowing authority, and contract authority for an agency, and the obligation and outlay or otherwise disbursement or disposition of funds made available, which in many cases occurs prior to the occurrence of a proprietary accounting transaction. The following budget terms are commonly used:

Appropriations are provisions of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose. Usually, but not always, an appropriation provides budget authority.

Borrowing authority is a type of budget authority that permits obligations and outlays to be financed by borrowing.

Budgetary resources are amounts available to incur obligations in a given year. Budgetary resources consist of new budget authority and unobligated balances of budget authority provided in previous years.

Offsetting collections are payments to the government that, by law, are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to receipts. Usually, offsetting collections are authorized to be spent for the purposes of the account without further action by Congress. They usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the government and from intragovernmental transactions with other government accounts. The authority to spend offsetting collections is a form of budget authority.

Offsetting receipts are payments to the government that are credited to offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. Usually they are deducted at the level of the agency and subfunction, but in some cases they are deducted at the level of the government as a whole. They are not authorized to be credited to expenditure accounts. The legislation that authorizes the offsetting receipts may earmark them for a specific purpose and either appropriate them for expenditure for that purpose or require them to be appropriated in annual appropriations acts before they can be spent. Like offsetting collections, they usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the government, and from intragovernmental transactions with other government accounts.

Obligations are binding agreements that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.

Outlays are payments to liquidate an obligation (other than the repayment of debt principal or other disbursements that are "means of financing" transactions). Outlays generally are equal to cash disbursements but also are recorded for cash-equivalent transactions, such as the issuance of debentures to pay insurance claims, and in a few cases are recorded on an accrual basis such as interest on public issues of the public debt. Outlays are the measure of government spending.

Spending authority from offsetting collections is a type of budget authority that permits obligations and outlays to be financed by offsetting collections.

For further information about budget terms and concepts, see the "Budget Concepts" chapter of the *Analytical Perspectives* volume of the President's Budget.

The *SBR* presents, for the aggregate of discretionary and mandatory funds:

a. Budgetary resources for the fiscal year. The Department's budgetary resources consist of Unobligated Balance From Prior Year Budget Authority, Net; Appropriations; Borrowing Authority; and Spending Authority From Offsetting Collections;

b. Status of those budgetary resources. The Department's status of budgetary resources consists of New Obligations and Upward Adjustments; Unobligated Balance, End of Year, Unexpired Accounts (Apportioned; Exempt from Apportionment; and Unapportioned); and Unobligated Balance, End of Year, Expired Accounts.

c. *Outlays, Net, and Disbursements, Net* (cash transactions) for the fiscal year, which includes:

   i. *Outlays, Net*, which is comprised of Outlays, Gross less Actual Offsetting Collections;

   ii. *Agency Outlays, Net*, which is comprised of *Outlays, Net* less *Distributed Offsetting Receipts*. *Distributed Offsetting Receipts* represents actual collections from the public or from other federal entities, net of disbursements, that are credited to certain receipt accounts (general fund, special fund, trust fund, and gift and donation receipt accounts) and budget clearing accounts, and for which the net receipts recorded to this line offset the budget outlays of the agency that conducts the activity generating the receipts; and

   iii. *Disbursements, Net*, which is limited to the Department's non-budgetary credit reform financing accounts, and is comprised of Disbursements, Gross less Actual Offsetting Collections.

Proprietary and budgetary accounting are complementary; however, both the types of information presented and the timing of their recognition are sometimes different. Information is therefore needed about the differences between proprietary and budgetary accounting, which is accomplished in part by presenting a *Reconciliation of Net Cost to Net Outlays* in Note 23. This reconciliation helps explain and clarify how proprietary basis of accounting *Net Cost of Operations* (based on accrual accounting concepts and includes cash and non-cash transactions) for the fiscal year relates to budgetary basis of accounting *Agency Outlays, Net* (cash transactions) for the fiscal year and the reconciling items between the two.

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 in OMB Circular A-136 Revised, *Financial Reporting Requirements*. GAAP for federal entities are identified by FASAB, which is the official body for setting the accounting standards of the U.S. government. Management is responsible for ensuring that the Department's financial statements as a whole are presented fairly in accordance with GAAP, in all material respects.

Throughout these financial statements, intragovernmental assets, liabilities, gross costs, earned revenue, transfers, and other activity represent balances or activity totals with other federal entities. Other than intragovernmental assets, liabilities, gross costs, earned revenue, transfers, and other activity represent balances or activities with non-federal entities.

The Department has allocation transfer transactions with other federal agencies as both a transferring (parent) entity and as a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Department of the Treasury (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. For the Department, all financial activity and balances as parent related to these allocation transfers (e.g., budgetary resources, obligations incurred, gross costs, and outlays, gross) are required to and are reported in the Department's financial statements (from which the underlying legislative authority, appropriations, and OMB apportionments are derived). For the Department, all child account activity and balances are required to be and are excluded from the Department's financial statements.

C Funds from Dedicated Collections

Funds from Dedicated Collections are financed by specifically identified revenues, often supplemented by other financing sources that are originally provided to the federal government by a non-federal source, 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 federal government's general revenues.

Funds from Dedicated Collections include general funds, revolving funds (not including credit reform financing funds), special funds, and trust funds. For detailed information about the Department's funds from dedicated collections, see Note 22, *Funds from Dedicated Collections*.

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

Consolidated Balance Sheet: Line items are reported after elimination of transactions and balances within or among the Department's fund groups (intra-Departmental).

Consolidated Statement of Net Cost: Line items are reported after elimination of intra-Departmental transactions and balances.

Consolidated Statement of Changes in Net Position: For the multi-column presentation, the Funds from Dedicated Collections column and the Funds from Other than Dedicated Collections column are reported on a consolidated basis (after elimination of intra-Departmental transactions and balances), and any intra-Departmental transactions and balances between Funds from Dedicated Collections and Funds from Other than Dedicated Collections are eliminated, as shown in the Eliminations column.

The ***Statement of Budgetary Resources*** are presented on a combined basis; therefore, intra-Departmental transactions and balances have not been eliminated.

E Leases as Lessee

Under SFFAS 54, *Leases,* the Department is required at the commencement of the lease term to recognize a right-to-use lease asset, and a related lease liability, for non-intragovernmental, non-short term (contracts or agreements that are greater than 24 months) and that do not transfer ownership to the Department, when the reporting entity has the right to control the use of an underlying property, plant, or equipment asset for a period of time as specified in the contract or agreement in exchange for consideration. The standard's lease definition excludes contracts or agreements for services, except those contracts or agreements that contain both a lease component and a service component. The standard does not apply to leases or licenses of internal use software. The lease term is the noncancelable period plus certain periods subject to options to extend or terminate the lease. A lease term is subsequently reassessed only under limited circumstances. SFFAS 54 also requires that the lease term of an existing lease as of the beginning of FY 2024 (October 1, 2023) be based on the timeframe remaining in the lease as of October 1, 2023 and not the timeframe in the initial lease term.

SFFAS 54 provides for a transitional accommodation to reporting entities implementing SFFAS 54 for contracts or agreements that (a) contain lease component(s) and may contain nonlease component(s); and (b) the purpose of the contracts or agreements is primarily attributable to the nonlease component(s), such as service components. For contracts or agreements meeting this criteria, a reporting entity may elect to account for such contracts or agreements, including the lease component(s), as nonlease contracts or agreements in their entirety. The contracts or agreements under this election should be accounted for as nonleases for their remaining term, unless they are subsequently modified after the end of the accommodation period. The Department has elected this transitional accommodation for contracts or agreements existing as of October 1, 2023 and/or those subsequently entered into or modified on or prior to September 30, 2026. The transitional accommodation for the Department ends on September 30, 2026.

The recognition of right-to-use lease assets and the amortization of right-to-use lease assets are discussed in Note 1.M, *General Property, Plant, and Equipment, Net*.

The recognition of lease liabilities and the related amortization of the discounts on lease liabilities that is recognized as interest expense are discussed in Note 1.P, *Liabilities*.

Intragovernmental lease payments and non-intragovernmental short-term lease payments are recognized as expenses based on the payment provisions of the contract or agreement and standards regarding recognition of accounts payable and other related amounts. An asset may be recognized as an asset if payments are made in advance of the reporting period to which they relate or a liability may be recognized for amounts due and unpaid at the end of the reporting period to which they relate. Rental increases, rental decreases, lease incentives, and lease concessions are recognized when incurred as increases/reductions to lease expense.

While proprietary accounting requirements for leases are transformed by SFFAS 54, budgetary accounting requirements will remain unchanged and continue to be based on the guidance provided by OMB Circular A-11, *Preparation, Submission, and Execution of the Budget, Appendix, B, Budgetary Treatment of Lease-Purchases and Leases of Capital Assets.*

F Assets

An asset is a resource that embodies economic benefits or services that the federal government can obtain or control. ***Entity Assets***, included in the Department's *Consolidated Balance Sheet*, are assets that the Department has authority to use in its operations. ***Non-entity Assets***, also included in the Department's *Consolidated Balance Sheet*, are assets held by the Department that are not available for use in its operations, and for which a liability has been recorded. Non-entity Fund Balance with Treasury includes non-federal customer deposits held by the Department for which orders have not yet been received, and for which there is a corresponding liability included in the *Liability for Non-fiduciary Deposit Funds, Undeposited Collections, and Clearing Accounts*, and monies payable to the General Fund of the U.S. government for custodial activity and loan programs.

G Assignment of Assets to Bureaus/Reporting Entities

A Departmental asset is normally assigned by default to the bureau/reporting entity that authorized its acquisition and controls the asset. In situations where an asset is not directly obtained by a bureau/reporting entity or for any other situation where the assignment of the asset to a bureau(s)/reporting entity(ies) is an issue, the Department's Office of Financial Management (OFM) will gather relevant information from all appropriate sources to perform an evaluation of the appropriate assignment of the asset to bureau(s)/reporting entity(ies). Upon the completion of OFM's evaluation, OFM will determine the appropriate assignment of the asset to bureau(s)/reporting entity(ies) and will communicate such results within the Department. There were not any significant assets assigned by the Department in FY 2025.

H Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of funds in the Department's accounts with Treasury. 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.

I 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, when appropriate for both intragovernmental receivables and other than intragovernmental receivables. 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.

J 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 (for example, quarterly) report the amount of costs incurred, which reduce the advance recorded. Prepayments are payments the Department has made to cover certain periodic expenses before those expenses are incurred, such as subscriptions and rent.

K Loans Receivable, Net

A direct loan is recorded as a receivable after the Department disburses funds to a borrower.

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.

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

For a direct 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 amounts 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.

L Inventory and Related Property, Net

Inventory, materials, and supplies are stated at the lower of cost or net realizable value under the weighted average method, as well as under other valuation methods that approximate historical cost, and are adjusted for the results of physical inventories. There are no restrictions on their sale, use, or disposition.

M General Property, Plant, and Equipment, Net

General Property, Plant, and Equipment (PP&E), Net, excluding right-to-use lease assets, 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. Acquisitions of General PP&E include assets purchased, or assets acquired through other means such as through transfer in from another federal entity, donation, devise (a will or clause of a will disposing of property), judicial process, exchange between a federal entity and a non-federal entity, and forfeiture.

General PP&E, also includes right-to-use lease assets. A right-to-use lease asset is initially recognized at the aggregate of (a) the amount of the initial measurement of the lease liability; (b) lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives; and (c) initial direct lease costs that are necessary to place the lease asset into service.

Capitalization Thresholds:

Single-asset Acquisitions: The Department's policy is to capitalize single-asset acquisitions of General PP&E, excluding right-to-use lease assets, if the useful life is two years or more and the dollar amount meets the entity's single-asset acquisition capitalization threshold. Based on a Department-wide capitalization thresholds review, which reflects materiality and cost-benefit analyses, the Department's single-asset acquisition capitalization thresholds are as follows: NOAA—$200 thousand or more; NIST—$100 thousand or more; USPTO—$50 thousand or more; and all other bureaus and Departmental Management—$25 thousand or more.

For right-to-use lease assets, the Department's policy is to capitalize individual right-to-use lease assets if the dollar amount meets the Department-wide capitalization threshold of $1.0 million, except for right-to-use lease assets for ITA's overseas/international non-federal leases through the Department of State which are not subject to a capitalization threshold. The accounting and reporting for ITA's overseas/international non-federal right-to-use lease assets through the Department of State and related lease liabilities and financial activity is based on summarized information provided by the Department of State.

Personal Property Bulk Acquisitions: NOAA has a personal property bulk acquisition capitalization threshold of $1.0 million or more where individual items cost $25 thousand or more but less than $200 thousand; NIST has a personal property bulk acquisition capitalization threshold of $500 thousand or more. The Census Bureau has a personal property bulk acquisition capitalization threshold of $250 thousand or more where the individual items being capitalized meet the definition of accountable property for these purposes.[2] All other bureaus and Departmental Management have a personal property bulk acquisition capitalization threshold of $250 thousand or more, except that USPTO has a furniture bulk acquisition capitalization threshold of $50 thousand or more and NTIA's FirstNet has a personal property bulk acquisition capitalization threshold of $150 thousand or more.

---

[2] Accountable property is defined for these purposes as items with an initial purchase cost of $5 thousand or more, or items that contain personally identifiable information (PII); software is excluded. Accountable property further includes "sensitive" items, irrespective of cost. "Sensitive" items are assets that have a high potential for theft and/or may be easily converted to personal use. Examples include digital cameras, laptop computers, personal computers, and related equipment such as scanners and printers.

General PP&E not meeting the applicable capitalization threshold is expensed.

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

Amortization: Amortization of right-to-use lease assets is generally recognized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

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 also includes 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.

Internal Use Software: Internal Use Software includes purchased commercial off-the-shelf (COTS) software and internally or contractor-developed software solely to meet the Department's internal or operational needs. Internally developed software includes the full cost (direct and indirect cost) incurred during the software development stage. For contractor-developed software, capitalized costs include the costs for the contractor to design, program, install, and implement the software.

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 under intragovernmental operating leases. Accordingly, GSA-owned properties under intragovernmental operating leases are not included in the Department's General PP&E. The Department's real property primarily consists of facilities for NIST and NOAA.

N Investments

Investments reported on the *Consolidated Balance Sheet*, and which are recorded in NIST's CHIPS for America Fund, consist of the Department's investments in shares of common stock of the Intel Corporation (Intel), recorded at the fair value as of the September 30, 2025 measurement date under a fair value hierarchy, in accordance with the Financial Accounting Standards Board's Accounting Standards Codification Topic 321, *Investments—Equity Securities* and Topic 820, *Fair Value Measurement*.

The shares of Intel common stock were received in August and September of 2025, and were initially recorded based on the dollar amounts of applicable disbursements made to Intel during these months by the U.S. government under a Warrant and Common Stock agreement dated August 22, 2025 between the Department and Intel whereby the Department received shares of Intel common stock as a result of the U.S. government's applicable disbursements to Intel.

Fair Value is a market-based measurement under current market conditions and is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments in shares of Intel common stock are based on a fair value hierarchy. For some assets, observable market transactions or market information might be available. For other assets, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same—to estimate the price at which an orderly transaction to sell the asset would take place between market participants at the measurement date under current market conditions. When a price for an identical asset is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset, including assumptions about risk. As a result, a reporting entity's intention to hold an asset is not relevant when measuring fair value.

Valuation adjustments, including unrealized gains or losses on investments, may be recorded to arrive at fair value as of the measurement date and which may result in increases or decreases in the Investments asset balance as of the measurement date. The Department has recognized, for FY 2025, valuation adjustments (unrealized gain) on the Intel investments which increased the Investments asset balance as of September 30, 2025 and is reported in the Department's *Consolidated Statement of Net Cost* for FY 2025.

The measurement of the fair value of an asset is categorized with different levels of the fair value hierarchy as follows:

- Level 1—Unadjusted quoted prices in active markets for identical assets that the reporting entity can access at the measurement date. A reporting entity normally shall not make an adjustment to a Level 1 input except under the following circumstances:
    - When a reporting entity holds a large number of similar (but not identical) assets or liabilities that are measured at fair value and a quoted price in an active market is available but not readily accessible for each of those assets or liabilities individually.
    - When a quoted price in an active market does not represent fair value at the measurement date.
    - When measuring the fair value of a liability or an instrument using the quoted price for the identical item traded as an asset in an active market and that price needs to be adjusted for factors specific to the item or the asset.
- Level 2—Inputs other than quoted prices included with Level 1 that are based on observable market data (quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets), or that are either directly or indirectly observable for substantially the full term of the asset or liability.
- Level 3—Inputs that are both unobservable and significant to the overall fair value measurement.
- Other—This category includes investments for which fair value is measured using net asset value per share or its equivalent and shall not be categorized within the fair value hierarchy.

The Department's investments in shares of Intel common stock are recorded at fair value under fair value hierarchy Level 1.

The Department under the Warrant and Common Stock Agreement with Intel also received in August 2025 a five-year warrant to purchase additional shares of common stock, exercisable under certain conditions. The Department has not recorded this warrant as an investment on the *Consolidated Balance Sheet* including due to the uncertainty of such certain conditions being met.

O Cost Contribution to Buildout/Continuing Enhancement of Nationwide Public Safety Broadband Network

This asset captures NTIA's cost contributions for the buildout and continuing enhancement of the Nationwide Public Safety Broadband Network (NPSBN), as described in Note 22, *Funds from Dedicated Collections – NTIA's Network Construction Fund* and *First Responder Network Authority Fund*. The cost contributions and continuing enhancements that are recorded as an asset primarily include payments for completed and accepted AT&T contract performance for the buildout and continuing enhancements of the NPSBN under the FirstNet contract with AT&T to buildout, deploy, operate, and maintain the NPSBN.

An asset is recognized primarily because the cost contributions for the buildout/continuing enhancement of the NPSBN embodies (a) future economic benefits to NTIA from AT&T made possible in part by NTIA's cost contributions for the buildout of the NPSBN, as there are expected future revenue streams from AT&T to NTIA; and (b) future expected services to be received by NTIA from AT&T made possible in part by NTIA's buildout and continuing enhancement cost contributions, as AT&T, will buildout, deploy, operate, and maintain the NPSBN, thereby assisting NTIA's FirstNet with achieving its important mission of ensuring the operation and maintenance of the first high-speed, nationwide wireless broadband network dedicated to public safety.

To recognize contract services as received, the cost contributions for buildout of the NPSBN are expensed on a straight-line basis over the remaining timeframe of the AT&T contract, and the cost contributions for a particular continuing enhancement of the NPSBN are expensed on a straight-line basis over the shorter of the performance period of the continuing enhancement or the remaining timeframe of the AT&T contract. See Note 22, *Funds from Dedicated Collections – NTIA's Network Construction Fund* and *First Responder Network Authority Fund,* for additional information.

P 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. The methods used to accrue payables are established by each bureau while the policy and underlying accounting principle is used consistently throughout the Department. NIST completes a review of open obligations greater than $25 thousand for NIST and greater than $10 thousand for NIST-serviced bureaus to determine if there are outstanding invoices to be accrued for. NOAA/NOAA-serviced bureaus and the Census Bureau calculate their estimates by using both current and prior year undelivered order data. USPTO calculates the estimates based on status reports submitted by contractors as well as reports on prior activity and recently received invoices.

Debt: The Department has borrowed funds from the Department of the Treasury through the Fisheries Finance Financing Account for various NOAA direct loan programs. To simplify interest calculations, the Fisheries Finance Financing Account borrowings are dated October 1. Interest rates are based on a single effective rate during the term of the borrowed funds. The single effective 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 borrowing. The Department's primary financing source for repayments of this Debt to Treasury is the collection of principal on the associated Loans Receivable. Balances of any debt to Treasury that has not been disbursed to borrowers will earn interest from Treasury at the same rate used in calculating interest expense.

The Department has borrowed funds from the Department of the Treasury under Public Law 118-159, Division E, Title LIV, *Spectrum and Secure Technology and Innovation Act of 2024* for EDA's Regional Technology and Innovation Hubs (Tech Hubs) program. Interest rates are based on a single effective rate during the term of the borrowed funds. Annual interest payments on unpaid principal balances as of September 30 are not required to be paid until maturity. Principal repayments are required only at maturity, but are permitted at any time during the term of the borrowing. The Department's primary financing source for repayments of this Debt to Treasury is the reimbursement(s) received from spectrum license auction proceeds deposited into Treasury's Spectrum Auction trust Fund.

The amounts reported for Debt include accrued interest payable. See Note 11, *Debt*, for information regarding maturity dates and interest rates.

Advances from Others and Deferred Revenue: This liability includes (a) the portion of monies received under customer orders or similar revenue-generating activities for which goods and services have not yet been provided or rendered by the Department—revenue is not recognized until costs are incurred under the accrual accounting concepts; and (b) the deferred revenue portion of FirstNet's annual collections from AT&T under the terms of its contract with AT&T to buildout, deploy, operate, and maintain the NPSBN (see Note 22, *Funds from Dedicated Collections – First Responder Network Authority Fund*, for more information). The intragovernmental liability primarily relates to monies collected under customer orders or similar arrangements. The majority of the other than intragovernmental liability represents patent and trademark application and user fees that are pending action by USPTO.

Custodial Payable: Custodial Payable represents the amount of applicable custodial non-exchange or exchange revenue yet to be transferred to the General Fund of the U.S. government, a trust fund, or other recipient entities. See Note 20, *Custodial Non-exchange Activity,* for information on the Department's custodial non-exchange activity.

Other Liabilities – Employer Contributions and Payroll Taxes Payable: This intragovernmental liability records the employer portion of payroll taxes and benefit contributions, such as retirement and health and life insurance for covered employees.

Federal Employee Salary, Leave, and Benefits Payable:

Unfunded Leave: This liability represents earned but unused leave that employees are entitled to receive upon separation. Because payment will be made using budgetary resources from future fiscal years, the liability is recorded as unfunded.

Other Unfunded Employment-related Liability: This liability records unfunded employment-related liabilities not otherwise classified that will be funded by future years' budgetary resources.

Employer Contributions and Payroll Taxes Payable: This liability records the employer portion of payroll taxes and benefit contributions, such as retirement, including the Department's contribution to the Thrift Savings Plan.

Accrued Funded Payroll and Leave: This liability to employees includes funded salaries, wages, annual leave, and other leave that have been earned but are unpaid as of September 30.

Pensions and Other Post-employment Benefits Payable:

Actuarial FECA Liability: Actuarial Federal Employees' Compensation Act (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 U.S. Department of Labor calculates the actuarial liability for future workers' compensation benefits and reports to each agency its share of the liability on an annual basis.

To provide more specifically for the effects of inflation on the liability for FWC benefits, wage inflation factors (cost of living adjustments) and medical inflation factors (consumer price index medical) are applied to the calculation of projected future benefits. The actual rates for these factors are also used to adjust the historical payments to current-year constant dollars.

NOAA Corps Retirement System and NOAA Corps Blended Retirement System Liabilities, 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 liability as of September 30, 2025 is based on the number of participants as of June 30, 2025. 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 the U.S. Military Retirement System are used. Actuarial gains and losses, and prior and past service costs, if any, are recognized immediately in the fiscal 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 War Medicare-Eligible Retiree Health Care Fund actuarial valuations. NOAA Commissioned Officer Corps (NOAA Corps) is one of the Nation's eight uniformed services; therefore, the use of the U.S. Military Retirement System assumptions and U.S. Department of War medical claim rates in the calculations of these liabilities is appropriate. Demographic assumptions appropriate to covered personnel are also used. In developing the average historical Treasury rates, a minimum of five years of historical rates as of the reporting date should be used. For the liability balances as of September 30, 2025, the discount rate was selected by averaging the quarterly spot yields over the 10-year period ended June 30, 2025 and determining the single equivalent discount rate that produced the same liability. The specific spot yields used were as of June 30, 2025 and each of the prior 39 calendar quarter-ends, by maturity from 1-year to 100-years. The actuary obtained this spot yield data from the Treasury website for all 40 quarterly yields. For background information about these plans, see Note 1.S, *Employee Retirement Benefits*.

Environmental and Disposal Liabilities:

Asbestos-related Cleanup Costs: The Department has incurred asbestos-related cleanup costs related to the costs of removing, containing, and/or disposing of asbestos-containing materials from property, plant, and equipment; specifically, from facilities owned by NIST and NOAA, and from ships owned by NOAA. The Department has estimated its liabilities for asbestos-related cleanup costs for both friable and nonfriable asbestos-related cleanup costs. Estimates of asbestos-related cleanup costs are reviewed periodically, and updated as appropriate, to account for actual or estimated increases or decreases in asbestos-containing materials, material changes due to inflation or deflation, and changes in regulations, plans, and/or technology.

Applicable laws and regulations of asbestos-related cleanup requirements for the Department include:

- Asbestos Hazard Emergency Response Act
- Asbestos Information Act
- Asbestos School Hazard Abatement Reauthorization Act
- Clean Air Act
- Toxic Substances Control Act
- U.S. Environmental Protection Agency Standards and Rules:
  - National Emission Standards for Hazardous Air Pollutants (40 CFR Part 61)
  - National Emission Standard for Asbestos (40 CFR Part 61, Subpart M)
  - Asbestos Rules (40 CFR Part 763, *Asbestos*)
- Occupational Safety and Health Administration Asbestos Standards:
  - General Industry Standard (29 CFR Part 1910, Subpart 1001, *Asbestos*)
  - Construction Standard (29 CFR Part 1926, Subpart 1101, *Asbestos*)
- Applicable states laws or regulations dependent upon the location of asbestos-related cleanup

Nuclear Reactor: 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. NIST's environmental and disposal liability for the facility is based on the total estimated decommissioning costs of the facility. The liability is calculated in compliance with U.S. Nuclear Regulatory Commission Regulation-1307, Revision 19, *Report on Waste Burial Charges: Changes in Decommissioning Waste Disposal Costs at Low-Level Waste Burial Facilities*, which is intended to provide reasonable assurance that adequate funds for decommissioning will be available when needed. Cost estimate factors (e.g., technology, disposal sites and costs, spent fuel shipment costs, and labor costs) for decommissioning are reviewed annually by NIST, and the annual reviews include an assessment of any changes in cost estimate factors that have occurred since the previous year's review. NIST's estimated total decommissioning costs includes an assumption that an off-site waste disposal facility will become available (estimated in 2029), when needed. Currently, an off-site disposal location has not been identified, and NIST's estimated total decommissioning costs includes an amount approved by the Nuclear Regulatory Commission for off-site waste disposal. The dollar amount of the liability is typically updated every three years with the most recent update occurring in FY 2023. The Department estimates the cost of decommissioning the facility to be $122.2 million as of September 30, 2025. The total estimated decommissioning cost is being accrued on a straight-line basis over the life of the license to run the reactor, last renewed in 2009; a license lasts for 20 years. 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.

Other: 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 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 lead-based paints at certain NOAA facilities. All known issues are contained and NOAA facilities meet current environmental standards. No cost estimates are presently available because no facilities are currently identified.

Accrued Grant Liabilities: 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 recipients. These drawdown requests may be fulfilled before recipients make the expenditures under the grant. When the Department has disbursed funds but the recipient has not yet incurred expenses, these disbursements are recorded as advances to the recipient. If a recipient, however, has expenditures under the grant that have not been advanced by the Department as of September 30, such amounts are recorded as grant expenses and Accrued Grants. The Department's bureaus accrue grant liabilities by reviewing historical data and information from the Standard Form 425 (SF-425), *Federal Financial Report* as well as by comparing total expected expenses against drawdowns.

Liability for Non-fiduciary Deposit Funds, Undeposited Collections, and Clearing Accounts: This other than intragovernmental liability includes two components: (a) collections held in non-fiduciary deposit funds awaiting disposition and primarily includes USPTO collections from customers held in a non-fiduciary deposit fund for when the customer has not yet requested a service; and (b) clearing accounts' liability balances representing collections held awaiting disposition netted against disbursements awaiting disposition and which may result in a normal liability balance or a negative liability balance for this component.

Other Liabilities – Lease Liabilities:

Lease liabilities (related to right-to-use lease assets) are initially recognized at the present value of payments expected to be made during the lease term. The future lease payments are discounted using the interest rate the lessor charges the lessee. If the interest rate is not stated in the lease, the interest rate is based on an interest rate on marketable Treasury securities at the commencement of the lease term, with a similar maturity to the term of the lease. Lease liabilities are subsequently reassessed only under limited circumstances and if the changes individually or in the aggregate are expected to significantly affect the amount of the lease liability since the previous measurement. A lease liability is typically primarily reduced by principal payments made. The related amortization of the discount on a lease liability is recognized over the life of the lease liability as interest expense.

Other Liabilities – Unfunded Portion of Energy Savings Performance Contracts/Utility Energy Service Contracts Liability:

Per the U.S. Department of Energy:

- Energy Savings Performance Contracts (ESPC) allow federal agencies to conduct energy projects with limited to no up-front capital costs, minimizing the need for Congressional appropriations. An ESPC is a working relationship between an agency and an energy service contractor. The contractor conducts a comprehensive energy audit for the federal facility and identifies improvements to save energy. In consultation with the agency, the contractor designs and constructs a project that meets the agency's needs and arranges the necessary funding. The contractor guarantees that the improvements will generate energy cost savings sufficient to pay for the project over the term of the contract. The cost of an ESPC project must be covered by the energy, water, and related cost savings generated at the project site. After the contract ends, any additional cost savings accrue to the agency.
- A Utility Energy Service Contract (UESC) is a limited-source contract between a federal agency and serving utility for energy management services including energy and water efficiency improvements and demand-reduction services. In a UESC, the federal agency will work closely with the utility, to assess potential, investigate technical and economic feasibility, and ensure a fair and reasonable price for design and implementation of the project.

This liability represents the portion of the ESPC/UESC contracts liability that is not covered by budgetary resources as of September 30.

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, a contingency is considered probable when 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, Liabilities Covered by Budgetary Resources, and Liabilities Not Requiring Budgetary Resources:

The Department's liabilities, all of which are reported on the Department's *Consolidated Balance Sheet*, are further classified into three categories: (a) Liabilities Not Covered by Budgetary Resources; (b) Liabilities Covered by Budgetary Resources; and (c) Liabilities Not Requiring Budgetary Resources.

Liabilities Not Covered by Budgetary Resources

These are liabilities for which actions are needed before budgetary resources can be provided. The Department expects that liabilities not covered by budgetary resources will be funded from future budgetary resources when required. These amounts are detailed by liability in Note 16, *Liabilities Not Covered by Budgetary Resources*.

The Department generally receives budgetary resources for the following liability subcomponents related to federal employee leave and benefits and pension and other post-employment benefits when needed for disbursement: (a) Actuarial FECA Liability; (b) NOAA Corps Retirement System and NOAA Corps Blended Retirement System Liabilities; (c) NOAA Corps Post-retirement Health Benefits Liability; (d) Unfunded Leave; and (e) Other Unfunded Employment-related Liability. Regarding Unfunded Leave, under accrual accounting concepts, the expense and liability for leave is recognized when the leave is earned. For most of the Department's fund groups, however, budgetary resources are not obligated to pay for the leave until the leave is taken by the employee or is paid out to the employee. As a result, budgetary resources do not cover a significant portion of the Department's unpaid leave.

The Department generally receives budgetary resources for its *Environmental and Disposal Liabilities* when needed for disbursements.

The portion of the Department's lease liabilities that is reported as not covered by budgetary resources is based on budgetary accounting treatment for recognition of obligations for leases.

The portion of the Department's other than intragovernmental *Advances from Others and Deferred Revenue* liability that is reported as not covered by budgetary resources is mainly comprised of USPTO's patent and trademark application and user fees that are pending action by USPTO. Furthermore, a portion of USPTO's application/user fees pending action is considered covered by budgetary resources—this portion is determined mainly by considering, as covered by budgetary resources, the dollar amount of the application/user fees pending USPTO action for which USPTO has available, unobligated budgetary resources as of September 30, as included in the *SBR*, Status of Budgetary Resources section, *Unobligated Balance, End of Year, Unapportioned, Unexpired Accounts* line.

Liabilities Covered by Budgetary Resources

These are normally liability balances or a portion thereof for which realized budgetary resources have already been used by the Department as of September 30 for the liability, which is typically carried out by recording a budgetary basis of accounting obligation incurred, as adjusted. For example, an Accounts Payable item will normally also have a corresponding budgetary basis of accounting obligation incurred (delivered) recorded. There is differing treatment in the case of the Advances from Others and Deferred Revenue liability—there are normally available budgetary resources as of September 30 that are considered to cover the liability balance or a portion thereof with budgetary resources.

Liabilities Not Requiring Budgetary Resources

These are the liabilities that are not expected to require the use of budgetary resources, which typically includes the *Custodial Payable to Treasury* liability and the *Liability for Non-fiduciary Deposit Funds, Undeposited Collections, and Clearing Accounts*.

Q Net Position

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

R Revenue and Other Financing Sources

Appropriations Used: The Department receives appropriations (Appropriations Received) from Congress and the President for many of its annual, multiple-fiscal year, and no-year accounts. Appropriations Received are recognized as used when costs are incurred that require the use of appropriations, for example, when goods or services are received. There are instances of costs incurred for which appropriations are not required to be used or are not immediately required to be used. For example, depreciation and amortization expense does not require the use of appropriations and accrued environmental and disposal cleanup costs that do not immediately require the use of appropriations.

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 federal government and the other party receive value, including processing patents and registering trademarks, the sale of weather data, nautical charts, and navigation information, reimbursable revenue, and other sales of goods and services. Exchange revenue is presented in the Department's *Consolidated Statement of Net Cost*. Non-exchange revenue is derived from the federal government's sovereign right to demand payment; and, for example, includes revenue of NOAA's Damage Assessment and Restoration Revolving Fund as reported and described in Note 22, *Funds from Dedicated Collections*. 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. Non-exchange revenue is not considered to reduce the cost of the Department's operations and is therefore reported in the *Consolidated Statement 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.

Unrealized gains and losses associated with the Department's investments in Intel, to arrive at the fair value of the Investments asset as of the measurement date as discussed in Note 1.N, *Investments*, are recognized in the *Consolidated Statement of Net Cost* in the period in which the changes in fair value occur.

Imputed Financing (and related Imputed Costs): Goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by the Department are included as imputed costs in the *Consolidated Statement of Net Cost*, and are offset by imputed financing sources from cost absorbed by others (non-exchange) included in the *Consolidated Statement of Changes in Net Position*. Such imputed costs and imputed financing relate to (a) certain employee retirement benefit programs paid for in part by the U.S. Office of Personnel Management (OPM)—CSRS, FERS, FEHB, and FEGLI (also see Note 1.S, *Employee Retirement Benefits*); (b) claims to be paid for by the Judgment Fund maintained by Treasury (also see Note 17, *Commitments and Contingencies*); and (c) business-type activities, which are defined in the accounting standards as "a significantly self-sustaining activity that finances its continuing cycle of operations through collection of exchange revenue." However, unreimbursed costs of goods and services other than those identified above are not included in the Department's financial statements.

Transfers In/(Out): Intragovernmental transfers, for example, of budgetary resources, or of assets without reimbursement that are recorded at book value, are reported in the *Consolidated Statement of Changes in Net Position*.

S 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 seven percent of an employee's basic pay. Employees contributed seven 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, excluding USPTO, 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. USPTO is required to make supplemental employer payments to OPM for CSRS, per annual USPTO appropriation provisions. The supplemental employer payments as a result reduce the dollar amount of USPTO imputed costs and related imputed financing source from costs absorbed by others.

FERS Contribution Rates for Regular Employees (Effective October 1, 2023)

FERS		FERS-RAE (Revised Annuity Employees)		FERS-FRAE (Further Revised Annuity Employees)	
Hired prior to January 1, 2013		Hired between January 1, 2013 – December 31, 2013		Hired after December 31, 2013	
Employee Percentage	Agency Percentage	Employee Percentage	Agency Percentage	Employee Percentage	Agency Percentage
0.8%	18.4%	3.1%	16.5%	4.4%	16.5%

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, for which the Department contributes a matching amount to the Social Security Administration.

NOAA Corps Retirement System and NOAA Corps Blended Retirement System: Active-duty officers of the NOAA Corps are covered by the legacy NOAA Corps Retirement System or the NOAA Corps Blended Retirement System (BRS), which was implemented on January 1, 2018. The NOAA Corps Retirement System and the defined benefit portion of the NOAA Corps BRS is an unfunded, defined benefit plan administered by the Department with the same features; participants do not contribute to the defined benefit plan for both of these retirement systems. Plan benefits are based primarily on years of service and compensation. Total participants for the two plans, as of June 30, 2025, included 375 active duty officers, 409 non-disability retiree annuitants, 24 disability retiree annuitants, and 68 surviving families. Key provisions include voluntary non-disability 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, FERS, and NOAA Corps BRS are eligible to contribute to the U.S. government's TSP, administered by the Federal Retirement Thrift Investment Board. The Department makes no matching contributions for CSRS-covered employees. A TSP account is automatically established for FERS-covered employees and NOAA Corps BRS members, and the Department makes a mandatory contribution of one percent of basic pay upon eligibility. The Department also makes matching contributions of up to four percent of basic pay upon eligibility for FERS-covered employees and NOAA Corps BRS members.

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, excluding USPTO, 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, excluding USPTO, 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. USPTO is required to make supplemental employer payments to OPM for the FEHB Program, per annual USPTO appropriation provisions. The supplemental employer payments as a result reduce the dollar amount of USPTO imputed costs and related imputed financing source from costs absorbed by others.

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

Federal Employees' Group Life Insurance (FEGLI) Program: Most Department employees are entitled to participate in the FEGLI Program. Participating employees can obtain basic term life insurance, with the employee paying two-thirds of the cost and the Department paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. OPM administers this program and is responsible for the reporting of liabilities. For each fiscal year, OPM calculates the U.S. government's service cost for the post-retirement portion of basic life coverage. Because the Department's contributions to the basic life coverage are fully allocated by OPM to the pre-retirement portion of coverage, the Department, excluding USPTO, 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. USPTO is required to make supplemental employer payments to OPM for the FEGLI Program, per annual USPTO appropriation provisions. The supplemental employer payments as a result reduce the dollar amount of USPTO imputed costs and related imputed financing source from costs absorbed by others.

T 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.

U Tax Status

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

V Fiduciary Activities

Fiduciary activities are the collection or receipt, and the management, protection, accounting, and disposition by the federal government of cash or other assets in which non-federal individuals or entities have an ownership interest that the federal government must uphold. Fiduciary cash and other assets are not assets of the federal government, and are not recognized on the Balance Sheet, and are assets of a non-federal party for which the federal government is responsible. For more information on the Department's fiduciary activities, see Note 21, *Fiduciary Activities*.

W Disclosure Public-Private Partnerships

SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*, establishes principles to ensure that disclosures about applicable public-private partnerships (P3s) are presented in the Department's notes to the financial statements. The principles guide financial reporting disclosure by establishing a P3 definition and identifying risk-based characteristics that need to exist before considering the P3 arrangement or transaction for disclosure. The standard exempts certain arrangements or transactions from the P3 disclosure requirements, as such exempt arrangements or transactions are subject to existing disclosure requirements in other accounting standards.

The Department performs evaluations annually to determine if there are any arrangements or transactions that should be included in the Department's financial reporting disclosure for P3s. See Note 26, *Disclosure Public-Private Partnerships*, for information for the two P3s identified for disclosure.

X Change in Presentation

For FY 2025, the financial statements are presented on a single-year basis in accordance with OMB Memorandum M-25-30 and OMB Circular A-136. Prior-year comparative information is not presented, except where specifically required by applicable accounting standards. This change affects presentation only and does not impact the entity's financial position or results of operations.

Note 2. Fund Balance with Treasury

Fund Balance with Treasury, by status, is as follows as of September 30, 2025:

	FY 2025
Unobligated Balance	$ 23,939,128
Obligated Balance Not Yet Disbursed	77,188,766
Non-budgetary	218,104
Total	$ 101,345,998

The Department's Fund Balance with Treasury (FBwT) totaled $101.35 billion as of September 30, 2025 and is classified into the following categories: unobligated balance, obligated balance not yet disbursed, and non-budgetary.

The unobligated balance includes amounts previously appropriated but not currently obligated; amounts in this category can be either available or unavailable for obligation. The obligated but not yet disbursed balance represents amounts designated for payment of goods and services ordered but not yet received; or goods and services received, but for which payment has not yet been made. The non-budgetary balance primarily consists of USPTO's Patent and Trademark Surcharge Fund and USPTO customer deposits.

Obligated and unobligated balances reported for the status of FBwT may not agree with obligated and unobligated balances as reported in the *Combined Statement of Budgetary Resources* because the budgetary balances are also supported by amounts other than FBwT, such as borrowings from Treasury.

Increases to the Department's FBwT typically result from appropriations, continuing resolutions, and transfers and reimbursements from other federal agencies. FBwT can also be increased by amounts borrowed from other federal entities, and by amounts collected and credited to appropriation or fund accounts. Decreases to the Department's FBwT typically result from disbursements to pay liabilities or to purchase assets, goods, and services, transfers and reimbursements to other agencies, cancellations of funds and rescissions or sequestrations of appropriations or unobligated balances.

The Department's FBwT is reconciled to the balances within Treasury's Central Accounting Reporting System on a regular basis. Any differences between the Department's balances and Treasury's are researched and reconciled as appropriate. Certain differences, such as timing differences, can occur and could cause a temporary discrepancy.

Note 3. Accounts Receivable, Net

	FY 2025		
	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ 173,717	$ –	$ 173,717
Other than Intragovernmental	$ 237,893	$ (49,970)	$ 187,923

Note 4. Cash and Other Monetary Assets

	FY 2025
Cash Not Yet Deposited with Treasury	$ 15,698
Imprest Funds	390
Other Cash	92
Total	$ 16,180

Cash Not Yet Deposited with Treasury primarily represents patent and trademark fees that were not processed as of September 30, 2025, 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. Loans Receivable, Net

The Department operates the following direct loan and loan guarantee programs as of September 30, 2025:

Direct Loan Programs:

NIST	Creating Helpful Incentives to Produce Semiconductors (CHIPS) Incentives Loan Program[1]
NOAA	Alaska Purse Seine Fishery Buyback Loans
NOAA	Bering Sea and Aleutian Islands Non-Pollock Buyback Loans
NOAA	Coastal Energy Impact Program (CEIP)
NOAA	Community Development Quota (CDQ) Loan Program
NOAA	Crab Buyback Loans
NOAA	Fisheries Finance Individual Fishing Quota (IFQ) Loans
NOAA	Fisheries Finance Traditional Loans
NOAA	Fisheries Loan Fund
NOAA	New England Groundfish Buyback Loans[1]
NOAA	New England Lobster Buyback Loans[1]
NOAA	Pacific Groundfish Buyback Loans

Loan Guarantee Program:

NIST	CHIPS Incentives Loan Program[2]
NOAA	Fishing Vessel Obligation Guarantee Program[3]

[1] No direct loans have been disbursed for this program as of September 30, 2025.

[2] No guaranteed loans have been disbursed for this program as of September 30, 2025.

[3] There are no current guaranteed loans for this program as of September 30, 2025.

NOAA's Fisheries Finance Loan programs provide direct loans for certain fisheries costs, including vessels, shoreside facilities, aquaculture, and Individual Fishing Quota. Vessel financing is available for the purchase of used vessels or the reconstruction of vessels. Refinancing is available for existing debt obligations. The purpose of these loan programs is to contribute to stable fisheries and fishing communities, and ensure that fisheries are sustainable economic resources. NOAA's various buyback loan programs address excess fishing capacity which decreases fisheries earnings, complicates fisheries management, and imperils fisheries conservation. Buyback loans are disbursed to fisheries to permanently remove vessels and/or permits and thus lower fishing effort in overcapitalized fisheries. Loans are repaid from fees collected on the ex-vessel value of the catch in the fishery.

NIST has already received (FY 2022 through FY 2025) or will receive (FY 2026) appropriations totaling $50.00 billion under Public Law 117-167, *CHIPS and Science Act of 2022*, to remain available until expended. Appropriations made available for FY 2022 included up to $6.00 billion for the subsidy cost of direct loans and loan guarantees as authorized by Public Law 116-283, *National Defense Authorization Act*, Section 9902. The amount of direct loans and loan guarantees subsidized will not exceed $75.00 billion. These appropriations include funding for the CHIPS Incentives Program established in FY 2023, of which the CHIPS Incentives Loan Program is a component. The overall CHIPS Incentives Program aims to catalyze long-term economically sustainable growth in the domestic semiconductor industry in support of U.S. economic and national security, and thus far seeks applications for projects for the construction, expansion, or modernization of (a) commercial facilities for the front- and back-end fabrication of leading-edge, current-generation, and mature-node semiconductors; (b) commercial facilities for wafer manufacturing; and (c) commercial facilities for materials used to manufacture semiconductors and semiconductor manufacturing equipment, provided that the capital investment equals or exceeds $300.0 million. The overall CHIPS Incentives Program can provide direct funding for eligible projects via grants, cooperative agreements, or other transactions, loans, and loan guarantees. The CHIPS Incentives Program is administered by the CHIPS Program Office within NIST. No loans have been disbursed under the CHIPS Incentives Loan Program as of September 30, 2025.

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

	FY 2025
Direct Loans Obligated Prior to FY 1992, Allowance for Loss Method	$ 2,580
Direct Loans Obligated After FY 1991	561,825
Total	$ 564,405

Direct Loans Obligated Prior to FY 1992, Allowance for Loss Method:

FY 2025				
Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Direct Loans, Net
CEIP Loans	$ 15,815	$ 5,560	$ (18,795)	$ 2,580
Fisheries Loan Fund	68	15	(83)	–
Total	$ 15,883	$ 5,575	$ (18,878)	$ 2,580

Direct Loans Obligated After FY 1991:

FY 2025				
Direct Loan Program	Loans Receivable, Gross	Interest and Fees Receivable	Allowance for Subsidy Cost (Present Value)	Direct Loans, Net
Alaska Purse Seine Fishery Buyback Loans	$ 15,417	$ 28	$ 1,753	$ 17,198
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	20,109	55	2,248	22,412
CDQ Loans	85,576	465	16,698	102,739
Crab Buyback Loans	55,022	1,775	15,320	72,117
Fisheries Finance IFQ Loans	14,111	93	1,443	15,647
Fisheries Finance Traditional Loans	302,172	1,542	20,471	324,185
Pacific Groundfish Buyback Loans	7,036	5	486	7,527
Total	$ 499,443	$ 3,963	$ 58,419	$ 561,825

Total Amount of Direct Loans Disbursed (Post-FY 1991):

Direct Loan Program	FY 2025
Fisheries Finance IFQ Loans	$ 123
Fisheries Finance Traditional Loans	116,338
Total	$ 116,461

Subsidy Expense for Direct Loan Programs by Component:

Subsidy Expense for New Direct Loans Disbursed:

FY 2025					
Direct Loan Program	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	$ (27)	$ –	$ (1)	$ 14	$ (14)
Fisheries Finance Traditional Loans	(17,328)	2,023	(662)	9,425	(6,542)
Total	$ (17,355)	$ 2,023	$ (663)	$ 9,439	$ (6,556)

Reestimates:

FY 2025			
Direct Loan Program	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Alaska Purse Seine Fishery Buyback Loans	$ (44)	$ (121)	$ (165)
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	(96)	(95)	(191)
CDQ Loans	8,490	(13,627)	(5,137)
Crab Buyback Loans	142	7	149
Fisheries Finance IFQ Loans	341	(855)	(514)
Fisheries Finance Traditional Loans	6	(2,219)	(2,213)
Pacific Groundfish Buyback Loans	(11)	(14)	(25)
Total	$ 8,828	$ (16,924)	$ (8,096)

No loan modifications were made during the fiscal year.

Total Direct Loan Subsidy Expense:

Direct Loan Program	FY 2025
Alaska Purse Seine Fishery Buyback Loans	$ (165)
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	(191)
CDQ Loans	(5,137)
Crab Buyback Loans	149
Fisheries Finance IFQ Loans	(528)
Fisheries Finance Traditional Loans	(8,755)
Pacific Groundfish Buyback Loans	(25)
Total	$ (14,652)

Subsidy Rates for Direct Loans by Program and Component:

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

FY 2025					
Direct Loan Program	Interest Differential	Defaults	Fees and Other Collections	Other	Total
CHIPS Incentives Loan Program[1]	(5.17) %	3.22 %	0.00 %	1.74 %	(0.21) %
Fisheries Finance IFQ Loans	(21.71) %	0.14 %	(0.81) %	11.33 %	(11.05) %
Fisheries Finance Traditional Loans	(14.88) %	1.74 %	(0.57) %	8.09 %	(5.62) %

[1] *Data reflect notional estimates. Estimates will be determined at the time of execution and will reflect the terms of the contracts and other characteristics.*

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 years' cohorts. The subsidy expense for the reporting period may also include modifications and reestimates.

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

	FY 2025
Beginning Balance of the Subsidy Cost Allowance	$ 47,499
Add Total Subsidy Expense for Direct Loans Disbursed During the Reporting Year	6,556
Adjustments:	
Fees Received	(613)
Loans Written Off	(102)
Subsidy Allowance Amortization	(3,017)
Ending Balance of the Subsidy Cost Allowance Before Reestimates	$ 50,323
Interest Rate Reestimates	(8,828)
Technical Reestimates	16,924
Ending Balance of the Subsidy Cost Allowance	$ 58,419

Administrative Expenses:

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

	FY 2025
CHIPS Incentives Direct Loan and Loan Guarantee Programs	$ 3,433
Fishing Vessel Obligation Guarantee Program	$ 43
NOAA Direct Loan Programs	$ 3,763

Loans Receivable, Net:

	FY 2025
Beginning Balance of Loans Receivable, Net	$ 460,311
Add Loan Disbursements	116,461
Less Principal and Interest Payments Received	(23,450)
Less Fees Received	(613)
Add Subsidy Expense	6,556
Add Upward Reestimate	8,096
Less Subsidy Allowance	(3,017)
Other	61
Ending Balance of Loans Receivable, Net	$ 564,405

The Loans Receivable, Net reported herein represents the value of direct loans after adjustments for subsidy costs, allowances for estimated defaults, and other provisions required under the Federal Credit Reform Act. This amount does not represent the amount of cash proceeds the government would expect to receive if these loans were sold.

Note 6. Inventory and Related Property, Net

Category	Cost Flow Assumption	FY 2025
Inventory Categories		
Inventory Purchased for Resale (Held for Sale)	Other[1]	$ 3
Inventory – Work-in-Process (Held for Eventual Sale)	Historical	14,863
Inventory – Finished Goods (Held for Sale)	Historical	13,486
Subtotal		28,352
Operating Materials and Supplies Categories		
Operating Materials and Supplies Held for Use	Weighted-average	101,947
Operating Materials and Supplies Excess, Obsolete, and Unserviceable	Weighted-average	11,793
Operating Materials and Supplies Held for Repair	Weighted-average	38,459
Operating Materials and Supplies – Allowance for Loss	Weighted-average	(13,704)
Subtotal		138,495
Total		$ 166,847

[1] *Other valuation method that approximates historical cost.*

Items held for repair are valued at the direct method. The cost of items held in repair is the issue cost, which is the weighted average of the procurement costs adjusted by the cost to repair the item. Operating materials and supplies are adjusted for obsolescence based on average inventory declared beyond economic repair and system decommissioning obsolescence, which is based on the likelihood of a system being decommissioned in a given fiscal year.

Note 7. General Property, Plant, and Equipment, Net

FY 2025				
Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	$ 16,039	$ –	$ $16,039
Structures, Facilities, and Leasehold Improvements	2-50	3,410,928	(1,648,689)	1,762,239
Satellites/Weather Systems Personal Property	2-25	18,902,001	(11,813,838)	7,088,163
Internal Use Software	3-20	2,613,130	(2,239,428)	373,702
Other Personal Property	2-30	2,296,208	(1,714,436)	581,772
Construction-in-progress	N/A	4,624,497	–	4,624,497
Internal Use Software in Development	N/A	191,222	–	191,222
Right-to-use Lease Assets (Note 15)		214,411	(45,708)	168,703
Total		$ 32,268,436	$ (17,462,099)	$ 14,806,337

Information regarding deferred maintenance and repairs and estimated land acreage for the Department is included in the Required Supplementary Information (Unaudited) section.

Schedule for Reconciling General PP&E, Net

	FY 2025
Balance, Beginning of Year	$ 14,974,449
Capitalized Acquisitions	1,370,310
Right-to-use Lease Assets, Current Fiscal Year Activity	75,243
Amortization of Right-to-use Lease Assets	(31,027)
Dispositions	(18,660)
Depreciation Expense	(1,568,175)
Other	4,197
Balance, End of Year	$ 14,806,337

Note 8. Investments

Fair Value Measurement of Other than Intragovernmental Investments as of September 30, 2025:

FY 2025	
	Level 1 (Total)
Equity Securities	$ 9,235,218
Total Fair Value Measurement	$ 9,235,218

Level 1 fair value measurement reflects the unadjusted quoted prices in active markets for identical assets that the Department can access as of the measurement date.

Reconciliation of Investment Activity for Other than Intragovernmental Investments for FY 2025:

	FY 2025
Beginning Balance	$ –
Acquisitions of Investments	5,708,686
Valuation Adjustments	3,526,532
Ending Balance	$ 9,235,218

Valuation Adjustments of $3.53 billion represents the FY 2025 unrealized gain on the investments with Intel to arrive at the fair value of the Investments asset balance as of the measurement date of September 30, 2025, and is reported in the Department's *Consolidated Statement of Net Cost* for FY 2025.

(Dollars per share in actual dollars)

On August 22, 2025, the Department and the Intel Corporation (Intel) entered into a Warrant and Common Stock Agreement whereby the Intel Corporation requested that the Department make a total of $8.87 billion of disbursements, which includes an acceleration of certain disbursements under an existing Direct Funding Agreement with Intel dated in November 2024 of $5.70 billion and disbursements under the U.S. government's Secure Enclave program of $3.17 billion. As appropriate compensation to the U.S. government and as a condition to the Department's willingness to permit the disbursements, Intel agreed to issue to the Department in a private placement (a) 433,323,000 shares of common stock, including 158,740,000 shares of common stock initially placed in escrow for the benefit of the Department and to be released as the U.S. government makes disbursements to Intel under the Secure Enclave program at a price of $20.00 per share; and (b) a five-year warrant to purchase up to 240,516,150 shares of common stock, exercisable under certain conditions, at an exercise price of $20.00 per share which is subject to adjustment. At the last date on which Intel may receive Secure Enclave program disbursements, the above discussed unreleased escrow shall automatically terminate, and 50 percent of the escrowed shares shall be delivered to the Department, and the remaining 50 percent of the unreleased escrow shares shall be automatically forfeited and canceled.

On August 27, 2025, the existing Direct Funding Agreement dated in November 2024 with Intel was amended to release Intel of certain obligations under the agreement. The U.S. government award to Intel for the Secure Enclave program is executed by the U.S. Department of War (DOW) under an agreement with the Department.

In August 2025, NIST paid to Intel the agreed upon $5.70 billion of accelerated disbursements under the Direct Funding Agreement, and the Department thereby received 274,583,000 shares of Intel common stock, which equates to a price of $20.74 per share. Further, in September 2025, DOW disbursed $13.7 million to Intel for the Secure Enclave program, and the Department thereby received 684,309 shares of common stock at a price of $20.00 per share.

The Department's investments with Intel and related activity are recorded by NIST under its CHIPS for America Fund.

The intragovernmental Other Assets – Funds Held by a Third Party for Investment balance as of September 30, 2025 of $2.85 billion, included on the *Consolidated Balance Sheet*, represents NIST funds held by DOW for CHIPS program activities, whereby the Department will receive additional shares of Intel common stock as a result of DOW's applicable Secure Enclave Program disbursements to Intel, based on the terms of the Warrant and Common Stock Agreement.

Informationally, in October 2025 and December 2025, DOW further disbursed monies to Intel for the Secure Enclave program, and the Department thereby received shares of common stock, at a price of $20.00 per share, as follows.

Date Shares Acquired	Number of Shares Acquired
October 27, 2025	2,436,136
December 8, 2025	188,222
December 30, 2025	1,072,120
Total	3,696,478

Note 9. Other Assets

	FY 2025
Other than Intragovernmental	
NTIA-owned Datasets	$ 21,317
NIST-owned Greenhouse Gas Data	4,124
General PP&E Permanently Removed but Not Yet Disposed	9
Bibliographic Database, Net	5
Total	$ 25,455

Note 10. Non-entity Assets

The assets that are not available for use in the Department's operations, included in the Department's *Consolidated Balance Sheet*, are summarized below:

	FY 2025
Intragovernmental	
Fund Balance with Treasury	$ 145,015
Total Intragovernmental	145,015
Other than Intragovernmental	
Cash	3,155
Accounts Receivable, Net	181,435
Total Other than Intragovernmental	184,590
Total Non-entity Assets	329,605
Total Entity Assets	135,486,788
Total Assets	$ 135,816,393

Note 11. Debt

FY 2025				
Program	Beginning Balance	Net Borrowings (Repayments)	Accrued Interest Payable	Ending Balance
Fisheries Finance, Financing Account	$ 446,189	$ 109,380	$ –	$ 555,569
Regional Technology and Innovation Hubs (Tech Hubs)	–	220,000	4,995	224,995
Total	$ 446,189	$ 329,380	$ 4,995	$ 780,564

The Fisheries Financing Program debt has maturity dates ranging from September 2026 to September 2053, with interest rates between 0.76 percent and 6.13 percent. The Regional Technology and Innovation Hub debt matures in September 2027 and carries an interest rate of 4.25 percent. Both of the these debts are due to Treasury.

Note 12. Other Liabilities

FY 2025			
	Current	Non-current	Total
Intragovernmental Other Liabilities			
Employer Contributions and Payroll Taxes Payable	$ 96,885	$ 1	$ 96,886
Other	59,721	11,245	70,966
Total Intragovernmental Other Liabilities	$ 156,606	$ 11,246	$ 167,852
Other than Intragovernmental Other Liabilities			
Contingent Liabilities (Note 17)	$ 22,357	$ –	$ 22,357
Other Liabilities Without Related Budgetary Obligations			
Lease Liabilities (Note 15)	16,216	123,636	139,852
Unfunded Portion of Energy Savings Performance Contracts/Utility Energy Service Contracts Liability	3,926	51,656	55,582
Other	5,054	–	5,054
Other Liabilities With Related Budgetary Obligations			
Lease Liabilities (Note 15)	23,499	5,602	29,101
Other	146	–	146
Total Other than Intragovernmental Other Liabilities	$ 71,198	$ 180,894	$ 252,092
Total Other Liabilities	$ 227,804	$ 192,140	$ 419,944

Current liabilities are expected to be paid within one year whereas Non-current liabilities are expected to paid after September 30, 2026.

Note 13. Federal Employee Salary, Leave, and Benefits Payable and Pensions and Other Post-employment Benefits Payable

	FY 2025
Federal Employee Salary, Leave, and Benefits Payable	
Unfunded Leave	$ 429,471
Other Unfunded Employment-related Liability	112,968
Employer Contributions and Payroll Taxes Payable	11,568
Accrued Funded Payroll and Leave	268,457
Total Federal Employee Salary, Leave and Benefits Payable	**$ 822,464**
Pensions and Other Post-employment Benefits Payable	
Actuarial FECA Liability	$ 125,198
NOAA Corps Retirement System and NOAA Corps Blended Retirement System Liabilities	1,152,500
NOAA Corps Post-retirement Health Benefits Liability	71,100
Total Pensions and Other Post-employment Benefits Payable	**$ 1,348,798**

NOAA Corps Retirement System and NOAA Corps Blended Retirement System Liabilities:

These liabilities represent the unfunded actuarial present value of projected plan benefits. The actuarial calculations are performed annually, as of September 30. The September 30, 2025 actuarial calculations used the following economic assumptions:

	FY 2025
Discount Rate	3.13%
Annual Basic Pay Scale Increases	3.14%
Annual Inflation	3.06%
Cost of Living Adjustment	3.06%

Schedule for Reconciling NOAA Corps Retirement System and NOAA Corps Blended Retirement System Liabilities:

A reconciliation from the beginning balance to the ending balance, including the components of the related pension costs included in the *Consolidated Statement of Net Cost*, follows:

	FY 2025
Beginning Balance	$ 1,095,000
Add Pension Costs:	
Normal Cost	27,900
Interest on the Unfunded Liability	31,800
Actuarial (Gains)/Losses, Net	
From Experience	9,100
From Discount Rate Assumption Change	(24,600)
From Long-term Assumption Changes	
Annual Inflation	46,900
Annual Basic Pay Scale Increases	1,500
Total Pension Costs	92,600
Subtract Benefit Payments	(35,100)
Ending Balance	$ 1,152,500

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, 2025 actuarial calculations used the following economic assumptions:

	FY 2025
Discount Rate	3.06%
Ultimate Medical Trend Rate	4.80%
Single Equivalent Medical Trend Rate	5.00%

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

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

	FY 2025
Beginning Balance – NOAA Corps Post-retirement Health Benefits Liability	$ 62,200
Add Health Benefits Costs:	
Normal Cost	3,200
Interest on the Unfunded Liability	1,900
Actuarial (Gains)/Losses, Net	
From Experience	300
From Discount Rate Assumption Change	(1,800)
From Long-term Assumption Changes	
Medical Trends	7,200
Medical Claims	1,600
Annual Basic Pay Scale Increases	(1,100)
Total Health Benefits Costs	11,300
Subtract Benefit Payments	(2,400)
Ending Balance – NOAA Corps Post-retirement Health Benefits Liability	$ 71,100

Note 14. Environmental and Disposal Liabilities

Environmental and disposal liabilities include the estimated liability for cleanup costs incurred from removing, containing, and/or disposing of asbestos-containing materials from facilities owned by NOAA and NIST and ships owned by NOAA, and also include the estimated liability associated with the future decommissioning of a NIST-operated nuclear reactor.

Environmental and Disposal Liabilities are summarized below:

	FY 2025
Asbestos-related Cleanup Costs	$ 95,545
Nuclear Reactor	114,441
Non-reactor Radiological Facilities	10,630
Pribilof Islands Cleanup	391
Other	2,191
Total	$ 223,198

Note 15. Leases

The Department's right-to-use lease assets with non-federal entities and related lease liabilities and financial activity are primarily for facilities for NOAA for sites across the United States and overseas/international residential housing space for ITA through the Department of State.

Other than Intragovernmental Lease Liabilities as Lessee – Future Payments as of September 30, 2025:

FY 2025			
Fiscal Year	Principal	Interest	Total Future Payments
FY 2026	$ 38,888	$ 6,710	$ 45,598
FY 2027	30,915	5,247	36,162
FY 2028	22,173	3,987	26,160
FY 2029	12,377	3,280	15,657
FY 2030	8,977	2,805	11,782
FY 2031 – FY 2035	29,165	9,286	38,451
FY 2036 – FY 2040	17,282	2,122	19,404
FY 2041 – FY 2045	8,101	992	9,093
FY 2046 – FY 2050	839	154	993
FY 2051 – FY 2055	236	20	256
Total	$ 168,953	$ 34,603	$ 203,556

The range of discount rates utilized to discount the Department's lease liabilities to present value is 3.63 percent to 5.00 percent.

Other than Intragovernmental Leases Data as Lessee – Right-to-Use Lease Expenses:

FY 2025			
	Amortization Expense of the Right-to-use Lease Assets	Interest Expense on the Lease Liabilities	Total
Total	$ 31,027	$ 7,480	$ 38,507

Lease expenses recognized for variable lease payments not previously included in the lease liabilities is $16.2 million for FY 2025.

Intragovernmental Leases as Lessee – Lease Expenses:

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.

	FY 2025
Major Underlying Asset Category:	
Structures and Facilities	$ 274,411
Vehicles	1,248
Total Intragovernmental Lease Expenses as Lessee	$ 275,659

Note 16. Liabilities Not Covered by Budgetary Resources

The liabilities that are not covered by budgetary resources, included in the Department's *Consolidated Balance Sheet*, are summarized below:

	FY 2025
Intragovernmental	
Advances from Others and Deferred Revenue	$ 21,806
Accrued FECA Liability	25,219
Other	14,337
Total Intragovernmental	61,362
Other than Intragovernmental	
Federal Employee Salary, Leave, and Benefits Payable	542,439
Pensions and Other Post-employment Benefits Payable	1,348,798
Environmental and Disposal Liabilities	223,198
Advances from Others and Deferred Revenue	618,403
Contingent Liabilities	22,357
Lease Liabilities	139,852
Unfunded Portion of Energy Savings Performance Contracts/Utility Energy Service Contracts Liability	55,582
Other	5,322
Total Other than Intragovernmental	2,955,951
Total Liabilities Not Covered by Budgetary Resources	3,017,313
Total Liabilities Covered by Budgetary Resources	4,318,809
Total Liabilities Not Requiring Budgetary Resources	119,878
Total Liabilities	$ 7,456,000

Note 17. Commitments and Contingencies

Commitments:

In addition to leases disclosed in Note 15, *Leases*, the Department is committed under obligations for goods and services which have been ordered but not yet received as of September 30, 2025 (see Note 19, *Combined Statement of Budgetary Resources*), as well as material Public-Private Partnerships (see Note 26, *Disclosure Public-Private Partnerships*).

***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 it is probable that an adverse outcome will result. Since some of the potential liabilities represent claims with no stated or estimable amount, the exact amount of potential liabilities is unknown, but the Department believes these claims could result in probable estimable losses of $22.4 million as of September 30, 2025 and which are included as *Other Liabilities* in the Department's *Consolidated Balance Sheet*. For most claims, any amounts ultimately due will be paid out of Treasury's Judgment Fund. For certain 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 will be recognized. However, agencies are required to reimburse the Judgment Fund for payments pursuant to the Contract Disputes Act and the Notification and Federal Employees Antidiscrimination and Retaliation Act of 2002.

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 United States. Since some of the potential liabilities represent claims with no stated or estimable amount, the exact amount of total potential liabilities is unknown, but the Department believes these claims could result in potential estimable losses as of September 30, 2025 of $119.5 million if the outcomes were adverse to the Department. For these potential liabilities, it is reasonably possible that an adverse outcome will result. 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 where it is reasonably possible that an adverse outcome will result. Since some of the potential liabilities represent claims with no stated amount, the exact amount of total potential liabilities is unknown, but the Department believes these claims could result in potential estimable losses as of September 30, 2025 of $3.6 million if the outcomes were adverse to the Department. Of these potential liabilities, most will be funded by Treasury's Judgment Fund, if any amounts are ultimately due.

The table below summarizes the Department's probable and reasonably possible contingent liabilities by type as of September 30, 2025.

FY 2025			
		Estimated Range of Loss	
	Accrued Liabilities	Lower End	Upper End
Legal Contingencies:			
Probable	$ 22,357	$ 21,907	$ 23,934
Reasonably Possible	N/A	3,600	3,600
Legal Environmental Contingencies:			
Probable	–	–	–
Reasonably Possible	N/A	119,460	119,460
Total	**$ 22,357**	**$ 144,967**	**$ 146,994**

Note 18. Consolidated Statement of Net Cost by Major Budgetary Function

United States Department of Commerce Consolidating Statement of Net Cost by Major Budgetary Function
For the Year Ended September 30, 2025

	Natural Resources and Environment/ Other Natural Resources	Other Advancement of Commerce	Area and Regional Development	Others	Combined Total	Intra-Departmental Eliminations	Consolidated Total
Gross Costs	$ 8,184,785	$ 17,896,875	$ 1,249,058	$ 239,250	$ 27,569,968	$ (503,761)	$ 27,066,207
Less: Earned Revenue	(258,128)	(6,084,702)	(4,717)	(2,272)	(6,349,819)	503,761	(5,846,058)
Less: Unrealized (Gain) or Loss on Other than Intragovernmental Investments	–	(3,526,532)	–	–	(3,526,532)	–	(3,526,532)
NET COST OF OPERATIONS	$ 7,926,657	$ 8,285,641	$ 1,244,341	$ 236,978	$ 17,693,617	$ –	$ 17,693,617

Note 19. Combined Statement of Budgetary Resources

Unobligated Balance From Prior Year Budget Authority, Net: This budgetary resources line consists of unobligated balance, brought forward as of October 1, as increased or decreased by current fiscal year activity related to the unobligated balance brought forward—typical items include recoveries of prior year unpaid obligations, cancellations of annual or multi-year appropriations, nonexpenditure transfers of prior year unobligated balances, and other changes including refunds collected for downward adjustments of prior year paid delivered obligations, and borrowing authority withdrawn. The table below displays the FY 2025 composition of this line.

	FY 2025
Unobligated Balance, Brought Forward, October 1	$ 73,322,542
Actual Recoveries of Prior Year Unpaid Obligations	1,155,760
Canceled Authority	(96,371)
Actual Nonexpenditure Transfers of Prior Year Unobligated Balances	54,160
Other Changes in Unobligated Balance, Net	20,103
Unobligated Balance From Prior Year Budget Authority, Net	$ 74,456,194

Appropriations: Appropriations reported on the *SBR Budgetary Resources* subsection will not necessarily agree with *Appropriations Received* as reported on the *Consolidated Statement of Changes in Net Position (SCNP)*. This is due to differences in budgetary and proprietary accounting concepts and reporting requirements. Some receipts are recorded as appropriations on the *SBR*, but are recognized as exchange or non-exchange revenue and reported on the *SCNP* in accordance with SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*.

Borrowing Authority: Total borrowing authority available as of September 30, 2025 for NIST's CHIPS Incentives Loan Program and NOAA's loan programs amounted to $5.56 billion and $223.4 million, respectively. The Borrowing Authority amounts reported in the *SBR Budgetary Resources* section represent net borrowing authority realized during the fiscal year being reported. See Note 1.P, *Liabilities*, for debt repayment requirements, financing sources for repayments, and other terms of borrowing authority use of borrowing authority use.

Permanent, Indefinite Appropriations: The Department has one or more permanent, indefinite appropriations to finance operations.

Permanent Reductions to Budgetary Resources: Permanent reductions to the Department's budgetary resources amounted to $10.76 billion for FY 2025, including a Public Law 119-4, Division A, *Full-Year Consolidated Appropriations Act, 2025* permanent rescission of unobligated balances for DM/NEF no-year budget account of $9.56 billion and a Public Law 119-21, Title IV, Committee on Commerce, Science, and Transportation permanent rescission of unobligated balances for NTIA's Public Wireless Supply Chain Innovation Fund, 2023/2032 multi-year budget account of $850.0 million.

Legal arrangements affecting the Department's use of Unobligated Balances of Budget Authority, and/or Fund Balance with Treasury:

The Department's *Unobligated Balance, End of Year, Unapportioned, Unexpired Accounts* shown on the *SBR* represents the portion of budgetary resources that were not apportioned by OMB and were not available for obligation or otherwise during FY 2025.

The Department's *Unobligated Balance, End of Year, Apportioned, Unexpired Accounts*, Budgetary column shown on the *SBR* includes amounts apportioned by OMB for subsequent fiscal years totaling $6.28 billion. The amounts apportioned in FY 2025 for subsequent fiscal years includes $2.52 billion for NIST's Industrial Technology Services no-year budget account (apportioned for FY 2026), $1.75 billion for NIST's CHIPS for America Fund no-year budget account (apportioned for FY 2026), $394.6 million for NOAA's Fisheries Disaster Assistance no-year budget account (apportioned for FY 2026), and $392.9 million for NTIA's Broadband Equity, Access, and Deployment Program no-year budget account (apportioned for FY 2026).

The Department's Fund Balance with Treasury as of September 30, 2025 includes $790.1 million of USPTO offsetting collections exceeding the current and prior fiscal year appropriations that is temporarily precluded from obligation (reduction of budgetary resources), included in USPTO's Salaries and Expenses Fund. USPTO may use these funds only as authorized by Congress, and only as made available by the issuance of a Treasury warrant. Furthermore, the Department's Fund Balance with Treasury as of September 30, 2025 includes $147.7 million of USPTO sequestered funds (temporary reduction of budgetary resources), also included in USPTO's Salaries and Expenses Fund. For more information on USPTO's Salaries and Expenses Fund, see Note 22, *Funds from Dedicated Collections*.

The Omnibus Budget Reconciliation Act of 1990 established surcharges on certain statutory patent fees collected by USPTO. Subsequent legislation extended the surcharges through September 30, 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. As of September 30, 2025, $233.5 million of Fund Balance with Treasury is held in the Patent and Trademark Surcharge Fund. For more information on the Patent and Trademark Surcharge Fund, see Note 22, *Funds from Dedicated Collections*.

For the NOAA Fishing Vessel Obligation Guarantee program, which is a loan program 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.

Comparison to Budget of the U.S. Government:

A comparison was performed between the amounts reported in the FY 2024 *SBR* and the actual FY 2024 amounts reported in the FY 2026 Budget of the U.S. government for *SBR* lines *Total Budgetary Resources*; *New Obligations and Upward Adjustments*; *Distributed Offsetting Receipts*, and the aggregate of *Outlays, Net,* and *Disbursements, Net*. The FY 2024 differences are explained in the Summary of FY 2024 Reconciling Items table below. The President's Budget that will report actual amounts for FY 2025 has not yet been published, and will be made available on OMB's President's Budget web page.

Summary of FY 2024 Reconciling Items:

(In Millions)

	Combined Statement of Budgetary Resources	FY 2026 Budget of the U.S. Government	Difference	Explanation
Total Budgetary Resources	$ 122,033	$ 121,308	$ 725	Expired budgetary resources included in *SBR*, are not included in the Budget of the U.S. government
New Obligations and Upward Adjustments	$ 48,710	$ 48,701	$ 9	Rounding
Distributed Offsetting Receipts	$ 114	$ 121	$ (7)	Certain receipt accounts included in *SBR*, are not included in the Budget of the U.S. government
Aggregate of Outlays, Net, and Disbursements, Net	$ 14,803	$ 14,801	$ 2	Rounding

Undelivered Orders:

The following table summarizes the amount of budgetary resources obligated for Undelivered Orders as of September 30, 2025:

Undelivered Orders	FY 2025
Undelivered Orders, Federal Paid	$ 3,392,209
Undelivered Orders, Federal Unpaid	236,501
Undelivered Orders, Non-federal Paid	606,082
Undelivered Orders, Non-federal Unpaid	81,696,396
Total	$ 85,931,188

Note 20. Custodial Non-exchange Activity

	FY 2025
Custodial Non-exchange Revenue	
Fines and Penalties	$ 67,543
Other	6,378
Subtotal	73,921
Less: Amounts for Non-federal Entities Total	–
Total Custodial Revenue for Federal Entities	$ 73,921

Custodial non-exchange activity normally includes revenue that was or will be collected, and may also include reductions of revenue when applicable, on behalf of the General Fund of the U.S. government, a trust fund, or other federal or non-federal recipient entities. The Department’s custodial non-exchange revenue and disposition of custodial non-exchange revenue activity is not included in the Department’s financial statements The Department's payables for custodial non-exchange revenue are included in the Department's *Consolidated Balance Sheet*. The above table summarizes the custodial non-exchange revenue that was collected on behalf of other federal entities.

The majority of the Department's custodial non-exchange revenue is received by BIS, EDA, and NOAA for FY 2025. BIS receives custodial revenue from civil monetary penalties assessed to private entities that violate the Export Administration Act. EDA receives custodial revenue from the collection of interest, fines and penalties, and miscellaneous receipts. NOAA receives custodial revenue from interest on its loan portfolio and collection of fines and penalties.

The Department’s payable to the General Fund of the U.S. government for custodial non-exchange revenue was $181.5 million as of September 30, 2025.

Note 21. Fiduciary Activities

The Department has two fiduciary funds. The Patent Cooperation Treaty authorized USPTO to collect patent filing and search fees on behalf of the World Intellectual Property Organization (WIPO), European Patent Office, Korean Intellectual Property Office, Intellectual Property Office of the Philippines, Australian Patent Office, Israeli Patent Office, Japanese Patent Office, and Intellectual Property Office of Singapore from U.S. citizens requesting an international patent. The Madrid Protocol Implementation Act authorized USPTO to collect trademark application fees on behalf of the International Bureau of the WIPO from U.S. citizens requesting an international trademark.

Schedule of Fiduciary Activities for the Year Ended September 30, 2025:

FY 2025			
	Patent Cooperation Treaty	**Madrid Protocol**	**Total**
Fiduciary Net Assets, Beginning Balance	$ 15,897	$ 1,002	$ 16,899
Contributions	154,459	41,491	195,950
Disbursements to and on Behalf of Beneficiaries	(151,187)	(40,881)	(192,068)
Increase/(Decrease) in Fiduciary Net Assets	3,272	610	3,882
Fiduciary Net Assets, Ending Balance	$ 19,169	$ 1,612	$ 20,781

Fiduciary Net Assets as of September 30, 2025:

FY 2025			
	Patent Cooperation Treaty	**Madrid Protocol**	**Total**
Cash and Cash Equivalents	$ 19,169	$ 1,612	$ 20,781
Total Fiduciary Net Assets	$ 19,169	$ 1,612	$ 20,781

Schedule of Fiduciary Activities for the Year Ended September 30, 2024:

FY 2024			
	Patent Cooperation Treaty	**Madrid Protocol**	**Total**
Fiduciary Net Assets, Beginning Balance	$ 16,693	$ 1,080	$ 17,773
Contributions	159,928	39,308	199,236
Disbursements to and on Behalf of Beneficiaries	(160,724)	(39,386)	(200,110)
Increase/(Decrease) in Fiduciary Net Assets	(796)	(78)	(874)
Fiduciary Net Assets, Ending Balance	$ 15,897	$ 1,002	$ 16,899

Fiduciary Net Assets as of September 30, 2024:

FY 2024			
	Patent Cooperation Treaty	**Madrid Protocol**	**Total**
Cash and Cash Equivalents	$ 15,897	$ 1,002	$ 16,899
Total Fiduciary Net Assets	$ 15,897	$ 1,002	$ 16,899

Note 22. Funds from Dedicated Collections

The tables on the following pages depict major funds from dedicated collections separately chosen based on their significant financial activity and importance to taxpayers. All other funds from dedicated collections not shown are aggregated as "Other Funds from Dedicated Collections." The funds from dedicated collections reported in these tables are fully included in the Department's financial statements.

The individual Funds from Dedicated Collections that are included in the Other Funds from Dedicated Collections columns in these tables for FY 2025, unless as otherwise noted below, are as follows:

- NIST Wireless Innovation Fund
- NOAA Environmental Improvement and Restoration Fund
- NOAA Fishermen's Contingency Fund
- NOAA Foreign Fishing Observer Fund
- NOAA Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology Fund
- NOAA Limited Access System Administration Fund
- NOAA North Pacific Marine Research Institute Fund
- NOAA Seafood Inspection Program Fund
- NTIA First Responder Network Authority, Gifts, Donations, and Bequests Trust Fund
- NTIA Public Safety Trust Fund
- NTIA State and Local Implementation Fund

United States Department of Commerce Consolidating Balance Sheet – Funds from Dedicated Collections
As of September 30, 2025

	NOAA Damage Assessment and Restoration Revolving Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA First Responder Network Authority Fund	NTIA Network Construction Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections	Eliminations between Dedicated Collection Funds	Consolidated Totals
ASSETS									
Intragovernmental:									
Fund Balance with Treasury	$ 300,504	$ –	$ 649,646	$ 33,381	$ 3,207,362	$ 119,896	$ 4,310,789	$ –	$ 4,310,789
Accounts Receivable	1,876	–	34	–	780	–	2,690	–	2,690
Advances and Prepayments	–	–	7	93	5,351	14	5,465	–	5,465
Total Intragovernmental	**302,380**	**–**	**649,687**	**33,474**	**3,213,493**	**119,910**	**4,318,944**	**–**	**4,318,944**
Other than Intragovernmental:									
Cash and Other Monetary Assets	–	–	–	–	12,543	–	12,543	–	12,543
Accounts Receivable, Net	2,065	–	15	–	448	3,571	6,099	–	6,099
General Property, Plant, and Equipment, Net	–	–	2,516	587	292,628	13	295,744	–	295,744
Advances and Prepayments	4,377	–	–	–	28,210	–	32,587	–	32,587
Cost Contribution to Buildout/ Continuing Enhancement of Nationwide Public Safety Broadband Network	–	–	758,320	4,855,714	–	–	5,614,034	–	5,614,034
Other Assets	–	–	1,792	2,968	–	–	4,760	–	4,760
Total Other than Intragovernmental	**6,442**	**–**	**762,643**	**4,859,269**	**333,829**	**3,584**	**5,965,767**	**–**	**5,965,767**
TOTAL ASSETS	**$ 308,822**	**$ –**	**$ 1,412,330**	**$ 4,892,743**	**$ 3,547,322**	**$ 123,494**	**$ 10,284,711**	**$ –**	**$ 10,284,711**
LIABILITIES									
Intragovernmental:									
Accounts Payable	$ 2	$ –	$ 292	$ –	$ 13,867	$ (25)	$ 14,136	$ –	$ 14,136
Other Liabilities – Other	126	–	154	–	20,486	366	21,132	–	21,132
Total Intragovernmental	**128**	**–**	**446**	**–**	**34,353**	**341**	**35,268**	**–**	**35,268**
Other than Intragovernmental:									
Accounts Payable	(1,343)	–	2,153	–	76,900	2	77,712	–	77,712
Federal Employee, Salary, Leave, and Benefits Payable	398	–	5,223	–	340,115	1,067	346,803	–	346,803
Pensions and Other Post-employment Benefits Payable	–	–	–	–	6,934	–	6,934	–	6,934
Advances from Others and Deferred Revenue	–	–	153,625	–	1,598,695	–	1,752,320	–	1,752,320
Other Liabilities									
Accrued Grant Liabilities	2,408	–	–	–	–	848	3,256	–	3,256
Other	–	–	–	–	20,108	–	20,108	–	20,108
Total Other than Intragovernmental	**1,463**	**–**	**161,001**	**–**	**2,042,752**	**1,917**	**2,207,133**	**–**	**2,207,133**
TOTAL LIABILITIES	**$ 1,591**	**$ –**	**$ 161,447**	**$ –**	**$ 2,077,105**	**$ 2,258**	**$ 2,242,401**	**$ –**	**$ 2,242,401**
NET POSITION									
Cumulative Results of Operations	$ 307,231	$ –	$ 1,250,883	$ 4,892,743	$ 1,470,217	$ 121,236	$ 8,042,310	$ –	$ 8,042,310
TOTAL NET POSITION	**$ 307,231**	**$ –**	**$ 1,250,883**	**$ 4,892,743**	**$ 1,470,217**	**$ 121,236**	**$ 8,042,310**	**$ –**	**$ 8,042,310**
TOTAL LIABILITIES AND NET POSITION	**$ 308,822**	**$ –**	**$ 1,412,330**	**$ 4,892,743**	**$ 3,547,322**	**$ 123,494**	**$ 10,284,711**	**$ –**	**$ 10,284,711**

United States Department of Commerce Consolidating Statement of Net Cost – Funds from Dedicated Collections
For the Year Ended September 30, 2025

	NOAA Damage Assessment and Restoration Revolving Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA First Responder Network Authority Fund	NTIA Network Construction Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections	Eliminations between Dedicated Collection Funds	Consolidated Totals
Gross Costs	$ 67,855	$ –	$ 154,798	$ 295,278	$ 4,619,294	$ 47,434	$ 5,184,659	$ –	$ 5,184,659
Less: Earned Revenue	–	–	(544,453)	–	(4,423,221)	–	(4,967,674)	–	(4,967,674)
NET COST (SURPLUS) OF OPERATIONS	**$ 67,855**	**$ –**	**$ (389,655)**	**$ 295,278**	**$ 196,073**	**$ 47,434**	**$ 216,985**	**$ –**	**$ 216,985**

United States Department of Commerce Consolidating Statement of Changes in Net Position – Funds from Dedicated Collections
For the Year Ended September 30, 2025

	NOAA Damage Assessment and Restoration Revolving Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA First Responder Network Authority Fund	NTIA Network Construction Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections	Eliminations between Dedicated Collection Funds	Consolidated Totals
Cumulative Results of Operations:									
Beginning Balance	$ 314,199	$ 8,811,749	$ 857,124	$ 5,188,022	$ 1,440,995	$ 107,340	$ 16,719,429	$ –	$ 16,719,429
Other Adjustments	–	(8,811,749)	–	–	–	–	(8,811,749)		(8,811,749)
Non-exchange Revenue									
Intragovernmental	9,303	–	–	–	–	66	9,369	–	9,369
Other than Intragovernmental: Miscellaneous Taxes and Receipts	–	–	–	–	–	38,708	38,708	–	38,708
Transfers In/Out Without Reimbursement	51,584	–	–	–	(2,440)	22,556	71,700	–	71,700
Imputed Financing	–	–	4,129	–	227,735	–	231,864	–	231,864
Other	–	–	(25)	(1)	–	–	(26)	–	(26)
Net (Cost) Surplus of Operations	(67,855)	–	389,655	(295,278)	(196,073)	(47,434)	(216,985)	–	(216,985)
Net Change in Cumulative Results of Operations	(6,968)	(8,811,749)	393,759	(295,279)	29,222	13,896	(8,677,119)	–	(8,677,119)
Cumulative Results of Operations: Ending	**307,231**	**–**	**1,250,883**	**4,892,743**	**1,470,217**	**121,236**	**8,042,310**	**–**	**8,042,310**
NET POSITION	**$ 307,231**	**$ –**	**$ 1,250,883**	**$ 4,892,743**	**$ 1,470,217**	**$ 121,236**	**$ 8,042,310**	**$ –**	**$ 8,042,310**

Below is a description of major Funds from Dedicated Collections shown in the tables on the previous pages:

NOAA's ***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, tribal, or foreign trustee for natural resource damages are retained by the trustee and are 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 U.S.C. Section 2706, *Natural resources*.

NTIA's ***Digital Television Transition and Public Safety Fund*** made digital television available to every home in America, improved communications between local, state, and federal agencies, allowed smaller television stations to broadcast digital television, and improved how warnings are received when disasters occur. The law establishing programs under this fund can be found in the Deficit Reduction Act of 2005, Sections 3001-3014. A budgetary early cancellation of no-year authority of $8.81 billion for this fund was carried out in September 2025 whereby $8.81 billion of Fund Balance with Treasury that was not available for obligation during FY 2025 was paid to the General Fund of the U.S. government. This early cancellation of authority is shown in this Note's *Consolidating Statement of Changes in Net Position* for this fund, *Cumulative Results of Operations* subsection, *Other Adjustments* line.

NTIA's ***Network Construction Fund*** and ***First Responder Network Authority Fund*** primarily provide funding at this time for the federal portion of cost contributions toward buildout/continuing enhancement of the Nationwide Public Safety Broadband Network (NPSBN) and for operations of the First Responder Network Authority (FirstNet), an independent authority within NTIA. FirstNet shall ensure the establishment of a nationwide interoperable broadband network to help police, firefighters, emergency medical service professionals, and other public safety officials stay safe and do their jobs. For information about FirstNet's public-private partnership with AT&T to buildout, deploy, operate, and maintain the NPSBN under a 25-year contract award by FirstNet to AT&T in March 2017, see Note 26, *Disclosure Public-Private Partnerships*.

The Department's cost contribution to buildout and continuing enhancement of the NPSBN is captured in both the Network Construction Fund (cost contribution to buildout) and in the First Responder Network Authority Fund (cost contribution to continuing enhancement). See Note 1.O, *Cost Contribution to Buildout/Continuing Enhancement of Nationwide Public Safety Broadband Network*, for information regarding the classification of these cost contributions as an asset.

Network Construction Fund

The Network Construction Fund received transfers in from NTIA's Public Safety Trust Fund through FY 2022 in accordance with Public Safety Trust Fund priority 3 of transferring up to $7.00 billion to the Network Construction Fund for buildout of the NPSBN. The law establishing the Network Construction Fund can be found under Section 6206, *Powers, Duties, and Responsibilities of the First Responder Network Authority* of the Middle Class Tax Relief and Job Creation Act of 2012.

First Responder Network Authority Fund

FirstNet is authorized to assess and annually collect fees, and collects exchange revenue (allocated between deferred revenue and earned revenue for proprietary basis of accounting) from AT&T under the terms of its contract with AT&T to buildout, deploy, operate, and maintain the NPSBN. The First Responder Network Authority Fund was established primarily pursuant to Sections 6206 and 6208, *Permanent Self-Funding; Duty to Assess and Collect Fees for Network Use* of the Middle Class Tax Relief and Job Creation Act of 2012.

USPTO's *Funds from Dedicated Collections* consist of its **Salaries and Expenses Fund, Patent and Trademark Surcharge Fund**, and **Patent and Trademark Fee Reserve 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 the USPTO's responsibility to 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. See 35 U.S.C. 42, *Patent and Trademark Office funding* for more information on this fund; and for FY 2025 budgetary financial information, see the *Combining Statement of Budgetary Resources by Major Budget Account* (unaudited), included in *Required Supplementary Information (Unaudited)*.

The **Patent and Trademark Surcharge Fund**, a Special Fund Receipt Account at Treasury, is discussed in Note 19, *Combined Statement of Budgetary Resources*. USPTO may use monies from this fund only as authorized by Congress and made available by the issuance of a Treasury warrant. The law establishing the Patent and Trademark Surcharge Fund is the Omnibus Budget Reconciliation Act of 1990 (Public Law 101-508), Title X, Subtitle B, Section 10101, *Patent and Trademark Office User Fees*.

The **Patent and Trademark Fee Reserve Fund** results from a provision that requires USPTO to deposit into this fund all patent and trademark fees collected in excess of its annual appropriation amount. Funds made available may only be used, as applicable, for expenses of USPTO relating to the processing of patent applications and trademark registrations, and for other activities, services, and materials relating to patents, trademarks, and related administrative costs. The law establishing the Patent and Trademark Fee Reserve Fund can be found in 35 U.S.C. Section 42.

Note 23. Reconciliation of Net Cost to Net Outlays

The *Reconciliation of Net Cost to Net Outlays* reconciles proprietary basis of accounting *Net Cost of Operations* (as reported in the *Consolidated Statement of Net Cost*) to budgetary basis of accounting *Agency Outlays, Net* (as reported in the *Combined Statement of Budgetary Resources*). *Agency Outlays, Net* is comprised of *Outlays, Net* (Outlays, Gross less Actual Offsetting Collections) less *Distributed Offsetting Receipts*. The second section reverses out items included in *Net Cost of Operations* that are not included in *Agency Outlays, Net*. The third section adds items included in *Agency Outlays, Net* that are not included in *Net Cost of Operations*. The *Reconciliation of Net Cost to Net Outlays* for FY 2025 follows:

FY 2025	Intragovernmental	Other than Intragovernmental	Total
Net Cost of Operations			**$ 17,693,617**
Components of Net Cost of Operations that are Not Part of Agency Outlays, Net			
Depreciation Expense of General Property, Plant, and Equipment	$ –	$ (1,568,175)	(1,568,175)
Cost of Goods Sold	–	(9,279)	(9,279)
Expense Recognition of Cost Contribution to Buildout/Continuing Enhancement of Nationwide Public Safety Broadband Network	–	(325,741)	(325,741)
Amortization Expense of Right-to-use Lease Assets	–	(31,027)	(31,027)
Amortization Expense – Other	–	(6,434)	(6,434)
Imputed Costs from Cost Absorbed by Others	(740,287)	–	(740,287)
Other Expenses	(7,899)	(15,978)	(23,877)
Gains/(Losses) on Disposition of Assets, Net	–	(7,005)	(7,005)
Valuation Adjustments on Investments – Unrealized Gains	–	3,526,532	3,526,532
Other Gains/(Losses), Net	–	(1,027)	(1,027)
Net Cost of Operations for Non-budgetary Credit Reform Financing Accounts			6,543
Undeposited Collections – Increases	–	4,511	4,511
Advances and Prepayments – Decreases	(26,389)	–	(26,389)
Advances from Others and Deferred Revenue – Decreases	1,153	120,381	121,534
Pensions and Other Post-employment Benefits Payable – Increases	–	(56,385)	(56,385)
Environmental and Disposal Liabilities – Increases	–	(17,275)	(17,275)
Various Other Liabilities – Increases	(19,310)	(1,121)	(20,431)
Total Components of Net Cost of Operations that are Not Part of Agency Outlays, Net			**825,788**
Components of Agency Outlays, Net that are Not Part of Net Cost of Operations			
Receivables, Net – Decreases	(97,977)	(23,807)	(121,784)
Adjustment for Pre-credit Reform Direct Loans: Pre-credit Reform Loans and Interest Receivables, Gross – Increase/(Decrease)	–	(51)	(51)
Advances and Prepayments – Increases	–	412,011	412,011
Accounts Payable – Decreases	5,726	215,418	221,144
Advances from Others and Deferred Revenue – Increases	(44,444)	(96,202)	(140,646)
Federal Employee Salary, Leave, and Benefits Payable – Decreases	–	56,910	56,910
Various Other Liabilities – Decreases	5,615	208,695	214,310
Principal Payments on Lease Liabilities	–	32,987	32,987
Capitalized Purchases of Property, Plant, and Equipment	618	1,369,692	1,370,310
Capitalized Purchases of Inventory and Related Property	–	53,059	53,059
Capitalized Purchases of Other Assets	–	1,287	1,287
Capitalized Cost Contribution to Buildout/Continuing Enhancement of Nationwide Public Safety Broadband Network	–	576,254	576,254
Acquisitions of Investments	–	5,708,686	5,708,686
Other Outlays, Gross not Part of Net Cost of Operations	575	–	575
Other Assets – Funds Held by a Third Party for Investment – Increase[1]	2,850,659	–	2,850,659
Other Actual Offsetting Collections Not Part of Net Cost of Operations	(22,028)	(26,114)	(48,142)
Other	–	(273)	(273)
Distributed Offsetting Receipts			5,121
Total Components of Agency Outlays, Net that are Not Part of Net Cost of Operations			**11,192,417**
Agency Outlays, Net			**$ 29,711,822**

[1] *The $2.85 billion in Other Assets is funding paid by NIST to the Department of War for CHIPS program activities.*

Note 24. Stewardship Property, Plant, and Equipment

Preservation of stewardship property, plant, and equipment (PP&E) promotes the Department's mission of providing effective management and monitoring of our Nation's resources and assets to support both environmental and economic health. To ensure that these resources are preserved and sustained for the benefit and enjoyment of future generations, Congress has enacted legislation to assist in asset management. Additionally, the Department conducts its mission in ways that minimize environmental impacts, conserve natural and cultural resources, and provide effective stewardship of the environment.

Information regarding estimated land acreage for the Department's stewardship land and information regarding deferred maintenance and repairs for the Department's multi-use heritage assets is included in the *Required Supplementary Information (Unaudited)* section.

Stewardship National Marine Sanctuaries, Marine National Monuments, Conservation Area, Habitat Blueprint, and Land and Permanent Land Rights

NOAA:

Written policy statements or permit guidelines for the National Marine Sanctuaries and Marine National Monuments have been developed for the areas of acoustic impacts, artificial reefs, climate change, invasive species, and marine debris. 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.

NOAA maintains the following stewardship assets under this subcategory:

National Marine Sanctuaries: In 1972, Congress passed the Marine Protection, Research, and Sanctuaries Act (Act) in response to a growing awareness of the intrinsic environmental and cultural value of coastal waters. The Act authorized the Secretary of Commerce to designate special nationally-significant areas of the marine environment as national marine sanctuaries. These protected waters provide a secure habitat for species close to extinction, and also protect historically significant shipwrecks and prehistoric artifacts. National marine sanctuaries are also used for recreation (e.g., boating, diving, and sport fishing), and support valuable commercial industries such as fishing and kelp harvesting. In 2025, the Papahānaumokuākea and Chumash Heritage were designated as national marine sanctuaries. As of September 30, 2025, 18 National Marine Sanctuaries, which include both coastal and offshore areas, have been designated, as follows:

- Channel Islands National Marine Sanctuary
- Chumash Heritage National Marine Sanctuary
- Cordell Bank National Marine Sanctuary
- Florida Keys National Marine Sanctuary
- Flower Garden Banks National Marine Sanctuary
- Gray's Reef National Marine Sanctuary
- Greater Farallones National Marine Sanctuary
- Hawaiian Islands Humpback Whale National Marine Sanctuary
- Lake Ontario National Marine Sanctuary
- Mallows Bay-Potomac River National Marine Sanctuary
- Monitor National Marine Sanctuary
- Monterey Bay National Marine Sanctuary
- National Marine Sanctuary of American Samoa
- Olympic Coast National Marine Sanctuary
- Papahānaumokuākea National Marine Sanctuary
- Stellwagen Bank National Marine Sanctuary
- Thunder Bay National Marine Sanctuary
- Wisconsin Shipwreck Coast National Marine Sanctuary

Marine National Monuments: The Marine National Monuments were created to protect the abundant and diverse coral, fish, and seabird populations; to facilitate exploration and scientific research; and to promote public education regarding the value of these national treasures. The establishment of the Monuments provides the opportunity to protect areas of outstanding scientific, cultural, conservation, and aesthetic value, and provide for the long-term preservation of these natural and cultural legacies. There are currently five Marine National Monuments, as follows:

- Marianas Trench Marine National Monument
- Northeast Canyons and Seamounts Marine National Monument
- Pacific Remote Islands Marine National Monument
- Papahānaumokuākea Marine National Monument
- Rose Atoll Marine National Monument

Aleutian Islands Habitat Conservation Area: On July 28, 2006, NOAA formally established the Aleutian Islands Habitat Conservation Area in Alaska, which covers nearly 370 thousand 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.

NOAA Habitat Blueprint: NOAA is mandated to protect habitat for managed, threatened and endangered fish species, marine mammals, and other natural resources within the coastal zone. Recognizing the need for concerted efforts to conserve, protect, and restore habitat, NOAA developed the NOAA Habitat Blueprint/Habitat Focus Areas (HFAs) to coordinate its investments and leverage external resources for greater on-the ground impact. There are currently 11 HFAs as follows:

- Biscayne Bay, FL
- Choptank River Watershed, MD/DE
- Kachemak Bay, AK
- Manell-Geus Watershed, GU
- Middle Peninsula, VA
- Muskegon Lake, MI
- Northeast Reserves and Culebra Island, PR
- Penobscot River Watershed, ME
- Russian River Watershed, CA
- St. Louis River Estuary, MN/WI
- West Hawaii, HI

Stewardship Land and Permanent Land Rights:

Per federal accounting standards, stewardship land is land and land rights owned by the federal government but not acquired for or in connection with items of General PP&E. Land is the solid part of the surface of the Earth. Excluded from the definition of land are the natural resources (that is, depletable resources such as mineral deposits and petroleum; renewable resources such as timber, and the outer-continental shelf resources) related to land.

NOAA's stewardship land supports its mission by serving as sites for NOAA's operations, including for facilities and offices, observatories, laboratories, and rookeries.

The site for the National Environmental Satellite, Data, and Information Service's (NESDIS) Office of Satellite and Product Operations Gilmore Creek in Fairbanks AK, which is the site of the Fairbanks Command and Data Acquisition (CDA) Station (campus) is NOAA's primary satellite ground station for downloading data from and sending commands to polar orbiting satellites. The CDA Station houses a number of buildings and has nine antennas in active use. It is one of the busiest and most capable satellite ground stations in the world. In addition to being the Nation's premier civilian ground station in support of polar orbiting satellites, the CDA Station also acts as a backup in support of NOAA's primary geostationary satellite ground station, the Wallops CDA Station on Wallops Island on the Eastern Shore of Virginia. The CDA Station provides backup support for the Geostationary Operational Environmental Satellites orbiting in the west position.

There are five rookeries in St. Paul, AK along with the site for the National Weather Service (NWS) offices in St. Paul along with various land easements to access the rookeries and the St. Paul Airport.

In addition, in St. George, AK, there is land housing the National Marine Fisheries support buildings, known as the Cottage and the Seal Skin Processing Plant (due to their uses prior to NOAA's operational uses), and eight rookeries along with various land easements to access the rookeries.

The following sites are additional stewardship land items:

- National Marine Fisheries Service (NMFS) Auke Bay Laboratory site in Juneau (Auke Bay/Cake), AK
- National Ocean Service Laboratory site in Seldovia (Kasitsna Bay), AK
- NWS offices in Utqiaġvik (Barrow), AK
- NWS Tsunami Warning Center site and housing site in Palmer, AK
- Office of Oceanic and Atmospheric Research (OAR) Lava Diversion Barrier site and OAR Observatory site in Volcano, HI
- OAR Observatory in Utqiaġvik (Barrow), AK

NOAA's real property community is responsible for reporting stewardship land and non-collection type heritage assets (including multi-use heritage assets). NOAA's Real Property Management Division (RPMD) reports Stewardship PP&E if the property contains a real property interest. The following highlights the specific roles and responsibilities of RPMD:

- Maintain a list of stewardship land and non-collection type heritage assets;
- Ensure that stewardship land and non-collection type heritage assets are listed as such in the real property inventory system;
- Include a requirement for confirmation of stewardship land or non-collection type heritage asset status and whether any Line/Staff Office(s) believes that a real property item should be a stewardship land or heritage asset in its annual real property inventory testing; and
- Consult with the NOAA Federal Preservation Officer and the relevant Line/Staff Office(s) regarding any additions to the real property inventory to ensure that the stewardship land or heritage or non-heritage asset status is correctly identified, including if a National Historic Preservation Act compliant evaluation is required.

NOAA utilizes 41 U.S.C., *Public Contracts*, Section 6301, *Authorization Requirement*, which states that the federal government may not acquire land unless the contract or purchase is authorized by law or is under an appropriation adequate to its fulfillment. NOAA also follows the requirements under 41 CFR, *Public Contracts and Property Management*, Subtitle C, Part 102-73, *Real Estate Acquisition*, including for acquiring land via purchase or condemnation (Subpart C, *Acquisition by Purchase or Condemnation*). NOAA acquires land only for specific mission needs that cannot be met by its existing inventory and only if properly authorized. For acquiring land via transfer in from other federal entities, including from GSA, NOAA follows the federal procedures in 41 CFR Subtitle C, Part 102-75, *Real Property Disposal*, Transfers subsection (102-75.175 through 102-75.235).

NOAA maintains and uses its land in support of the mission that land serves. Its maintenance, such as landscaping, snow removal, and pest control are dependent on the use and location of the particular parcel of land. NOAA's policy is for all personnel and affiliates to conduct their activities in a manner that complies with all applicable environmental requirements and to cooperate with federal agencies (including the Environmental Protection Agency, as well as state, interstate, and local agencies in the prevention, control, and abatement of environmental pollution. (NOAA Administrative Order 216-17A, *NOAA Environmental Compliance Program*). NOAA disposes of land based on 41 CFR, Subtitle C, Part 102-75, *Real Property Disposal*. In special cases, specific legislation may also provide disposal authority for and direct the disposal of a particular location/site.

NIST:

Stewardship Land and Permanent Land Rights: The site for the Boulder campus in Boulder, CO and the related permanent land rights are stewardship items. The related permanent land rights include shares and water rights to the privately-owned Anderson Ditch which crosses through the Boulder campus and has been listed in the National Register of Historic Places (NRHP). The Boulder campus consists of the land housing the Boulder laboratories and support facilities and the land comprised of protected area. The protected area is in accordance with an agreement between NIST and the city of Boulder whereby agreements with the City of Boulder and Native American Tribes have been respected and the designated protected area continues to be preserved. NIST utilizes NIST P 2100.00, *Facilities and Site Management* for maintaining and preserving the Boulder campus and the related permanent land rights. For any sites listed or eligible to be listed in the NRHP, all proposed changes must comply with the Secretary of the Interior's Standards for the Treatment of Historic Properties and are subject to advance review and consultation with the applicable state historic preservation office. NIST utilizes NIST S 2103.05, *Acquisition and Disposal of Real Property* for the acquisition and disposal of stewardship land in support of NIST's mission.

Heritage Assets

Per federal accounting standards, heritage assets are unique for their historical or natural significance, cultural, educational, or artistic importance, or 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 federal government operations, the asset is considered a multi-use heritage asset. The cost of acquisition, improvement, reconstruction, or renovation of a multi-use heritage asset is capitalized as General PP&E and is depreciated over its estimated useful life.

Non-collection-type Heritage Assets:

NOAA:

Non-collection-type heritage assets maintained by NOAA currently include the following, all of which are multi-use heritage assets:

- NESDIS Buildings (6) in Gilmore Creek, Fairbanks, AK
- NMFS Buildings (2) in St. George, AK which uses include research and housing, known as the Cottage and the Seal Skin Processing Plant
- NMFS Galveston Laboratory Buildings (5) in Galveston, TX
- Northwest Fisheries Science Center in Seattle, WA (building)
- OAR Air Resources Lab in Oak Ridge, TN (building)
- OAR Great Lakes Environmental Research Laboratory/Lake Michigan Field Station in Muskegon, MI (building)
- OAR Observatory Campus in Mauna Loa, HI (building)
- Western Regional Center Hangars (2) at the Water Resource Center in Seattle, WA (buildings)

For FY 2025, there were no withdrawals of NOAA's non-collection-type heritage assets. Typically, the methods of withdrawal may include demolition, disposal, transfer, sale, and reassessment of heritage assets criteria due to a review(s) of additional or new information or documentation.

For policies and procedures for NOAA's real property community regarding non-collection type heritage assets, see the *Stewardship Land and Permanent Land Rights* subsection.

NIST:

Non-collection-type heritage assets maintained by NIST include the following, all of which are multi-use heritage assets:

- Boulder Laboratories Building 1 in Boulder, CO
- Gaithersburg Campus in Gaithersburg, MD
- Fort Collins Campus in Fort Collins, CO
- Kehaka, Kauai Campus in Kehaka, HI

The Boulder Laboratories Building 1, also known as the Central Radio Propagation Laboratory, is eligible for listing in the NRHP due to its historic and architectural importance. Within Building 1 laboratories, ground breaking research has led to major scientific developments such as the atomic clock. The Gaithersburg NIST campus is listed as a Historic District in the NRHP due to its association with both significant advances in the history of science and technology as well as for its acclaimed mid-century modern architectural design and the embodiment of post World War II suburban campus planning principles. The Fort Collins NIST campus and the Kehaka NIST campus are eligible for listing in the NRHP due to their exceptional national significance in the historic themes of science and engineering. These radio transmitter facilities are integral to receiving and transmitting the national standard for time calibrated through the atomic clock located at Building 1 at the NIST Boulder Laboratories as well as maintaining the integrity of the Nation's radio airwaves. The land at the Kehaka NIST campus is leased from the U.S. Navy and NIST owns and maintains the structures.

For policies and procedures for NIST's real property community regarding non-collection type heritage assets, see the *Stewardship Land and Permanent Land Rights* subsection.

Collection-type Heritage Assets:

NOAA:

NOAA has established policies, procedures, and standards for the preservation, security, handling, storage, and display of NOAA personal property heritage assets to ensure the proper care and handling of these assets under its control or jurisdiction. NOAA maintains a nationwide inventory of personal property heritage assets, ensuring that they are identified and recorded in the Personal Property Heritage Asset Accountability System. Each loan of NOAA personal property heritage assets, including assigning values and inventory numbers and reporting the current condition of heritage assets, is tracked and updated and the feasibility of new asset loans is determined. In addition, NOAA collects personal property heritage assets of historic, cultural, artistic, or educational significance to NOAA.

NOAA's 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 artifacts include, but are not limited to: books, journals, publications, photographs, motion pictures, manuscripts, records, nautical chart plates, 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. NOAA's Logistics Office continually conducts inventories of NOAA's collection-type heritage assets.

For FY 2025, there have been 98 withdrawals of NOAA's collection-type heritage assets. Typically, the methods of withdrawal may include assets being destroyed, lost, missing, stolen, and donated/transferred to an entity outside of NOAA. The 98 assets were withdrawn because they no longer meet the Heritage critertia.

NOAA's collection-type heritage assets include the following:

NOAA Central Library: Many of NOAA's heritage assets are maintained by the NOAA Central Library. The holdings include artifacts, documents, and other items.

Thunder Bay Sanctuary Research Collection: The Thunder Bay National Marine Sanctuary is jointly managed by NOAA and the State of Michigan to protect and interpret a nationally significant collection of shipwrecks and other maritime heritage resources.

Florida Keys National Marine Sanctuary Collection: The Florida Keys National Marine Sanctuary (FKNMS) collection-type heritage assets include artifacts from shipwreck and wrecking events occurring in the Florida Keys over a 500-year period. FKNMS is an abundant mixture of natural and cultural, historical resources.

NIST:

NIST currently maintains collection-type heritage assets under its Museum, which collects, preserves, and exhibits artifacts, such as scientific instruments, equipment, and objects 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 NIST Museum has policies in place for acquisitions and loans. Objects are either on display or in storage and are not used by visitors. 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; and
- Safety considerations.

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.

Assets may be withdrawn by the NIST museum staff, who will provide a rationale for the deaccession. Deaccessioning is part of the formation and care of collections and is performed in order to refine and improve the quality and appropriateness of the collections to better serve the museum's mission. Potential justifications for deaccessioning an item from the Museum Collections may include, but are not limited to, the following:

- Not or no longer historically relevant to NIST History;
- Not useful for research, exhibition, or educational purposes;
- Duplicate or better representative items in collection or about to be acquired;
- Return of items on long-term loan;
- Lack of information available on artifact;
- Safety concerns;
- The Museum is unable to properly care for, conserve, or store the object; and
- Fits better with a more appropriate collecting institution.

Census Bureau:

Collection-type heritage assets maintained by the 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 the Census Bureau. Some items because of their age or obvious historical significance are inherently historical artifacts.

The Census Bureau has in place a Project Charter that outlines policies and procedures for the acquisition and removal of Census Bureau's heritage assets. The Census Bureau Heritage Assets Committee decides if an item meets the criteria for a heritage asset based on the uniqueness, historical age, and/or if the item helps to illustrate the 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, the Census Bureau will follow any applicable established policies and procedures for surplus property.

The following table summarizes the Department's collection-type heritage assets activity and balances.

Collection-type Heritage Assets: Individual Items
(In Actual Quantities)

Category	Description of Assets	Quantity of Items Held September 30, 2024	FY 2025 Additions	FY 2025 Withdrawals	Quantity of Items Held September 30, 2025
NOAA National Ocean Service – Thunder Bay Sanctuary Research Collection	Data cards, photograph negatives, document copies, photographs, books, and other items	106,254	–	–	106,254
NOAA Central Library	Artifacts, documents, and other items	27	–	–	27
NOAA Florida Keys National Marine Sanctuary Collection	Artifacts	253	–	–	253
NOAA – Other	Artifacts, artwork, books, films, instruments, maps, and records	3,122	1	98	3,025
NIST Artifacts and Scientific Measures	National Bureau of Standards[1]/NIST scientific instruments, equipment, and objects	26	–	1	25
Census Bureau Artwork and Gifts	Artifacts, artwork, books, films, instruments, and records	84	–	–	84
Census Bureau Collectable Assets	Publications, books, manuscripts, photographs, and maps	33	–	–	33
Total		109,799	1	99	109,701

[1] *National Bureau of Standards is the former name of NIST.*

Note 25. Disclosure Entity

Corporation for Travel Promotion (CTP)

CTP was established by the Travel Promotion Act of 2009 (TPA) as the Nation's first public-private partnership to spearhead a globally coordinated marketing effort to promote the United States as a premier travel destination and to communicate U.S. visa and entry policies. CTP is a non-profit corporation that was incorporated in the District of Columbia and began operations in May 2011. As the destination marketing organization for the United States, CTP's mission is to increase incremental international visitation, spend, and market share to fuel the Nation's economy and to enhance the image of the United States worldwide. CTP's programs, activities, and operations are managed and supported from its office in Washington, DC.

TPA set forth that the Secretary of Commerce shall appoint all 11 members of CTP's board of directors (after consultation with the Secretary of Homeland Security and the Secretary of State) and can remove board members with good cause. TPA's accountability measures included that CTP's board of directors shall establish annual objectives for the corporation for each fiscal year subject to approval by the Secretary of Commerce (after consultation with the Secretary of Homeland Security and the Secretary of State), that CTP shall provide an annual budget to the Secretary of Commerce, that CTP shall undergo annual financial audits of its operations, and that CTP shall submit an annual report to the Secretary of Commerce for transmittal to Congress.

The Travel Promotion, Enhancement, and Modernization Act of 2014 amended TPA, and its provisions included requirements for CTP to establish performance metrics and to establish a competitive procurement process. The Brand USA Extension Act (December 20, 2019) further amended TPA, including a requirement to make available CTP's performance metrics on its website.

The Department does not provide any funding to CTP. CTP currently receives federal funding, under a matching requirement, from the federal government's Travel Promotion Fund, which receives a designated portion of each fee collected by the federal government from international visitors who visit the United States under the Visa Waiver Program. The Travel Promotion Fund is not part of the Department and is not included in the Department's financial statements. The Travel Promotion, Enhancement, and Modernization Act of 2014, and the Brand USA Extension Act, extended the sunset date of the federal government's designated fee (for deposit to the Travel Promotion Fund) from September 30, 2015 (under TPA) to September 30, 2027. ITA receives and processes, including supporting documentation, requests from CTP for funding from the Travel Promotion Fund. CTP had been designated to receive from the Travel Promotion Fund a matching portion of designated fees, equal to the amount collected from non-federal sources, not to exceed $100.0 million annually, adjusted for sequestrations. TPA's current matching requirement, in effect since the Brand USA Extension Act further amended TPA in December 2019, is that CTP shall provide matching amounts from non-federal sources that in the aggregate are equal to 100 percent of the amount transferred to CTP from the Travel Promotion Fund. In-kind matching contributions cannot account for more than 50 percent of the matching requirement. For FY 2026 and future fiscal years, the designated $100.0 million funding has been reduced to $20.0 million annually per Public Law 119-21 (July 4, 2025), Title IV, Section 40009, *Reduction in Annual Transfers to the Travel Promotion Fund*.

Furthermore, Public Law 117-103, *Consolidated Appropriations Act, 2022* (March 15, 2022), Division FF, Section 101, *Restoring Brand USA Act*, made available to CTP one-time funding from the Travel Promotion Fund of $250.0 million. Of the $250.0 million made available to CTP, $200.0 million was not subject to TPA's current matching requirements and has been received by CTP in FY 2023. The remaining $50.0 million is subject to TPA's current matching requirements, most of which has been executed.

CTP is included in the Department's financial reporting as a disclosure entity because it meets the inclusion principle of an organization that is controlled by the federal government with risk of loss or expectation of benefit—including because the Secretary of Commerce appoints all 11 members of the board of directors and can remove board members with good cause, while the federal government receives financial and/or nonfinancial benefits from CTP as a result of CTP furthering the federal government's objectives regarding increasing U.S. economic activity and economic benefits to the Nation.

Assets, liabilities, revenue, expenses, gains, and/or losses of CTP have no impact on the Department's financial statements.

The primary financial and/or nonfinancial exposures to the federal government regarding CTP appear to relate to the federal government's interest in ensuring that CTP is eligible for the federal funds it requests and receives from the Travel Promotion Fund, including CTP's proper meeting of matching requirements, and that CTP carries out its operations in accordance with the provisions of TPA, as amended. TPA, as amended, established several previously discussed accountability measures for CTP that will help the federal government monitor CTP's compliance with its provisions.

Note 26. Disclosure Public-Private Partnerships

SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*, helps the Department achieve the operating performance and budgetary integrity objectives outlined in Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*, by making public-private partnerships (P3s) more understandable. This statement establishes principles to ensure that any necessary disclosures about P3s are presented in the agency's AFR. SFFAS 49 mandates that when arrangements with private entities meet certain characteristics, these arrangements must be disclosed in the AFR.

The Department's evaluations of SFFAS 49 requirements identified two public-private partnerships for disclosure. Below is a summary table and detailed information for the partnerships.

FY 2025				
Public-Private Partnerships Agreements/Contracts	Actual Amount Received in Fiscal Year	Actual Amount Paid in Fiscal Year	Estimated Amount to be Received over Expected Life	Estimated Amount to be Paid over Expected Life
FirstNet and AT&T	$ 420,108	$ 643,327	$ 18,000,000	Cannot be Estimated
NOAA and 11 Regional Associations	–	13,212	–	$ 312,458
Total	$ 420,108	$ 656,539	$ 18,000,000	

First Responder Network Authority Contract with AT&T Enterprises, LLC

The First Responder Network Authority (FirstNet), an independent authority within NTIA since its inception in 2012, was created to develop, deploy, and enhance wireless broadband communications for first responders—to give public safety 21st century communication tools to help save lives, and keep U.S. communities and emergency responders safe. This network must be designed to be reliable, functional, safe, and secure, and to provide optimal levels of operational capability at all times. See Note 22, *Funds from Dedicated Collections*, for more information on FirstNet.

The Nationwide Public Safety Broadband Network (NPSBN) is being built out, deployed, operated, and maintained as a partnership between FirstNet and AT&T Enterprises, LLC, under a 25-year contract awarded by FirstNet to AT&T in March 2017. The service will cover all 50 U.S. states, five territories, and the District of Columbia, including rural communities and tribal nations. The statutory authority for FirstNet to enter into the contract with AT&T is section 6206 of the Middle Class Tax Relief and Job Creation Act of 2012 (Act). For purposes of the information disclosed in this Note, due to the long length of the contract through 2042 and because FirstNet cannot reasonably estimate at this time what events might occur after the contract end date, the 25-year contract period is also treated as the expected life of this partnership. AT&T has publicly indicated that it will invest about $40.0 billion over the life of the contract to buildout, operate, deploy, and maintain the NPSBN, and together with FirstNet will help ensure that the NPSBN evolves with the needs of public safety.

Payments are made by FirstNet to AT&T for success-based payment milestones under the firm fixed price buildout and continuing enhancement Task Orders in conformity with the contractual terms. Payments made by FirstNet for the buildout and continuing enhancement of the NPSBN are recorded as an asset. See Note 1.O, *Cost Contribution to Buildout/Continuing Enhancement of Nationwide Public Safety Broadband Network*, for information regarding the classification of these cost contributions as an asset.

FirstNet oversees and monitors the contract with AT&T to ensure it delivers on the requirements associated with deploying, operating, and maintaining the NPSBN through various mechanisms, including subscriber adoption targets, successful milestone completion, disincentives, and other mechanisms outlined in the contract. FirstNet oversees the verification and validation of the contractual requirements, as well as some products and services—in accordance with the terms of the contract—before they are deployed so that first responders will have the proven tools they need in disasters and emergencies. Through its Innovation and Test Lab in Boulder, CO, FirstNet is testing capabilities unique to public safety.

Contractual risks of loss to the federal government primarily relate to (a) AT&T's satisfactory performance under the terms of the contract and in accordance with the terms and conditions contained in subsequent task orders; and (b) that the contract may be subject to (1) future renewal(s) of the license of the federally owned spectrum that Congress allocated to FirstNet under the Act; and (2) FirstNet reauthorization.

NOAA Partnerships with 11 Regional Associations (RA) under the federal program for the U.S. Integrated Ocean Observing System (IOOS)

NOAA partners with 11 RAs under the federal program for IOOS. IOOS is governed by the Integrated Coastal and Ocean Observation System Act of 2009 (ICOOS Act), as amended by the Coordinated Ocean Observations Act of 2020, which authorized the establishment of a National Integrated Ocean Observing System (System) and codified a governance structure within which the System will operate. The ICOOS Act explicitly vests authority in NOAA as the lead federal agency for implementation and administration of the System, and tasked NOAA to establish an IOOS Program Office. NOAA is additionally required to carry out its responsibilities in consultation with federal agency and regional partners.

IOOS is a federal-regional partnership working to provide new tools and forecasts to improve safety, enhance the economy, and protect the environment. Integrated ocean information is available in near real time, as well as retrospectively. Easier and better access to this information is improving the Nation's ability to understand and predict coastal events—such as storms, wave heights, and sea level change. Such knowledge is needed for everything from retail to development planning. Regional IOOS partners are essential to building and supporting IOOS. They provide increased observations, distinctive knowledge, and critical technological abilities, and apply these toward the development of products to meet regional and local needs.

IOOS is comprised of 11 RAs, which guide development of and stakeholder input to regional observing activities. The federal government, through the ICOOS Act, established the fundamental purpose and mission of the RAs with respect to its role in IOOS. RAs serve the Nation's coastal communities, including the Great Lakes, Caribbean, and Pacific Islands and territories. RAs design, maintain, and operate regional coastal observing systems. Each RA is managed by a board of directors drawn from stakeholders in the region. RAs work with agencies, industry, scientists, and others to tailor an observing system to address specific regional issues. All 11 RAs are currently voluntarily certified by NOAA as a Regional Coastal Observing System (RCOS) for which an RA, in order to be RCOS is required to implement specific practices regarding data collection and data management, governance, and management. The relevant federal regulations are located at Title 15, *Commerce and Foreign Trade*, Part 997, *Regional Information Coordination Entities*, of the Code of Federal Regulations.

As of September 30, 2025, NOAA has separate cooperative agreements for each of the 11 RAs. Ten of the agreements have performance periods of July 1, 2021 through June 30, 2026, and one of the agreements has a performance period of August 1, 2021 through July 31, 2026. Additionally as of September 30, 2025, NOAA has 12 separate cooperative agreements for each of the 11 RAs regarding funding provided under the Inflation Reduction Act of 2022. Eleven of the agreements have performance periods of August 1, 2024 through July 31, 2029, and one of the agreements has a performance period of September 1, 2024 through August 31, 2029. The cooperative agreements are with the fiscal sponsor for the RA; in a few cases, the RA also serves as its own fiscal sponsor. Payments are made by NOAA to the fiscal sponsor of the RA. NOAA breaks down a multi-year project period into "funding periods"—receipt by an RA of any NOAA financial assistance beyond the current funding period is contingent upon the availability of funds and satisfactory performance under the cooperative agreement and is at the sole discretion of NOAA. NOAA reserves the right to terminate funding for the award at any time throughout the award period should NOAA determine that a recipient is not meeting project milestones. The cooperative agreements' funding provided by NOAA to the 11 RAs is estimated by NOAA to be the predominate source of funding for each of the RAs, although the RAs may also receive some funding from other sources.

NOAA periodically conducts a competitive process (normally every five years) in which it requests proposals for NOAA funding for coordinated regional efforts that further the IOOS in sustaining and enhancing comprehensive regional coastal observing systems in 11 IOOS regions, and that build upon progress made to-date on the development of the regional coastal observing systems. NOAA expects successful awardees to serve as an RA responsible for operating the regional coastal observing system. Any organization, including the current awardee, may submit a proposal to serve as an RA; accordingly, an organization that currently serves as an RA may or may not be selected in the next competitive cycle. For purposes of the Department's evaluation of the expected lives of the NOAA partnerships with the RAs, because NOAA intends to continue the funding of and partnerships with RAs (successful awardees), NOAA's partnerships with RAs are considered to have expected lives that exceed five years.

The risk of loss under the partnerships with the 11 RAs primarily relates to NOAA being subject to Subsection 26, *Civil liability*, of 15 CFR Part 997. Any further possible risks of loss regarding the 11 RAs appear to relate to each RA's compliance with award provisions and satisfactory performance under the award. These risks of loss are mitigated in part because of NOAA's significant, continued involvement and monitoring of an RA's compliance with award requirements and performance under the award—RAs are required to report on progress and performance over the life of the cooperative agreement; and because NOAA breaks down a multi-year cooperative agreement into "funding periods" as previously discussed. Furthermore, standard Departmental terms and conditions for these cooperative agreements include provisions for unsatisfactory performance or non-compliance with award provisions, internal controls, and audits.

Note 27. Reclassification of Financial Statement Line Items for Financial Report Compilation Process

To prepare the *Financial Report of the U.S. Government* (*Financial Report*), the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to prepare government-wide reclassified financial statements. Treasury's Reclassified Balance Sheet resembles the Department's financial presentation; therefore a separate reconciliation is not required.

Treasury eliminates intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the *Financial Report* (FR) statements. This Note shows the Department's Financial Statements and the Department's reclassified line items prior to elimination of intragovernmental balances and prior to aggregation of repeated FR line items as of September 30, 2025. A copy of the 2024 *Financial Report* can be found at the Services for General Public page within the Bureau of the Fiscal Service website and a copy of the 2025 *Financial Report* will be posted to this site as soon as it is released.

The term "intragovernmental" is used in this Note to refer to amounts that result from other components of the federal government. The term "non-federal" is used in this Note to refer to federal government amounts that result from transactions with non-federal entities. These include transactions with individuals, businesses, non-profit entities, and state, local, and foreign governments.

Reclassification of Consolidated Statement of Net Cost to Line Items Used for the Government-wide Statement of Net Cost For the Year Ended September 30, 2025

Department of Commerce Consolidated Statement of Net Cost		Difference	Line Items Used to Prepare Government-wide Statement of Net Cost					
Financial Statement Line	**Amount**		**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**Other than Dedicated Collections Amounts (with Eliminations)**	**Eliminations Between Dedicated and Other than Dedicated**	**Total**	**Reclassified Financial Statement Line**
								Non-federal Costs
			$ 3,950,197	$ –	$ 20,362,051	$ –	$ 24,312,248	Non-federal Gross Cost
			3,950,197	**–**	**20,362,051**	**–**	**24,312,248**	***Total Non-federal Costs***
								Intragovernmental Costs
			665,317	–	904,214	(723)	1,568,808	Benefit Program Costs
			231,864	–	508,423	–	740,287	Imputed Costs
			153,760	–	1,141,988	(39,623)	1,256,125	Buy/Sell Costs
			618	–	–	–	618	Purchase of Assets
			–	–	21,579	–	21,579	Borrowing and Other Interest Expense
			165,972	–	262,622	–	428,594	Other Expenses (without Reciprocals)
			1,217,531	**–**	**2,838,826**	**(40,346)**	**4,016,011**	***Total Intragovernmental Costs***
Total Gross Departmental Costs	**$ 27,066,207**	**$ (1,262,052)**	**$ 5,167,728**	**$ –**	**$ 23,200,877**	**$ (40,346)**	**$ 28,328,259**	***Total Reclassified Gross Costs***
Earned Revenue			(4,957,933)	–	(3,651,412)	–	(8,609,345)	Non-federal Earned Revenue
								Intragovernmental Revenue
			–	–	(551)	551	–	Benefit Program Revenue
			(9,741)	–	(790,984)	37,916	(762,809)	Buy/Sell Revenue
			(618)	–	–	–	(618)	Purchase of Assets Offset
			–	–	(437)	–	(437)	Borrowing and Other Interest Revenue
			(10,359)	**–**	**(791,972)**	**38,467**	**(763,864)**	***Total Intragovernmental Earned Revenue***
Total Earned Revenue	**$ (5,846,058)**	**$ 3,527,151**	**$ (4,968,292)**	**$ –**	**$ (4,443,384)**	**$ 38,467**	**$ (9,373,209)**	***Total Reclassified Earned Revenue***
Unrealized (Gain) or Loss on Other than Intragovernmental Investments (Note 8)	(3,526,532)	(3,526,532)						
	–	(29,700)	–	–	29,700	–	29,700	Gains/Losses from Changes in Actuarial Assumptions
NET COST OF OPERATIONS	**$ 17,693,617**	**$ (1,291,133)**[1]					**$ 18,984,750**	**NET COST OF OPERATIONS**

[1] The difference is attributable to a $1.29 billion audit-related adjustment recorded within the Department's consolidated financial statements subsequent to the close of the GTAS reporting window, after which no further period 12 adjustments were permitted in GTAS. The adjustment would impact the following reclassified statement lines: Non-federal Gross Costs, Total Reclassified Gross Costs, and Net Cost of Operations. Absent this reconciling item, the remaining difference related to the Statement of Net Cost would be $603 thousand, attributable to immaterial intra-departmental differences.

Reclassification of Consolidated Statement of Changes in Net Position to Line Items Used for the Government-wide Statement of Operations and Changes in Net Position For the Year Ended September 30, 2025

Department of Commerce Consolidated Statement of Changes in Net Position		Difference	Line Items Used to Prepare Government-wide Statement of Changes in Net Position	
Financial Statement Line	**Amount**		**Amount**	**Reclassified Financial Statement Line**
Unexpended Appropriations: Beginning Balance	$ 114,088,352			
Cumulative Results of Operations: Beginning Balance	30,296,510			
Total Net Position: Beginning Balances	**144,384,862**		**$ 144,384,517**	**Net Position, Beginning of Period**
Unexpended Appropriations:				
Appropriations Received	20,112,915		9,252,841	Appropriations Received as Adjusted (Rescissions and Other Adjustments)
Other Adjustments	(10,860,231)			
Appropriations Transferred In/Out	21,114		(10,421)	Non-expenditure Transfers Out of Unexpended Appropriations and Financing Sources
Appropriations Used	(25,571,343)		(26,824,455)	Appropriations Used
Net Change in Unexpended Appropriations	**(16,297,545)**			
Unexpended Appropriations: Ending	**97,790,807**			
Cumulative Results of Operations:				
Appropriations Used	25,571,343		26,824,455	Appropriations Expended
Non-exchange Revenue	58,698			Other Taxes and Receipts
Donations and Forfeitures of Cash and Cash Equivalents	328		124,213	
			124,213	**Total Non-federal Non-exchange Revenue**
			111	Federal Securities Interest Revenue Including Associated Gains and Losses
			17,833	Borrowings and Other Interest Revenue
			17,944	**Total Intragovernmental Non-exchange Revenue**
Transfers In/Out Without Reimbursement	420,474		437,115	Non-expenditure Transfers In of Unexpended Appropriations and Financing Sources
			14,814	Expenditure Transfers In of Financing Sources
			(574)	Expenditure Transfers Out of Financing Sources
Donations and Forfeitures of Property	273			
Other Adjustments	(8,811,749)		(8,811,749)	Revenue and Other Financing Sources – Cancellations
			(6,557)	Collections for Others Transferred to the General Fund of the U.S. Government
Imputed Financing	740,287		740,287	Imputed Financing Sources
Other	(12,961)		2,853	Other Non-budgetary Financing Sources
			(132,592)	Non-entity Collections Transferred to the General Fund of the U.S. Government
			40,476	Accrual for Non-entity Amounts to be Collected and Transferred to the General Fund of the U.S. Government
			1,526,493	**Total Financing Sources (excludes non-exchange revenue lines)**
Net Cost of Operations	**(17,693,617)**		**(18,984,750)**	**Net Cost of Operations**
Net Change in Cumulative Results of Operations	**273,076**			
Cumulative Results of Operations: Ending	**30,569,586**			
NET POSITION	**$128,360,393**	**$ 1,291,976[1]**	**$ 127,068,417**	**Net Position, End of Period**

[1] *The difference is attributable to a $1.29 billion audit-related adjustment recorded within the Department's consolidated financial statements subsequent to the close of the GTAS reporting window, after which no further period 12 adjustments were permitted in GTAS. The adjustment would impact the following reclassified statement lines: Appropriations Used, Appropriations Expended, Net Cost of Operations, and Net Position, End of Period. Absent this reconciling item, the remaining difference related to the Statement of Changes in Net Position would be $240 thousand, attributable to immaterial intra-departmental differences.*

THIS PAGE LEFT INTENTIONALLY BLANK

FINANCIAL SECTION

Required Supplementary Information

(Unaudited)

Required Supplementary Information

(Unaudited)

A Deferred Maintenance and Repairs

Deferred Maintenance and Repairs (DM&R) are maintenance and repairs that were not performed when they should have been, that were scheduled and not performed, or that were delayed for a future period. Maintenance and Repairs are activities directed toward keeping Property, Plant, and Equipment (PP&E) in acceptable operating condition. These activities include preventive maintenance, replacement of parts and structural components, and other activities needed to preserve the asset so that it can deliver acceptable performance and achieve its expected life. Maintenance and Repairs exclude activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater, than those originally intended. The significant portions of Departmental DM&R relate to PP&E of both the National Oceanic and Atmospheric Administration (NOAA) and the National Institute of Standards and Technology (NIST). NOAA and NIST represent 84.4 percent and 9.8 percent of the Department's General PP&E, Net balance as of September 30, 2025, respectively.

NOAA:

NOAA reports DM&R based on FASAB's definition of deferred maintenance. To measure DM&R, NOAA uses Facility Condition Assessment (FCA) surveys, which are periodic physical (i.e., visual) inspections of real property to determine their current condition and estimated repair or replacement cost for building/structural components based on their condition index and remaining useful life. In FY 2015, NOAA started completing a round of FCAs using physical assessments. NOAA completed assessments of the vast majority of the applicable inventory by the end of FY 2022 (assessments were delayed because of COVID-19 concerns which lengthened the projected 5-year cycle). NOAA is in the process of completing the next cycle of condition assessments on a five year cycle for all applicable real property in the inventory. The new assessment cycle began in FY 2023.

NOAA performs Condition Assessment Surveys for capitalized NOAA-owned buildings, structures with acquisition cost of $200 thousand or more, and multi-use heritage assets. For personal property, DM&R applies only to capitalized items that meet the $200,000 threshold. Costs are reported when the estimated project cost is $25,000 or more. For financial reporting purposes, NOAA does not report on DM&R for:

- Owned real property that has been permanently removed from service or which NOAA is planning to permanently remove from service within five years; and
- Land and Stewardship Land as land does not have DM&R.

NOAA prioritizes maintenance and repair (MR) projects to preserve its asset inventory and maintain warranties on equipment and system. When work becomes deferred, NOAA will prioritize projects that address health and safety issues and reduce the risk of mission failure.

Except for NOAA's vessels, most capitalized personal property, such as weather systems, requires regular maintenance, as the public depends on these systems for safety and livelihood. Because of this reliance, maintenance on these systems is rarely deferred. These assets are maintained through established maintenance contracts.

Acceptable condition standards are established for real property by using industry standards for benchmarking and cost estimating. These standards are used to evaluate site and building conditions, which include the review of building systems such as civil, structure, architectural, life safety, mechanical, plumbing, elevators, electric, and others.

In measuring DM&R, FCAs report physical deficiencies that cannot be remedied with normal operating maintenance, excluding de minimis conditions that generally do not present a material physical deficiency to the subject property. Actionable items include (1) existing or potential unsafe conditions; (2) building or fire code violations as revealed by municipal agencies; or (3) conditions that if left unremedied have the potential to result in or contribute to critical element or system failure in the near term, or shall result most probably in a significant escalation of its repair or replacement cost.

The fourth quarter FY 2025 balance estimated cost is composed of DM&R for the applicable inventory from the FCA data completed in FY 2015 through FY 2025. In FY 2020, NOAA implemented a new FCA reporting methodology using the BUILDER system from the U.S. Army Corps of Engineers. BUILDER uses a visual direct rating methodology whereby the assessor provides a rating level of the condition of each system/component and BUILDER compares that condition index against a NOAA-set condition index threshold, which automatically generates a repair action when its condition drops below a minimum performance limit. Based on the type, material, and condition of the component, BUILDER generates an estimated cost for corrective action (repair or replace). To the extent possible, data from previous FCAs was entered into the BUILDER system. Some data from the earliest FCAs could not be entered into BUILDER. These FCAs will be redone in the next FCA cycle and will be entered into BUILDER at that time. For data not in BUILDER, the data has been escalated based on the date of their FCA estimate and changes since then to the Naval Facilities Engineering Systems Command Building Cost Index. BUILDER estimates were not manually escalated because the BUILDER cost database is updated annually based on a number of sources including RS Means data, an authoritative source of building component costs, U.S. Army Corps of Engineers' Construction Engineering Research Laboratory, and the updated inflation rate. For NOAA's vessels, the Office of Marine and Aviation Operations (OMAO) reports ship MR as DM&R when planned repair package work items are not executed and therefore become deferred. Inflation adjustments, based on market research and historical cost escalation factors, are generally calculated at 3 to 5 percent.

NOAA estimates that $400.2 million is the minimum MR amount needed to ensure that mission critical facilities remain mission capable.

NOAA performs Condition Assessment Surveys to determine the status of ships according to the priorities shown below:

Urgent and Immediate: Program has stopped until maintenance is performed.
Important: Maintenance must be performed within six months or program will stop.
Medium: Maintenance must be performed within two years or program will stop.
Low: Maintenance must be performed within five years or program will stop.
Very Low: Maintenance can be delayed indefinitely. No threat to program.

The following table shows NOAA's DM&R as of September 30, 2025 and September 30, 2024:

(In Thousands)

Asset Category	Deferred Maintenance and Repairs as of September 30, 2025	Deferred Maintenance and Repairs as of September 30, 2024
Buildings	$ 766,559	$ 402,703
Multi-use Heritage Assets	85,128	49,010
Ships	370	535
Total	**$ 852,057**	**$ 452,248**

NIST:

NIST performs MRs on its real property using both federal employees and contracted trades. These activities follow executive orders, presidential memorandums, public laws, and Department directives. Annual appropriations determine the level of MR work NIST can perform.

NIST's goal is to maintain and repair facilities to manufacturer standards or those of nationally recognized real property organizations. When funding or labor is limited, NIST prioritizes mission-critical equipment, resulting in reduced MR for non-mission-critical assets. NIST also reserves funds annually for emergency repairs such as water main breaks, failed steam or condensate lines, chilled water pumps, and medium-voltage equipment failures.

NIST prioritizes MR activities over non-MR and real property activities (e.g., construction and disposal). MR activities are ranked and prioritized against facility factors. Those include, but are not limited to, mission impact, safety, regulatory compliance, frequency of failures, and likelihood of unrepairable failure. Based upon available appropriations and the above forementioned factors, MR projects are ranked. Additionally, a rating is applied to each project. Projects rated "Critical" and "High" are evaluated firstly, as primarily these are mission critical facilities. This rating process is completed annually for unfunded MR activities.

Facility Condition Index (FCI) values are calculated for each NIST facility. The ratio, R, of the cost of correcting all facility deficiencies in a building divided by the cost of replacing the building is expressed on a 100 percentage point scale. The FCI index is 100 – R. Thus, the FCI is the cost of replacing less the cost of correcting, divided by the cost to replace, expressed as a percentage. Generally, a facility with a FCI index above 95 is considered excellent, between 95 and 90 is considered good, between 90 and 85 is considered fair, and below 85 is considered poor.

NIST contracts with a firm to host its U.S. Army Builder SMS facility assessment data. Builder SMS is a free tool federal agencies use to document facility conditions and includes a price book for estimating labor, materials, and other factors for MR activities. The hosting firm also updates the price book each year using data from a nationally recognized third-party vendor. This provides NIST with annually updated marketplace pricing for labor and materials.

DM&R is measured and reported only for PP&E funded through Construction of Research Facilities (CRF) appropriations. All CRF funded PP&E is included in DM&R reporting, regardless of capitalization threshold or depreciation status. The capitalization threshold for NIST real property is $100 thousand.

DM&R is not measured or reported for PP&E funded with Scientific and Technical Research and Services appropriations. PP&E that is unique to a specific scientific program and not tied to a site or building is also excluded. For example, a nitrogen tank dedicated to a single laboratory would not be included. NIST considers the value of such items immaterial relative to the real property DM&R reported below. NIST estimates that $235.6 million is the minimum MR amount needed to ensure that mission critical facilities remain mission capable.

The following table shows NIST's DM&R as of September 30, 2025 and September 30, 2024:

(In Thousands)

Assets Category	Deferred Maintenance and Repairs as of September 30, 2025	Deferred Maintenance and Repairs as of September 30, 2024
Buildings	$ 1,073,172	$ 1,034,726
Site Utilities and Infrastructure	624,110	586,039
Total	**$ 1,697,282**	**$ 1,620,765**

B Combining Statement of Budgetary Resources by Major Budget Account

United States Department of Commerce Combining Statement of Budgetary Resources by Major Budget Account
For the Year Ended September 30, 2025 *(In Thousands)*

	Combined Total	Census Bureau Periodic Censuses and Programs	EDA Economic Development Assistance Programs	NIST Creating Helpful Incentives to Produce Semiconductors (CHIPS) Direct Loan Financing Account	NIST Creating Helpful Incentives to Produce Semiconductors (CHIPS) for America Fund	NIST Industrial Technology Services	NOAA Operations, Research, and Facilities	NOAA Procurement, Acquisition, and Construction	NTIA's Broadband Equity, Access, and Deployment Program	NTIA Digital Equity	USPTO Salaries and Expenses Fund	Other Budget Accounts
BUDGETARY RESOURCES:												
Unobligated Balance From Prior Year Budget Authority, Net	$ 74,456,194	$ 386,848	$ 708,366	$ –	$ 27,385,609	$ 7,620,539	$ 1,410,189	$ 1,296,106	$ 17,464,243	$ 1,540,518	$ 1,185,618	$ 15,458,158
Appropriations	9,699,253	1,054,000	1,787,700	–	4,990,585	1,267,000	5,367,769	2,034,844	–	549,000	–	(7,351,645)
Borrowing Authority	5,910,893	–	220,000	5,558,751	–	–	–	–	–	–	–	132,142
Spending Authority From Offsetting Collections	6,976,393	–	–	–	–	–	303,843	4,500	–	–	4,195,138	2,472,912
TOTAL BUDGETARY RESOURCES	**$ 97,042,733**	**$ 1,440,848**	**$ 2,716,066**	**$ 5,558,751**	**$ 32,376,194**	**$ 8,887,539**	**$ 7,081,801**	**$ 3,335,450**	**$ 17,464,243**	**$ 2,089,518**	**$ 5,380,756**	**$ 10,711,567**
STATUS OF BUDGETARY RESOURCES:												
New Obligations and Upward Adjustments	$ 74,120,702	$ 1,051,077	$ 445,799	$ 5,558,751	$ 29,988,661	$ 719,469	$ 5,909,955	$ 2,052,654	$ 17,000,458	$ 783,800	$ 4,334,570	$ 6,275,508
Unobligated Balance, End of Year												
Apportioned, Unexpired Accounts	21,072,142	106,072	2,123,749	–	2,387,533	7,976,612	1,069,864	1,266,110	463,537	1,303,402	1,046,176	3,329,087
Exempt From Apportionment, Unexpired Accounts	686	–	–	–	–	–	–	–	–	–	–	686
Unapportioned, Unexpired Accounts	1,201,793	–	36,318	–	–	190,769	32	–	248	2,316	10	972,100
Unobligated Balance, End of Year, Unexpired Accounts	22,274,621	106,072	2,160,067	–	2,387,533	8,167,381	1,069,896	1,266,110	463,785	1,305,718	1,046,186	4,301,873
Unobligated Balance, End of Year, Expired Accounts	647,410	283,699	110,200	–	–	689	101,950	16,686	–	–	–	134,186
Total Unobligated Balance, End of Year	**22,922,031**	**389,771**	**2,270,267**	**–**	**2,387,533**	**8,168,070**	**1,171,846**	**1,282,796**	**463,785**	**1,305,718**	**1,046,186**	**4,436,059**
TOTAL STATUS OF BUDGETARY RESOURCES	**$ 97,042,733**	**$ 1,440,848**	**$ 2,716,066**	**$ 5,558,751**	**$ 32,376,194**	**$ 8,887,539**	**$ 7,081,801**	**$ 3,335,450**	**$ 17,464,243**	**$ 2,089,518**	**$ 5,380,756**	**$ 10,711,567**
OUTLAYS, NET, AND DISBURSEMENTS, NET:												
Outlays, Net	$ 29,706,701	$ 1,068,453	$ 1,223,079	$ –	$ 14,642,820	$ 299,637	$ 5,652,964	$ 1,993,300	$ 286,884	$ 26,841	$ (163,140)	$ 4,675,863
Distributed Offsetting Receipts	5,121	–	–	–	–	–	–	–	–	–	–	5,121
AGENCY OUTLAYS, NET	**$ 29,711,822**	**$ 1,068,453**	**$ 1,223,079**	**$ –**	**$ 14,642,820**	**$ 299,637**	**$ 5,652,964**	**$ 1,993,300**	**$ 286,884**	**$ 26,841**	**$ (163,140)**	**$ 4,680,984**
DISBURSEMENTS, NET[1]	**$ 109,548**											**$ 109,548**

[1] *Includes only Non-budgetary Credit Reform Financing Accounts*

C Land and Land Rights

The Department has complied with the requirements of FASAB SFFAS 59, *Accounting and Reporting of Government Land*. This requirement focuses on ensuring that federal land holding agencies report the consistent accounting treatment and reporting of federal land. This standard has established guidance for federal agencies to follow during the implementation and execution periods. Per federal accounting standards, land is the solid part of the surface of the Earth. Excluded from the definition of land are the natural resources (that is, depletable resources such as mineral deposits and petroleum; renewable resources such as timber, and the outer-continental shelf resources) related to land.

Land rights are interests and privileges held by the entity in land owned by others, such as leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights-of-way, mineral rights, and other like interests in land. Land rights such as easements or rights-of-way, that are for an unspecified period of time or unlimited duration are considered permanent land rights. Temporary land rights are those land rights that are for a specified period of time or limited duration.

To improve the comparability of reporting federal land and land rights and the uniformity of disclosures, three subcategories predicated on land use for both General PP&E land and stewardship land are utilized: (1) commercial use land; (2) operational land; and (3) conservation and preservation land. NOAA, NTIA, and NIST are the only entities within the Department that have land held and, when applicable, permanent land rights. These three bureaus report land held and permanent land rights when applicable in the General PP&E category, while NOAA additionally reports land held and permanent land rights in the Stewardship category. Beginning in FY 2026, the disclosures will be reported as basic information in the notes to the financial statements.

The following table summarizes the Department's land and permanent land rights under the General PP&E and Stewardship categories as of September 30, 2025:

Estimated Acreage by Predominant Use

	Conservation and Preservation	Operational	Total Estimated Acreage
General PP&E Land[1]			
Start of Year	104	5,158	5,262
End of Year	104	5,154	5,258
Stewardship Land[1]			
Start of Year	2,030	7,960	9,990
End of Year	2,030	7,960	9,990
Held for Disposal or Exchange (also included in the balances above)			
Start of Year	–	4	4
End of Year	–	–	–

[1] Land includes land and permanent land rights.

NOAA General PP&E and Stewardship Land:

General PP&E Land

NOAA's General PP&E land and permanent land rights support its mission by serving as sites on which it locates its facilities, including office, research, laboratory, and other facilities. NOAA's General PP&E land also supports NOAA's mission by allowing for equipment and instruments to be located at those sites, including for observation of weather conditions and water levels, transmission of data and weather radio broadcasts, and surveying of fish and other aquatic wildlife. NOAA's permanent land rights are easements and rights-of-way and are usually non-exclusive easements. Many of these permanent land rights provide access to NOAA land sites or allow for utilities for those sites.

NOAA's General PP&E land held primarily consists of operational land for its facilities with the largest parcels located in Platteville, CO; Fairbanks, AK; and Sterling, VA, and includes operational land for facilities in many states in the United States. Many locations house NOAA's Weather Forecast Offices and towers for NOAA weather radar and antennas. The Platteville land is for the Oceanic and Atmospheric Research's (Earth System Research Laboratories), Chemical Sciences Laboratory. The Fairbanks land consists of multiple tracts and parcels for the National Environmental Satellite, Data, and Information Service's operations. The Sterling land is for the National Weather Service Sterling Field Support Center and Weather Forecast Office campus site.

NOAA's General PP&E permanent and temporary land rights are mostly easements to access waterlines, power lines, utilities, roads, or land near NOAA facilities and/or equipment.

NOAA utilizes 41 U.S.C., *Public Contracts*, Section 6301, *Authorization Requirement*, which states that the federal government may not acquire land unless the contract or purchase is authorized by law or is under an appropriation adequate to its fulfillment. NOAA also follows the requirements under 41 CFR, *Public Contracts and Property Management*, Subtitle C, Part 102-73, *Real Estate Acquisition*, including for acquiring land via purchase or condemnation (Subpart C, *Acquisition by Purchase or Condemnation*). NOAA acquires land only for specific mission needs that cannot be met by its existing inventory and only if properly authorized. For acquiring land via transfer in from other federal entities, including from the U.S. General Services Administration, NOAA follows the federal procedures in 41 CFR, *Public Contracts and Property Management*, Subtitle C, Part 102-75, *Real Property Disposal*, Transfers subsection (102-75.175 through 102-75.235).

NOAA maintains and uses its land in support of the mission that land serves. Its maintenance, such as landscaping, snow removal, and pest control are dependent on the use and location of the particular parcel of land. NOAA conducts its mission in ways that minimize environmental impacts, conserve natural and cultural resources, and provide effective stewardship of the environment.

NOAA's policy is for all personnel and affiliates to conduct their activities in a manner that complies with all applicable environmental requirements and to cooperate with federal, state, and local agencies (NOAA Administrative Order 216-17A, *NOAA Environmental Compliance Program*). NOAA disposes of land based on 41 CFR, Subtitle C, Part 102-75, *Real Property Disposal*. In special cases, specific legislation may also provide disposal authority for and direct the disposal of a particular location/site.

Stewardship Land

NOAA's stewardship land supports its mission by serving as sites for NOAA's operations, including for facilities and offices, observatories, laboratories, and rookeries. NOAA's stewardship land held largely consists of operational land in Fairbanks, AK for the site of the National Environmental Satellite, Data, and Information Service's Office of Satellite and Product Operations Gilmore Creek. The Fairbanks Command and Data Acquisition Station (campus) is NOAA's primary satellite ground station for downloading data from and sending commands to polar orbiting satellites. NOAA's stewardship land under the conservation and preservation category largely includes five rookeries in St. Paul, AK, and also includes eight rookeries in St. George, AK.

NOAA's permanent stewardship land rights are for roads to access the rookeries in St. Paul, AK and St. George, AK.

See the *Stewardship Property, Plant, and Equipment* note to the financial statements (Note 24) for more information on the composition of NOAA's stewardship land and for information on NOAA's real property community policies and procedures for stewardship land.

The following table summarizes NOAA's land and permanent land rights under the General PP&E and Stewardship categories as of September 30, 2025:

NOAA Estimated Acreage by Predominant Use

	Conservation and Preservation	Operational	Total Estimated Acreage
General PP&E Land[1]			
Start of Year	–	2,267	2,267
End of Year	–	2,263	2,263
Stewardship Land[1]			
Start of Year	2,030	7,960	9,990
End of Year	2,030	7,960	9,990
Held for Disposal or Exchange (also included in the balances above)			
Start of Year	–	4	4
End of Year	–	–	–

[1] *Land includes land and permanent land rights.*

NTIA General PP&E Land:

NTIA's General PP&E land held consists of operational land for its facilities located north of Boulder, CO. The Department's Table Mountain Field Site and Radio Quiet Zone, located north of Boulder, CO, supports the fundamental research activities of NTIA's Institute for Telecommunication Sciences, NOAA, NIST, NTIA, and the U.S. Geological Survey (U.S. Department of the Interior). The property was originally leased by the Boulder laboratories in 1954 for the purpose of performing radio experiments and was subsequently purchased by the government in 1961.

Essential features of the site include:

- Homogeneous underlying soils
- Special purpose laboratory facilities
- Buried cabling and utilities to minimize radiated noise and interference
- Radio quiet zone protection by both state and federal laws from strong, external signals

These unique characteristics make the site ideal for sensitive radio or electromagnetic experiments, by federal agencies and Cooperative Research and Development Agreement partners as well as for applications needing low vibration and unobstructed views of the sky. Additionally, the measurements collected at the site provide valuable historical data against which new measurements may be compared. Responsibility for the management of the site property resides with NTIA's Director for the Institute for Telecommunication Sciences.

The following table summarizes NTIA's land under the General PP&E category as of September 30, 2025:

NTIA Estimated Acreage by Predominant Use

	Conservation and Preservation	Operational	Total Estimated Acreage
General PP&E Land			
Start of Year	–	1,704	1,704
End of Year	–	1,704	1,704

NIST General PP&E Land:

NIST is the sole national institute and one of the premier international agencies dedicated to metrological research (measurement science). Having unique and discrete, special purpose research facilities interspersed amid sufficient acreage is critical to ensure the necessary environmental vibration isolation is present and available to conduct increasingly and ever-exacting scientific research that assures authority and traceability of all NIST published standards and data upon which academia, commerce, and industry depend. NIST's ownership of land and facilities has proven essential so that long-term research experiments are not threatened with the need to be coordinated with typical real property lease cycles. The NIST Organic Act allows NIST to acquire land for facilities that are necessary to meet its mission.

NIST's land held and permanent land rights are for the General PP&E category under the operational and conservation and preservation land subcategories. NIST's operational subcategory includes land held for its campuses including the Gaithersburg campus in Gaithersburg, MD for its laboratories and support facilities; Fort Collins campus in Fort Collins, CO for the Fort Collins Active Radio Station and support facilities; Boulder campus in Boulder, CO for the laboratories and support facilities; and the Erie campus in Erie, CO transferred in from NOAA during FY 2022 for future use. NIST's conservation and preservation subcategory includes land held for its Boulder campus for protected area.

NIST utilizes NIST P 2100.00, *Facilities and Site Management* for maintaining and preserving its campuses and the privately-owned Anderson Ditch which crosses through the Boulder campus. The Gaithersburg and Fort Collins campuses and the Anderson Ditch have been either listed (Gaithersburg campus) or are eligible for listing in the National Register of Historic Properties—all proposed changes to grounds and/or resources must comply with the Secretary of the Interior's Standards for the Treatment of Historic Properties and are subject to advance review and consultation with the applicable state historic preservation office. NIST utilizes NIST S 2103.05, *Acquisition and Disposal of Real Property*, for the acquisition and disposal of land in support of NIST's mission.

The following table summarizes NIST's land and permanent land rights under the General PP&E category as of September 30, 2025:

NIST Estimated Acreage by Predominant Use

	Conservation and Preservation	Operational	Total Estimated Acreage
General PP&E Land			
Start of Year	104	1,187	1,291
End of Year	104	1,187	1,291

Other Information

(Unaudited)

Office of Inspector General Top Management and Performance Challenges

According to the Department's Inspector General, the top management challenges the Department faces are in the following areas:

- Modernizing Technology and Operations
- Providing Core Services and Data
- Managing Spending

The Department pursues corrective actions for all significant challenges, whether identified by the Office of Inspector General (OIG), Government Accountability Office (GAO), or other sources.

The following pages present the top management and performance challenges facing the Department in FY 2026. The complete OIG Report, *Top Management and Performance Challenges Facing the Department of Commerce in FY 2026*, is published and available at: *https://www.oig.doc.gov/reports/?entry=54825*

UNITED STATES DEPARTMENT OF COMMERCE
Office of Inspector General
Washington, DC 20230

December 1, 2025

MEMORANDUM FOR: Secretary of Commerce Howard Lutnick

FROM: Duane E. Townsend
Acting Inspector General

SUBJECT: *Top Management and Performance Challenges Facing the Department of Commerce in Fiscal Year 2026*
Report No. OIG-26-003

Attached is our final report on the Department's top management and performance challenges for fiscal year 2026.

We are required by statute to annually report the most serious management and performance challenges facing the Department and to briefly assess its progress in addressing the challenges.[1] This report will be included in the Department's *Agency Financial Report* for FY 2025 and posted on our website.

We appreciate the cooperation we have received from the Department during our work on this report. If you have questions or wish to discuss our conclusions, please contact me at 202-794-7788.

Attachment

cc: Paul M. Dabbar, Deputy Secretary of Commerce
Yevette DePinto, Chief of Staff
Brian Epley, Chief Information Officer
Jeremy Pelter, Acting Chief Financial Officer and Assistant Secretary for Administration
Operating Unit Heads
Operating Unit Audit Liaisons

[1] 31 U.S.C. § 3516(d).

Introduction and Approach

This report presents our summary of the most serious management and performance challenges facing the U.S. Department of Commerce and its bureaus in fiscal year (FY) 2026. It also includes our assessment of the progress the Department has made to meet these challenges. We base our conclusions primarily on our audits, evaluations, and investigations from recent years (see the appendix for a list of relevant public reports and work in progress).

About This Report

The *Top Management Challenges (TMC)* report is divided into three sections that broadly reflect the Department's major challenge areas:

Modernizing Technology and Operations

Strengthening IT security posture and modernizing technology, systems, and operations to better serve the American people.

Providing Core Services and Data

Providing essential information to stakeholders on such varied subjects as trade, weather and environment, intellectual property, and population data.

Managing Spending

Funding and managing major programs while protecting taxpayer dollars from risk, fraud, waste and abuse.

Why This Matters

The Department plays a central role in implementing efforts to advance the nation's economic and technological leadership. It must also provide top quality data and services to its stakeholders while improving oversight of funding to ensure efficiency and effectiveness while fighting fraud, waste, and abuse.

If the Department does not address these significant challenges, it will struggle to successfully implement its priorities and to meet its mission of creating conditions for economic growth and opportunities for all communities.

Contents

Cover and title page graphics from Adobe Stock

Section 1: Modernizing Technology and Operations

The Department and its bureaus need secure, up-to-date technology, systems, and equipment to provide valuable data and services with adequate safeguards. This is particularly important as the Department continues to implement critical programs intended to ensure American innovation, progress, and prosperity.

But the Department has faced difficulties in upgrading its IT security posture, replacing legacy systems, and safely integrating new technologies into its operations. The Department must also increase its focus on oversight of its major modernization projects, including its scientific facilities.

Implementing Efficient, Effective IT and Cybersecurity Controls

Cybersecurity has been, and continues to be, the number one top management challenge for the Department. Progress in improving the cybersecurity program has been slow, primarily due to inconsistent implementation of security controls throughout the Department's hundreds of IT systems. In addition, recent executive orders have directed the restructuring of the federal workforce and increased oversight of contracts. While the goal of these efforts is to improve efficiency, they also present additional challenges to the Department's efforts to provide a mature, effective cybersecurity program.

Maturing the Information Security Program

An effective cybersecurity program reduces risk to the Department by consistently applying security controls—such as appropriate user access, fixing vulnerabilities, and encryption—across information systems. However, our Federal Information Security Modernization Act of 2014 (FISMA) audit of the Department's information security program in FY 2024 found no measurable improvement in the program's overall effectiveness since FY 2023.[i]

[i] This audit is required annually under FISMA.

The metrics used for FISMA audits through FY 2024[ii] categorized organizations' security controls into five function areas:

1. **Identify.** Understanding the organization's cybersecurity risks
2. **Protect.** Using safeguards to manage those risks
3. **Detect.** Finding and analyzing potential cyberattacks
4. **Respond.** Containing cybersecurity incidents
5. **Recover.** Restoring affected assets and operations

Within the function areas, the control level is rated 1 to 5, depending on how mature the organization's risk management practices are. Levels 4 and 5 indicate the most mature functions.[iii]

Our analysis determined that the Department did not perform these function areas effectively. This was because security controls were largely not implemented on information systems across the Department and its bureaus. As shown below in table 1, the levels of maturity in all five function areas were the same in FYs 2023 and 2024, and the Department did not achieve a 4 or a 5 in any of the functions.

Table 1. Maturity levels were unchanged from FY 2023 to FY 2024.

	Maturity		
Function Area	**FY22**	**FY23**	**FY24**
Identify	3	2	2
Protect	2	2	2
Detect	2	2	2
Respond	3	2	2
Recover	2	3	3

Source: OIG analysis

In a recent report about the Department's security monitoring program, we found significant issues with its data quality and program management capabilities. Although the program is a priority in the Department's security modernization strategy, we found that necessary data was either missing or inaccurate—and therefore unreliable for security operations or risk management. We also found that leadership did not enforce compliance with the deployment of a required security tool. This mirrors our results from other audits, where we found inconsistent implementation of security controls and policies across bureaus. While incremental

[ii] OIG's FISMA metrics are derived from criteria including the National Institute of Standards and Technology's (NIST's) Cybersecurity Framework, which defines the security function areas listed above. In February 2024, NIST updated the framework to include a sixth function area, *Govern*, which supports the organization's strategy for managing and communicating risk. Starting in FY 2025, we have included the Govern function area in our FISMA audits.

[iii] The five maturity model levels are ad hoc (level 1), defined (level 2), consistently implemented (level 3), managed and measurable (level 4), and optimized (level 5).

2

improvements have been made in recent years, the program has yet to demonstrate significant advancement in overall cybersecurity effectiveness.

Streamlining Operations Without Compromising Security

Across the Department, new executive orders and policies are driving operational changes in security contracts and staffing levels.[iv] While the goal of these efforts is to improve efficiency, they also create challenges in providing effective cybersecurity, including adequately staffing cybersecurity positions and sustaining the institutional knowledge needed to achieve this goal.

Even before these efficiency initiatives, the Department struggled to improve its cybersecurity program. To meet these challenges, the Department must improve its processes and adopt secure, efficient technologies without compromising the integrity or resilience of its cybersecurity posture. Failure to do so could result in real-world damage to national security and departmental missions.

One possible solution is the integration of artificial intelligence (AI) to offset some of these resource constraints. Advancements in AI have the potential to support cybersecurity operations, though the risks associated with AI-enabled capabilities are still emerging. Given the significance of these risks, adoption should be approached with caution, ensuring that capabilities are implemented responsibly but without undue delay. We discuss the Department's AI initiatives and challenges later in this section, in "Integrating AI and Other Emerging Technologies Safely and Effectively."

An urgent need to improve.
If the Department's efforts to streamline processes also compromise its cybersecurity posture, **real-world damage to national security and departmental missions** could result.

In summary, the Department has struggled to consistently implement information security controls across its hundreds of systems, leading to an overall ineffective IT security program. Additional constraints from streamlining federal operations will challenge management's efforts to improve. Until the Department and its bureaus can adapt, cybersecurity will remain a top management challenge.

Modernizing Software, Systems, and Technologies

Federal agencies often face challenges in effectively managing and overseeing IT modernization efforts, which have historically run behind schedule, exceeded budgets, and failed to meet objectives.[1] The Department is no exception. The Department and several of its bureaus have

---

[iv] Executive Order 14210, *Implementing the President's "Department of Government Efficiency" Workforce Optimization Initiative* (February 11, 2025), includes mandates for workforce reductions and reorganization plans across federal agencies. Executive Order 14222, *Implementing the President's "Department of Government Efficiency" Cost Efficiency Initiative* (February 26, 2025), imposes stricter oversight on federal spending and contract management, among other things.

embarked on major projects intended to modernize financial and grants management systems. Weaknesses in oversight can create risks to executing these programs on time, keeping them within budget, and ensuring their full functionality. Our work establishes that the Department must provide more robust oversight of major ongoing modernizations to meet these challenges.

Ensuring Timely, Cost-Effective, and High-Performance IT System Upgrades

The Secretary of Commerce has prioritized the use of modern software and technologies to streamline operations, enhance data collection and accuracy, and improve decision-making at the Department. But many of the Department's software systems are over 3 decades old and are no longer supported. According to the Department's *2022–2026 Strategic Plan*, new technologies such as cloud-based tools are needed to decrease the time spent maintaining legacy systems, increase the efficiency and accuracy of core processes, automate repetitive tasks, and standardize the tools employees use to do their jobs.

The Department must carefully choose which IT modernization programs can be achieved using available resources. Leaders at the Department's Office of the Chief Information Officer (OCIO) told us that resource and strategy changes have shifted their highest priority to maintaining current operations, followed by managing IT modernization programs. In addition, as part of recent contract consolidation efforts across the federal government, OCIO will coordinate a renewed business case analysis for its modernization programs. These changes have impacted the Department's major IT investments,[v] including those needed for the 2030 census, patent management, weather forecast services, and radio spectrum management initiatives.

Our *TMC* reports since FY 2022 have detailed the challenges of two of these IT modernization efforts, the Business Applications Solution (BAS) and the Grants Enterprise Management Solution (GEMS).[2] Our audits have also identified schedule delays, cost increases, and performance issues, which negatively impact the planned returns on these investments.[3]

For example, after multiple schedule delays, the BAS and GEMS program management offices had to reprioritize the transitions to the systems in preparation for the upcoming 2030 census. This has led to further significant delays:

- **Delays for transitions to BAS:**
    - U.S. Census Bureau: 1 year (from 2024 to 2025)
    - National Institute of Standards and Technology (NIST): 3 years (from 2023 to 2026)
- **Delays for transitions to GEMS:**
    - U.S. Census Bureau: 3 years (from 2022 to 2025)
    - NIST: 3 years (from 2023 to 2026)
    - Economic Development Administration (EDA): Originally planned for 2023; new date still to be determined

[v] As defined in Office of Management and Budget (OMB) memorandum M-15-14, a major IT investment is one that requires special management attention because of its importance to the mission or function to the government.

4

Our 2024 audit of the BAS program reported that the program did not have adequate cost and schedule management controls.[4] Since that report, program costs have increased 20 percent, from a $341 million baseline to at least $410 million in 2025.

We also reported an over 42 percent cost increase for GEMS, from a baseline amount of $73.6 million to $105 million in 2025. The GEMS cost increases do not include an additional $249 million for alternate systems that are being developed by select bureaus.

Following the Department's challenging BAS implementation for the National Oceanic and Atmospheric Administration's (NOAA's) financial operations,[5] Congress directed us to plan and execute strict oversight of the BAS program.[6] We initiated an audit of the program in January 2025, focusing on the next phase of implementation at the Census Bureau.[7]

Integrating AI and Other Emerging Technologies Safely and Effectively

According to a January 2025 executive order, "It is the policy of the United States to sustain and enhance America's global AI dominance in order to promote human flourishing, economic competitiveness, and national security." [8] The President has ordered that AI systems be developed free from ideological bias or engineered social agendas.

Effective oversight is necessary to integrate this new technology safely while meeting the goals of this policy. Beyond the general need for strong oversight, USPTO—as the agency charged with protecting intellectual property for the nation's innovators and inventors—faces specific challenges in adopting AI and other emerging technologies.

Sustaining and Enhancing Global AI Dominance

The Director of the Office of Management and Budget (OMB) has directed agencies to accelerate the federal use of AI by focusing on three key priorities: innovation, governance, and public trust.[9] As part of these priorities, agencies must:

- Remove barriers to innovation and provide the best value for the taxpayer
- Empower AI leaders to accelerate responsible AI adoption
- Ensure that their use of AI works for the American people

The Department faces many challenges in accelerating the adoption of AI as it also attempts to protect safety and privacy. To address these challenges, the Department must implement guidance about AI adoption from recent OMB memorandums; this will include updating departmental policies.

Although the Department can leverage some of its prior AI-related actions, such as designating a chief AI officer, convening AI governance bodies, and creating use-case inventories, new tasks are also required. These include developing a policy on generative AI (which emulates input data to generate derivative, synthetic content such as images, videos, audio, and text), ensuring quality Department data for use in AI, and a strategy for removing barriers to AI use.[10] For the Department

5

to accelerate the use of safe, secure AI to improve services for the public, it must meet OMB's implementation deadlines[11]—which, according to the Department OCIO officials, is a further challenge as they manage a 35 percent staffing shortfall.

Using Emerging Technologies Reliably, Safely, and Effectively at USPTO

In April 2025, OMB directed agencies to accelerate the use of effective, efficient, and responsible AI that delivers consistent results and preserves public trust.[12] USPTO is already using AI tools intended to enhance the quality and efficiency of its patent examinations. For example, it has tools to support patent classification and searches for prior art, and to conduct image comparisons for patents.

However, we reported in 2025 that USPTO did not have measurable objectives needed to evaluate whether these AI tools were operating effectively. USPTO also lacked an AI-specific risk management plan to help leaders identify, analyze, and mitigate risks associated with the tools to ensure effective oversight.[13]

To meet OMB's mandate as well as its goal of delivering reliable intellectual property rights, USPTO's challenge is to ensure current and future AI tools deliver reliable, high-quality results. In particular, USPTO should properly mitigate risks associated with these tools, including risks related to information security and privacy.

Addressing NIST's Facility Issues to Drive Scientific Innovation and Ensure Workplace Safety

NIST's scientific research ensures our national security and contributes to innovations in critical technologies and manufacturing that help grow the U.S. economy. But outdated, dilapidated NIST facilities have long threatened the bureau's mission performance as well as its workers' health and safety. In FY 2026, NIST continues to face the challenge of addressing its facilities' significant issues while trying to play its crucial role in advancing technology.

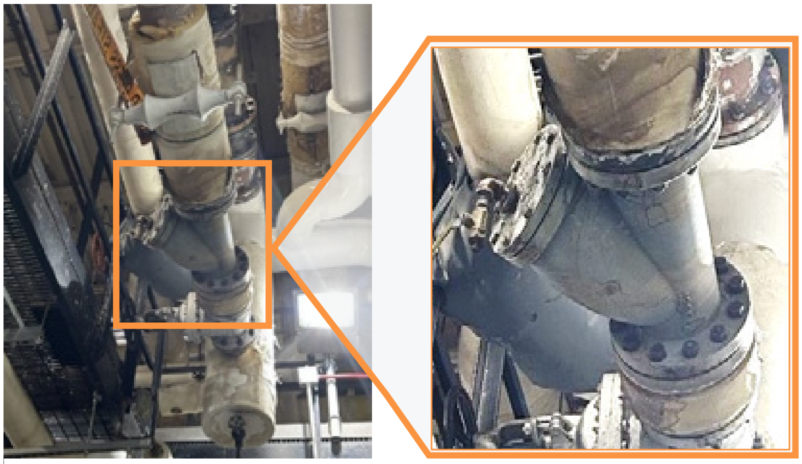
Several organizations have raised concerns about the poor state of NIST's facilities, which date back to the 1950s.[vi] One study, by the National Academies of Sciences, Engineering, and Medicine (NASEM), concluded that NIST's research facilities and laboratories overwhelmingly fail to meet the Department's own standards for acceptable building conditions.[14] The NASEM study also concluded that the inadequacy of NIST's facilities threatens its mission performance by causing substantive delays in key national security deliverables, scientific research, and services to U.S. industry customers.[15]

[vi] One organization, the Visiting Committee on Advanced Technology of the National Institute of Standards and Technology, reviews and makes recommendations on general policy for NIST's organization, budget, and programs. The committee submits an annual report to the Secretary of Commerce for submission to Congress. (Visiting Committee on Advanced Technology. March 2023. *2022 Annual Report*.) A nongovernmental organization, the National Academies of Sciences, Engineering, and Medicine, issued an extensive study in 2023 on NIST's facility conditions. (NASEM. 2023. *Technical Assessment of the Capital Facility Needs of the National Institute of Standards and Technology.)*

Outdated facilities that may not conform to modern building codes create safety and health concerns for NIST's workforce and have led to millions of dollars in equipment damage. Laboratories in particular suffer from a variety of issues with unreliable climate control, plumbing, and power. These issues not only contribute to productivity losses of up to 40 percent for NIST researchers, they also may impact NIST's ability to attract and retain research talent.

They can create safety hazards as well. For example, part of a steam distribution line at NIST's headquarters in Gaithersburg, Maryland, failed in 2020, resulting in an explosion that caused extensive damage and could have led to casualties if anyone had been nearby. Although no one was injured, the explosion led to a 3-day campus shutdown and immeasurable delays to laboratory research. According to NIST employees, these steam pipes are past their useful life and need to be replaced entirely (see figure 1); until they are, the possibility of another explosion in the area remains, and with it further risks to worker safety and productivity.

Figure 1. This Y strainer (the gray uninsulated pipe in the closeup) replaced the one that exploded in 2020 at NIST's Gaithersburg campus steam plant. NIST employees note that these pipes all need to be replaced.



Source: OIG, June 2025

Historically, NIST has not received consistent, significant funding to execute multiple large construction and maintenance projects. Further, the facilities' issues will take years to rectify, and current funding may not be sufficient, making it harder for the United States to catch up.

By contrast, China has made substantial investments in its scientific research institutions, helping it to surpass the United States as a leader in critical technologies. According to research partially funded by the U.S. State Department, the Chinese Academy of Sciences (believed to be the world's largest scientific institution, with a reported departmental budget of nearly $24 billion in 2023)[16] has helped China become a world leader in 57 out of the 64 critical technologies.

NIST must quickly address its facilities' condition, but at the same time, prudent financial management will be essential if NIST is to make the most of any funding it receives. NIST will need to ensure that construction contracts are awarded fairly and in compliance with requirements. It must also closely monitor contracts to ensure that performance requirements are met, improper payments are avoided, the federal government is protected from harm, and contractors and subcontractors are held accountable.

NIST has developed a plan to address its facilities' conditions and functionality. However, this plan relies on sustained, long-term funding from Congress and may need to be updated. As NIST continues to implement the plan, our office will monitor and review its progress in addressing this challenge.

Section 2: Providing Core Services and Data

The Department manages a variety of services that are essential to the nation and the world. Our trade with other countries, our inventions and creations, our weather data and environmental observations, our population and demographic data—all of these rely on the Department and its bureaus.

The complexity of the Department's mission and operations adds to the complexity of its challenges in these areas. How the Department addresses these challenges could affect the United States' economic success and its relationships with the rest of the world.

Ensuring Secure, Fair International Trade

As one of the government's leading trade enforcement and promotion agencies, the Department faces the challenge of protecting U.S. national security and foreign policy interests while also helping U.S. companies be more competitive in global markets.

These responsibilities primarily reside with two Department bureaus: the Bureau of Industry and Security (BIS), which administers and enforces U.S. export control laws and regulations, and the International Trade Administration (ITA), which helps U.S. exporters sell their products overseas and enforces U.S. trade laws and agreements. With the administration prioritizing trade enforcement to promote fair and secure trade, the Department must balance its resources and capabilities to achieve that goal.

Enhancing Operations to Protect U.S. Technologies and Sensitive Items

Effective export controls prevent the unauthorized use of U.S. goods and technologies for purposes contrary to U.S. interests. Foreign adversaries such as China, Russia, and Iran actively attempt to improve their military capabilities by obtaining U.S. goods and technologies. This represents a strategic national security threat.[vii] In our FY 2025 *TMC* report, we highlighted the effective implementation of export controls as an area of concern, and it remains a top challenge in FY 2026. We are also conducting an audit of the adequacy of actions BIS has taken to enforce export controls for China.

[vii] An annual report on national security threats lists China, Russia, Iran, and North Korea as the major state actors challenging U.S. interests. (Office of the Director of National Intelligence. March 2025. *2025 Annual Threat Assessment of the U.S. Intelligence Community*.)

Since 2022, BIS has implemented many new export controls and significantly expanded existing controls on Russia and China to restrict their access to U.S. goods and technologies.[viii] This has greatly increased the number of U.S. goods and technologies subject to export controls and has restricted the ability of hundreds of foreign parties to obtain those items. In addition, while Iran is already subject to comprehensive U.S. export controls, the President has directed the Secretary of Commerce to conduct robust export control enforcement against Iran.[ix]

According to BIS, procurement networks associated with Russia, China, and Iran have adopted increasingly sophisticated tactics to evade export controls and illicitly obtain goods and technologies that originate in the United States. As a result, BIS's enforcement workload has increased.

Another challenge involves the President's trade policy,[17] of which trade enforcement is an integral part. The policy directed the Department, along with other federal entities, to recommend changes to U.S. export control enforcement policies and practices in order to maintain the nation's technological leadership and close loopholes in controls, "especially those that enable the transfer of strategic goods, software, services, and technology" to strategic rivals.[18] The policy also directed that enforcement mechanisms be recommended to incentivize foreign countries' compliance. In response, the Department recommended that export controls should be made "simpler, stricter, and more effective," while at the same time U.S. dominance in AI should be promoted and global technological leadership asserted.[19]

These issues address the transparency and accountability of BIS's regulatory oversight. Use of modern tools, including AI, would enable BIS to better address issues such as the shipment of American technology and sensitive items through intermediary countries to China, Russia, and Iran.

Safeguarding U.S. Industries and Workers from Unfair Trade Practices

International trade is an integral contributor to the U.S. economy and job creation. The United States must protect its industries and workers from foreign competitors' unfair trade practices. Trade remedies enable American companies and workers to compete fairly in both domestic and international markets; ITA's Enforcement and Compliance (E&C) business unit implements these remedies.

One of the Department's strategic goals for enforcing trade rules is to enforce U.S. antidumping and countervailing duty (AD/CVD) trade remedy laws. To accomplish this, E&C determines whether foreign producers are selling goods in the United States at less than normal value (a practice known as "dumping") or being subsidized by foreign governments. When E&C identifies these unfair trade practices, it imposes AD/CVDs on those foreign goods.

[viii] BIS expanded controls in the Export Administration Regulations to respond to Russia's invasion of Ukraine and to counter China's Military-Civilian Fusion strategy, which supports China's goal of developing the most technologically advanced military in the world by 2049.

[ix] The Presidential Memorandum enacts maximum pressure on the Iranian regime, denying Iran nuclear weapons and intercontinental ballistic missiles, countering Iran's development of weapons, and disrupting those who act on behalf of Iran. (Executive Office of the President. February 4, 2025. National Security Presidential Memorandum-2.)

To address foreign dumping and subsidies, the President's trade policy directed the Department to assess whether the policies and regulations related to AD/CVD laws "sufficiently induce compliance by foreign respondents and governments." [20] Robust enforcement of AD/CVD laws helps ensure that trade remedies are accurately applied, protect domestic industries, and maintain fair trade practices. Given the current environment, it is critical that these laws are enforced.

With respect to enforcing trade rules and ensuring that American companies and workers can compete at home and abroad, we found in November 2023 [21] that ITA had not effectively resolved foreign trade barriers to increase exports of U.S. goods and services or ensure that American businesses and workers had equal opportunities to compete in foreign markets. We made eight recommendations to ITA for improving the effective resolution of trade barriers. ITA has developed an action plan to address our recommendations, but they remain unimplemented. The issues detailed in our report underscore the critical need for ITA to implement necessary controls to effectively resolve trade barriers.

Sustaining NOAA's Capabilities to Safeguard Lives and Property

NOAA plays a vital role in protecting lives, property, and economic stability by delivering accurate, timely environmental intelligence. However, the agency's ability to fulfill this mission is increasingly challenged by aging infrastructure, emerging technological demands, and constrained resources. From maintaining geostationary satellite coverage and hurricane reconnaissance capabilities to modernizing a decades-old radar network and integrating uncrewed systems, NOAA faces a complex array of operational and strategic hurdles. These challenges are compounded by persistent staffing shortages, evolving space traffic management responsibilities, and the growing frequency and intensity of extreme weather events.

If left unaddressed, these issues could erode forecast reliability, delay lifesaving warnings, and diminish the nation's capacity to respond to national and global environmental threats. Meeting these challenges will require sustained investment, forward-looking risk management, and a flexible, mission-ready posture to ensure NOAA remains a trusted leader in environmental science and public safety for decades to come.

Sustaining the GOES-R Satellite Series Until GeoXO Is Operational

NOAA's geostationary weather satellite fleet, anchored by the Geostationary Operational Environmental Satellite-R (GOES-R) series, provides critical real-time data for forecasting, severe storm tracking, and emergency alerts. While the constellation is now fully deployed, only three of four satellites are fully functional, and GOES-16, the only reliable on-orbit backup, is approaching its design end of life by 2032. To further compound the problem, the first satellite in the Geostationary Extended Observations (GeoXO) program, the follow-on to GOES-R, is not expected to be operational until 2033, indicating that NOAA must address a potential gap in geostationary satellite coverage.

If any primary satellite fails after GOES-16 is no longer viable, NOAA could lack enough geostationary satellites to observe weather over the Western Hemisphere, impairing its ability to

11

monitor life-threatening hazards and deliver timely public warnings. While NOAA has agreements with two international space agencies to provide backup satellite observations in the event of satellite or launch anomalies, this scenario presents an operational risk.[x] At the same time, administrative guidance to scale back GeoXO's scope adds uncertainty to the program's timeline and capabilities.

NOAA is exploring options to extend satellite fuel life, including experimental orbital maneuvers, but results remain uncertain. Long-term continuity depends on the timely development of the next-generation satellite program, whose scope and readiness remain in flux.

To ensure uninterrupted geostationary satellite weather observations, NOAA must take strategic actions now to extend the life of current assets, evaluate mitigation strategies, and synchronize future investments with operational needs.

Sustaining and Replacing the Aging NEXRAD Radar Network

The National Weather Service (NWS) has made measurable gains in the accuracy and timeliness of forecasts and warnings, in part due to the robust capabilities of its network of 159 doppler weather radars, known collectively as NEXRAD (Next-Generation Radar). For more than three decades, these radars have served as the backbone of the nation's severe weather detection system, providing real-time coverage essential for issuing tornado, hail, and flash flood warnings.

Recognizing the age of this critical asset, NOAA undertook a Service Life Extension Program, completed in 2024, to sustain the NEXRAD network through the mid-2030s. The program upgraded key components such as transmitters, signal processors, and shelters, extending operational life by roughly a decade. However, over 4,000 NEXRAD components unaddressed by the program face obsolescence and supply chain issues, posing a growing risk of prolonged or even permanent failures across its network.

As the system enters its fourth decade, this uncertainty poses a growing operational risk. By the early 2030s, many key components—already obsolete or increasingly difficult to replace—will face higher chances of failure, potentially threatening uninterrupted radar coverage at a time of increasingly frequent and intense weather events. NOAA's challenge is to maintain this aging but mission-critical system while facing growing uncertainty around its planned replacement.

Fulfilling NWS's Mission amid Staffing Shortages and Hiring Challenges

NWS provides services related to weather, water and climate data, forecasts, warnings, and impact-based decision support for protecting life and property and enhancing the national economy. In previous years' *TMC* reports, we highlighted NWS's long-term challenges in attracting and retaining technical professionals to help it meet its mission.

[x] NOAA has agreements with the European Organisation for the Exploitation of Meteorological Satellites and the Japan Meteorological Agency for backups of geostationary satellites. However, the parties to these agreements are required to mitigate risk in their respective satellite systems, and fulfilling the agreements' obligations does not change the parties' responsibilities for maintaining their own satellites. According to the agency, NOAA has relied on an international backup for its satellite observations just once, when European space agencies repositioned Meteosat-3 in 1991 to provide Atlantic Ocean coverage in place of an aging GOES-7 satellite.

NWS's ongoing workforce challenges have been exacerbated by the unplanned departure of approximately 13 percent of its 4,369 employees between January and April 2025. According to NWS leadership, the loss of these 564 employees has led to staffing gaps across the agency, with some Weather Forecast Offices unable to sustain daily 24-hour coverage. To address these gaps, NWS has authorized temporary duty assignments to support critical needs at understaffed Weather Forecast Offices and has offered to reassign 155 employees to targeted positions. NWS also secured direct-hire authority to fill up to 450 mission-critical positions.[xi] In addition, NWS has accelerated the implementation of its "roadmap" for strategic transformation—originally intended as a 10-year plan but now compressed to 18 months—to modernize its operational model and staffing requirements.

NWS must effectively manage both its workforce challenges and its transformation plan if it is to continue to meet its foundational mission of collecting observational data and issuing timely, accurate forecasts and warnings.

Sustaining Operational Readiness with Aging Hurricane Hunter Aircraft Fleet

NOAA's hurricane hunter aircraft fleet plays a critical role in collecting real-time atmospheric data used to forecast hurricanes' tracks and intensity. The fleet consists of three specialized planes: one Gulfstream IV-SP (G-IV) that flies high-altitude storm surveillance missions (see figure 2) and two WP-3D Orion turboprops that fly directly into hurricanes for low-altitude reconnaissance. These aircraft collect critical atmospheric data, such as pressure, temperature, humidity, wind speed, and 3D radar imagery, which is transmitted in real time to NOAA's National Hurricane Center to support life-saving forecasts and warnings. Hurricane hunters also support atmospheric river reconnaissance missions in the Pacific, providing critical observations used to predict severe winter storms across the western United States.

To ensure long-term mission continuity, NOAA has initiated efforts to replace both aircraft types. NOAA is in the process of acquiring four new hurricane hunter aircraft: two Gulfstream G550 high-altitude jets and two C-130J aircraft. The first G550, which will replace the G-IV, is expected to be mission ready in 2026; the second G550 is intended to provide backup capabilities for the high-altitude hurricane surveillance missions and allow NOAA to simultaneously fly these missions into multiple storms. The two C-130J aircraft will replace the WP-3Ds, which are scheduled to be retired by 2030.

Figure 2. The G-IV hurricane hunter takes off from Lakeland Linder Regional Airport, August 2017.

Source: NOAA hurricane hunter website

[xi] According to a White House fact sheet, in July 2025 the President exempted NWS employees from the ongoing federal hiring freeze given their public safety role. (Executive Office of the President. July 7, 2025. Fact Sheet: *President Donald J. Trump Ensures Accountability and Prioritizes Public Safety in Federal Hiring.*)

13

A critical challenge is developing a new radar system, the vertically scanned doppler radar, and integrating it into the C-130Js. The new system will replace the WP-3Ds' tail doppler radar, which measures storm intensity by capturing 3D radar images of wind patterns and helping to determine the structure of the hurricane. This data, combined with information from the high-altitude jet, supports accurate predictions of the track, maximum wind speed, and storm surge created by a hurricane—essential for state and local governments as they issue timely storm warnings, make evacuation order decisions, and plan emergency storm response and recovery priorities. We discussed the acquisition and mission-related risks of the vertically scanned doppler radar development in a June 2025 audit.[22]

According to a February 2025 Government Accountability Office (GAO) report,[23] NOAA's aging fleet is increasingly prone to mechanical issues, requiring intensive maintenance and presenting operational risks. The report stated that NOAA is "sometimes unable to complete [hurricane hunter] mission requirements . . . because of maintenance, staffing, and other issues. For example, as Hurricane Idalia threatened Florida in August 2023, all three . . . aircraft were grounded, and therefore unable to collect data, because of maintenance issues"—thus underscoring the fragility of the current fleet. The report also noted, "In a 2024 draft report to Congress . . . , NOAA acknowledged that its aging aircraft were an issue—two of its planes entered service in the 1970s and the third in 1994."

As NOAA's WP-3D aircraft continue to age, and with the U.S. Navy's retirement of its P-3 fleet, the challenges of sustaining these platforms are mounting. A shrinking supplier industrial base and a limited pool of experienced heavy maintenance contractors further complicate long-term support. If NOAA's planned acquisition of the C-130J aircraft is delayed beyond 2030, the WP-3Ds will require extensive and costly maintenance to preserve operational readiness and ensure the continued collection of critical hurricane reconnaissance data. To mitigate this risk and align with the timelines of federal budgeting and acquisition cycles, NOAA must proactively initiate planning to define the scope, cost, and schedule for executing major sustainment work packages.

In addition, according to GAO, hurricane hunter missions have increased for both tropical cyclone and winter seasons since 2014. Tropical cyclone missions rose in part due to greater storm activity in the Atlantic basin, especially during the record-setting 2020 season, and increased demand for high-resolution data from forecasters. Winter missions substantially increased beginning in FY 2020 after NOAA's aircraft responsibilities expanded to include Pacific basin atmospheric rivers. This accelerated mission tempo has placed significant operational strain on NOAA's aging aircraft fleet. Maintenance challenges have sometimes resulted in the aircraft being unable to execute mission tasks. For example, the G-IV was unable to fly for 11 days from August to September 2023, preventing high-altitude surveillance missions around Hurricane Lee.

With growing demand for year-round deployments, which leaves a reduced "off season" period for critical aircraft maintenance, NOAA faces mounting pressure to sustain mission readiness and data continuity. Given the uncertainty surrounding the delivery dates of replacement aircraft and timelines to achieve mission readiness, it is critical that NOAA prioritize both the recapitalization and sustainment of its existing fleet. Continued investment in maintenance, service life extension programs, and modernization of onboard systems will be essential to ensure the aging aircraft remain safe, reliable, and capable of supporting life-saving weather forecasts.

These efforts are essential to maintaining NOAA's ability to collect high-resolution storm data that cannot be obtained by satellites or ground-based systems. A lapse in NOAA's ability to fly and collect storm data could have serious consequences for hurricane preparedness and disaster response—potentially putting at greater risk the lives and property of over 100 million Americans in hurricane-prone areas along the Atlantic and Gulf Coasts. However, the combination of aging aircraft, delayed replacements, and complex customization needs presents a significant management challenge. Until the delivery of new aircraft, NOAA risks gaps in its hurricane reconnaissance capabilities, potentially affecting the accuracy of forecasts and the nation's ability to prepare for severe weather events.

Overcoming Acquisition and Workforce Challenges in NOAA's Ship Fleet Modernization

NOAA is actively recapitalizing its fleet through the ongoing construction of Class A and B vessels.[xii] It is also in the early planning stages for two additional ship classes, Class C and D. These efforts are critical for ensuring that NOAA can continue to meet its mission of supporting safe navigation, coastal resource management, and disaster preparedness and response.

Class A ships support research in marine geology, geophysics, ocean engineering, acoustics, bathymetry, gravimetry, magnetometry, and oceanography. They also deploy, operate, and recover scientific instruments and vehicles; support dives; manage moorings and free-floating devices; process and transmit data; and support deep sea and coastal missions.

Class B ships chart and survey deep and shallow waters, producing hydrographic, benthic habitat, and water column geospatial products and deploying and recovering survey launches. They also collect data for climate research, weather and air chemistry, and ocean and coastal research.

The first Class A vessel is expected to be delivered in April 2026. However, the construction of the second vessel, *Discoverer*, began without design specifications to support a critical deep-ocean mission currently being performed by the aging *Okeanos Explorer*, which has exceeded its planned service life. To provide this capability on *Discoverer* would require significant redesign and rework, and increase costs and delay mission readiness. Delays would likely require NOAA to continue operating the 37-year-old *Okeanos Explorer* for longer than intended. NOAA must fully characterize the design changes and mission impacts to inform decision-making on this matter.

Construction on the first Class B vessel, *Surveyor,* began in March 2025. Unlike the Class A program, which is being led by the U.S. Navy, NOAA is the lead agency for the Class B acquisition, with technical support from the Navy. NOAA has not led a new ship acquisition program in

[xii] The first Class A ship on contract, *Oceanographer*, has an expected delivery date of April 2026; the second, *Discoverer,* is expected in October 2026. Two Class B ships, *Surveyor* and *Navigator*, are on contract. Construction for the *Surveyor* started in March 2025, with an estimated delivery date in 2028.

15 years. A lack of recent experience and institutional knowledge increases program and enterprise risk, particularly in establishing and carrying out effective government contract quality assurance functions.

Additionally, modeling and simulation tests have found that *Surveyor*'s hull design requires modification for its sensors to work correctly.[xiii] NOAA must resolve these issues to ensure that *Surveyor* is delivered on schedule and meets mission requirements that ultimately support over $1.8 trillion in maritime commerce in our nation's ports.

Finally, NOAA also faces significant challenges in recruiting and retaining qualified crew for its ships as well as technical experts to manage and oversee the complex fleet recapitalization process. Without an adequately sized and skilled workforce, NOAA risks delays in its acquisition programs and reduced operational readiness of the ships and aircraft.[24]

Maximizing Use of Innovative Uncrewed Systems

In addition to modernizing its fleet of ships and aircraft, NOAA is beginning to use uncrewed systems—including aircraft, surface vehicles, and submersibles—to expand its data collection capabilities and improve the efficiency and effectiveness of its ships and aircraft (see figure 3 for an example). By providing access to remote or hazardous areas, these systems allow NOAA to monitor weather patterns, track wildlife, and study the environment while reducing risks to human safety and allowing its ships and aircraft to spend more time actively supporting missions.

Figure 3. An uncrewed surface vehicle surveys at sea.

Source: [NOAA Uncrewed Systems Operations Center]

While NOAA has sought to rapidly integrate the use of uncrewed systems, it still needs to develop and implement effective program controls for them. These include a process for developing and managing requirements for uncrewed systems, a process to assign data collection requirements to the appropriate platform (such as an uncrewed aircraft or marine system), a program management plan for acquisitions, and an acquisition strategy to efficiently allocate resources. By implementing these controls, NOAA can optimize its program and maximize the effectiveness of its uncrewed systems.

Maintaining an aging fleet of ships and aircraft while the acquisition of new assets is delayed creates significant operational risks. These include higher maintenance costs, reduced reliability, and potential safety concerns. Continued reliance on outdated platforms places strain on NOAA's resources and compromises its ability to meet mission requirements.

[xiii] Hull-mounted sensors can include multibeam sonar, echo sounder, and fish finders. The sensors rely on transmitting and receiving sound waves; their performance can be significantly degraded by air bubbles caused by the ship moving through the water.

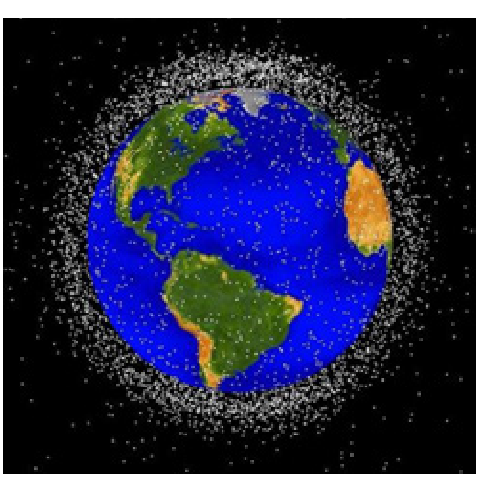
16

Implementing Commercial Space Services

As commercial activity in space grows rapidly, NOAA's Office of Space Commerce (OSC) is continuing to develop a system to provide space situational awareness data and services to commercial space operators in support of spaceflight safety. Due to the increase in space objects orbiting Earth (figure 4), preventing collisions between satellites and debris is crucial.

In a 2024 audit,[25] we reported that OSC was challenged to effect the transfer of certain responsibilities for providing basic space situational awareness data and services from the Department of Defense to the Commerce Department, as called for in a 2018 White House policy directive.[26] Specifically, OSC's award of a contract for a system integrator, which was integral to providing an initial space situational awareness capability, had been delayed. In addition, the program had challenges with staffing and schedule management.

Figure 4. Orbital debris is most concentrated within 2,000 kilometers of Earth's surface.



Source: [NASA website]

Since our report, OSC awarded the contract and implemented initial capabilities of its Traffic Coordination System for Space (TraCSS) for a beta group of satellite operators. However, programmatic, acquisition, and resource challenges could impact OSC's ability to complete a production release of TraCSS in January 2026, which is a key step in its roadmap to transitioning services from Defense to Commerce. OSC must also balance these efforts with recent interest in privatizing the TraCSS program.

Safeguarding Intellectual Property and Fostering Innovation

Providing quality, timely patent and trademark rights is a USPTO core function. In our FY 2025 *TMC,* we reported on the need to balance quality and pendency in patent and trademark examinations. This issue remains a challenge. USPTO must also continue to manage fraudulent claims and preserve the integrity of its patent and trademark examination processes.

Reducing Application Backlog Without Sacrificing Quality

USPTO faces ongoing challenges regarding the timeliness of its trademark and patent examination processes. In 2024, we reported that USPTO made some progress in reducing total trademark pendency (the time during which the application is pending, or awaiting a decision) from its highest levels, but further improvement is needed.[27] Trademark application pendency remained above historical levels, from an average of 9.5 months in 2020 to 14.1 months in 2024. On the patent side, almost 800,000 applications remained unexamined at the end of FY 2024, an

17

approximate 38 percent increase from the end of FY 2020. The Department and USPTO have indicated that patent pendency will be a focus for the immediate future.

At the same time, USPTO's patent quality reviews found that approximately 16 percent of office actions in 2024 did not comply with at least one of the statutes governing patentability. And USPTO's quality reviews have identified a significant percentage of examiner office actions with incorrect or missed double-patenting rejections (which aim to prevent granting a patent claim that is the same as, or not patentably distinct from, a claim in another patent). In a 2025 audit, we reported that many quality review findings go uncorrected; this may impact the quality of issued patents.[28]

USPTO is working toward reducing its trademark application backlog. It has added IT development resources intended to improve the internal trademark examination system and shifted fraud-detection tasks from examining attorneys to the Trademark Register Protection Office. USPTO is also taking steps to address patent pendency, including updating the application routing process, extending examiner working hours, and employing new examiner incentives. Management's focus on pendency is commendable, but USPTO will be challenged to improve the timeliness of its patent and trademark application processes without reducing the quality of its examinations.

Preserving the Integrity of Intellectual Property

The integrity of patent and trademark examination is important to reliable intellectual property rights and the economic health of the United States. It is also vital to the smooth and efficient operation of USPTO.

In a 2021 audit, we found that USPTO had approved trademark filings with digitally altered or mocked-up evidence of use in commerce, did not ensure that goods listed in filings were available for sale on websites, and lacked a comprehensive risk strategy.[29] USPTO's efforts to address these issues included creating the Register Protection Office, which is dedicated to combating threats to the trademark system.

Similarly, in April 2025 USPTO announced the creation of the Patent Fraud Detection and Mitigation Working Group, which is tasked with mitigating threats to the patent system. The group's focus will include addressing erroneous fee certifications, monitoring suspicious filings, and identifying and handling potential misrepresentations to USPTO. These threats can waste office resources and impede the examination of legitimate patent applications.

We applaud these steps toward tackling improper conduct in trademark and patent execution. USPTO's challenge will be to ensure that its actions in this regard are coordinated, effective, and adapted as needed, especially considering the focus on pendency noted above. In addition, USPTO must remain vigilant for new types of improper conduct and maintain adequate resources for these efforts.

Ensuring Quality Population Data

The Census Bureau conducts the decennial census, a constitutionally required count of the U.S. population, every 10 years. Although the 2030 decennial is more than 4 years away, the bureau has been planning for it since 2019. Its challenge will be to provide enough oversight over

18

the decennial and its follow-up operations to ensure the accuracy of the data it collects—data that will help stakeholders make important political, economic, and social policy decisions that affect the entire nation.

In addition to the decennial, the bureau conducts over 130 surveys, measuring changing U.S. demographic and economic conditions, for itself and on behalf of other agencies. The bureau's ongoing challenge is to maintain these surveys' quality and accuracy.

Providing Sufficient Oversight of Decennial Census Planning and Follow-Up

In the previous decennial census, the bureau's count of the U.S. population as of April 1, 2020, was 331,449,281 people. The decennial census provides the data needed to apportion the U.S. House of Representatives and to distribute federal funding to the states, tribal governments, and local communities. The bureau estimated federal funding for FY 2021 (the first fiscal year after the 2020 decennial) that was distributed using Census data to be more than $2.8 trillion. These funds are used for services and infrastructure, requiring a high level of data quality. If data quality is problematic, the population-based apportionment of representatives and funding will not be as accurate as possible.

Allocating sufficient resources for 2030 census research and testing. The 2030 census is a multiyear program, beginning in 2019 and ending in 2033. The program encompasses four distinct phases, as shown in figure 5.

Figure 5. Planning for the 2030 decennial began years before the actual count.

Source: OIG, based on Census planning information

The bureau publicly released its initial operational plan for the 2030 census on July 23, 2025. Its work is now in the development and integration phase, which includes two major tests: the 2026 Census Test and the 2028 Dress Rehearsal. Each test is designed to measure the effectiveness of new or improved systems and methods for carrying out the decennial census. The bureau will refine the operational plan as needed following these tests. We have focused our near-term work on the 2026 Census Test:

- In December 2024, we began an evaluation to assess the bureau's methodology for selecting test sites for the 2026 Census Test.
- In September 2025, we issued an audit report on the bureau's staffing plans for the 2026 Census Test and its progress in meeting workforce hiring goals.[30]

In our September 2025 audit, we reported that the bureau has not finalized its staffing plan for recruiting and hiring field staff for the test. The bureau had expected to finalize and approve the staffing plan and cost model by January 31, 2025, but did not because data needed to prepare the plan was received later than expected or had not yet been provided; the bureau also did not have a procedure to document staffing plan requirements and methodology to ensure that workforce planning was done in a consistent and timely manner and according to management's expectations.

The bureau planned to begin recruiting field staff for the 2026 Census Test in October 2025, but an incomplete staffing plan may lead to delays in recruiting and the failure to meet workforce hiring goals. We recommended that the bureau complete and implement its staffing plan before recruitment begins, establish and implement oversight responsibilities over staffing plan activities, develop and implement a process to define responsibilities and expectations, and establish firm dates for staffing plan activities. The bureau concurred with our recommendations.

Improving the accuracy of an important decennial quality check. The Post-Enumeration Survey (PES) is an independent survey of a representative sample of households counted during the decennial. It aims to measure coverage error and census accuracy, acting as a quality check of the decennial.

By matching its responses to 2020 census responses, the 2020 PES created an independent estimate of the number of people living in the United States and Puerto Rico as of April 1, 2020.[xiv] The 2020 PES found statistically significant population undercounts for six states and overcounts for eight states.[31] It also found that some historically undercounted demographic groups (e.g., African American and Hispanic) continued to be undercounted, but to a higher degree, while other groups (e.g., Non-Hispanic White and Asian) were overcounted.[32]

In November 2024, GAO reported that historical coverage errors persisted for some groups and that data quality for the 2020 PES may have declined from previous decennial censuses.[33] GAO also found that the bureau encountered challenges during the 2020 PES and that some methodological choices may have negatively affected data quality.

We issued an audit report in March 2025 on the validity of the 2020 PES's overcounts and undercounts.[34] We found that operational delays, which prompted efforts to address missing data, and a smaller-than-anticipated sample size increased uncertainty in PES estimates, bringing into question the 2020 PES's validity. In addition, quality control processes for certain operations were not carried out as planned. We recommended several changes to the bureau to strengthen the 2030 PES. In response to our recommendation, the bureau concurred with it and acknowledged opportunities to strengthen the PES.

The decennial census is used to measure the U.S. population and is therefore critical to determining federal representation and the distribution of federal funding. This means it impacts millions of people nationwide for a decade after it is conducted. To ensure its accuracy, the decennial needs the most reliable quality check possible.

Improving the Accuracy and Quality of Demographic Surveys

In addition to the decennial census, the bureau conducts more than 130 surveys of households and businesses each year. Estimates for household (i.e., demographic) surveys are released

[xiv] The PES sample excludes people living in group quarters, such as nursing homes and college dorms, and people living in remote Alaska areas.

20

monthly, quarterly, or annually, and require that thousands of field representatives pay visits in person to interview households that did not initially respond to the survey. Surveys are either carried out and sponsored entirely by the bureau or on behalf of another federal agency, which reimburses the bureau for the work.

Many federal agencies depend on the bureau to collect accurate data for use by their stakeholders. For example, the Current Population Survey (CPS), conducted on behalf of the Department of Labor's Bureau of Labor Statistics, is used to inform stakeholders' decision-making processes on matters related to household employment and earnings.

Improving data collection and quality control procedures to ensure reliable survey estimates. The largest survey carried out by the bureau is the American Community Survey (ACS), which has a target sample size of approximately 3.54 million addresses each year across the United States and Puerto Rico. Each month, field representatives collect demographic, social, economic, and housing information from people living in households and group quarters, and the bureau provides that data plus population estimates to American communities. These estimates are critical for state and local policymakers and planners, who use them to help distribute more than $2.8 trillion in federal funding.

Accurate ACS data gathered from people living in households and group quarters is necessary for a range of policy decisions. Therefore, the bureau must ensure that its representatives follow established production and quality assurance processes when collecting survey data. On August 30, 2023, we initiated an audit of the ACS to determine whether the bureau has implemented adequate data collection procedures to ensure that ACS estimates are reliable. We intend to issue a final report on this audit in FY 2026.

Addressing workforce staffing gaps. The bureau employs thousands of field representatives to carry out some of its largest surveys, such as the ACS, CPS,[xv] and National Crime Victimization Survey (NCVS).[xvi] Field representatives are deemed mission-critical positions without which the bureau cannot carry out its core work.

However, the bureau struggles to recruit and retain field representatives in some areas of the country. This results in staffing shortfalls for surveys, including the ACS, CPS, and NCVS. In March 2025, we issued an evaluation report on the effectiveness of the bureau's strategies to help recruit, hire, and retain employees.[35] We found that the bureau did not meet staffing goals for the three surveys mentioned and did not document recruitment and retention processes. The bureau also did not have effective strategies to address staffing gaps and high levels of field representative vacancies. If the bureau does not recruit and retain enough quality field representatives, it will be unable to complete interviews and collect the social and economic data needed by the federal government, businesses, and other stakeholders.

[xv] Sponsored jointly by the Census Bureau and the Bureau of Labor Statistics, the CPS is the country's primary source of labor force statistics. It has a random sample of approximately 74,000 housing units each month.
[xvi] Carried out on behalf of the Bureau of Justice Statistics (Department of Justice), the NCVS is the country's primary source of information on criminal victimization. The survey has a representative sample of approximately 150,000 households annually.

Section 3: Managing Spending

In recent years, the Department has been at the forefront of efforts to strengthen the American economy and global competitiveness. This has led to many new programs and initiatives for the Department to manage. As the Department's funding for these programs and initiatives has grown, so has its ongoing challenge of ensuring the proper oversight and management of contracts, grants, and financial assistance awards. The Department must manage many high-dollar award programs and procurements while ensuring that it spends taxpayer dollars prudently and safeguards programs from fraud, waste, and abuse.

Managing and overseeing major programs, like NTIA's broadband programs, CHIPS Act programs, FirstNet Authority's management of the nationwide broadband network for first responders, and NIST's manufacturing partnership program, are some of the spending-related challenges the Department needs to meet to carry out its wide-ranging mission.

Strengthening Oversight to Increase Efficiency While Mitigating Fraud, Waste, and Abuse

Safeguarding the funds obligated for the Department's complex programs and initiatives is a major ongoing challenge. Protecting these funds will require strong management and oversight, which in turn depends on the Department's ability to maintain a skilled grants and acquisitions workforce as well as a proactive approach to preventing and detecting fraud and ensuring the accountability of recipients.

Strengthening Monitoring and Oversight of Grants and Contracts

The Department must continue to strengthen its grant and contract administration and oversight to increase efficiency while mitigating fraud, waste, and abuse. Thorough performance monitoring and documentation help ensure that the Department and bureaus provide effective oversight and comply with all applicable regulations and that grant recipients and contractors are fiscally responsible with federal funds.

As the Department focuses on the President's America First Investment Policy and revitalizing our economy, the Department must adapt its oversight to monitor changes in priorities and programs, consolidate programs to work more efficiently, and put controls in place to make sure funds are spent as intended.

22

The Department's approximate grant obligations and contracts in FYs 2024 and 2025 are shown on the right. The Department is also reviewing its contracts for common goods and services that are to be consolidated for procurement through the General Services Administration in accordance with the administration's direction.[36] Taking a phased approach, the Department has proposed transferring contracts with a current obligation amount of nearly $350 million.

	Grants	Contracts
FY24	$28.5 billion	$5.2 billion
FY25	$21.2 billion	$4.2 billion

With billions of tax dollars spent each year on government contracting, federal acquisitions must be managed effectively, efficiently, and with accountability. As contractors deliver goods and services to help the Department perform its mission, strong internal controls must be in place to provide the best value for taxpayers' resources, eliminate wasteful spending, and ensure that the Department fulfills its statutory responsibilities in the most cost-effective manner possible.

Proposed changes directed through recent executive orders identify opportunities for new approaches Departmentwide to realize savings and deliver on the President's agenda. For example, in February 2025, the President issued an order aimed at transforming federal spending on contracts, grants, and loans.[37] In response, the Secretary of Commerce issued guidance on March 10, 2025, retaining authority to approve contracts exceeding $100,000.

Additionally, changes in funding are expected to refocus the Department on core activities such as enforcing trade laws, producing core statistical products, conducting leading-edge research and development, and collecting essential scientific observations like ocean and weather data to support navigation and forecasting. And with the reduction and potential elimination of programs and bureaus, the Department will need to ensure the continued oversight of grants.

Our recent audit, evaluation, and investigation work has also shown that the Department needs to improve its monitoring and oversight of acquisitions and grants:

- **Lack of adequate oversight at EDA.**[38] Our April 2025 audit report concluded that EDA did not provide adequate oversight of Coronavirus Aid, Relief, and Economic Security (CARES) Act revolving loan fund operators. Four operators awarded 11 loans, totaling more than $4.02 million, to borrowers who did not meet eligibility requirements and who did not use the funds as intended.
- **NIST pandemic relief fund recipients' unapproved spending.**[39] An independent evaluation in March 2024 of CARES Act and American Rescue Plan funding through NIST questioned costs of approximately $2.55 million. Multiple recipients spent funds without prior approval or overspent in certain budget categories.
- **NOAA fisheries' lack of pandemic relief fund oversight.**[40] An independent evaluation in April 2024 of CARES Act and Consolidated Appropriations Act (CAA) pandemic relief funds provided by NOAA to support fisheries assistance identified $314,000 in questioned costs, $24.7 million in unsupported costs, and $19 million in funds to be put to better use. NOAA monitored most funding through a dashboard but had little to no oversight of CAA funding. In addition, an investigation revealed that a business falsely claimed a loss in revenue on a

CARES Act application. When confronted with this evidence, the business agreed to pay approximately $90,000 to settle claims related to the funding.

- **Identification of pricing issues in NOAA contract.** In May 2025, a proactive investigation of pricing issues in the Department's contracts led to NOAA recovering more than $800,000 from a contractor. We found significant discrepancies between the contractor's proposed and actual costs. The investigation also found that the contractor received excessive profits on the contract due to these discrepancies. Our findings led the contractor to sign a settlement agreement with NOAA acknowledging that the contractor had been overpaid and providing for direct reimbursement to NOAA.
- **Slow disbursements of disaster funds by Puerto Rico.**[41] The Bipartisan Budget Act of 2018 appropriated funds for Puerto Rico fisheries impacted by Hurricanes Irma and Maria in September 2017. Funds were properly expended and used as intended, but only about 7 percent of total disaster assistance funds had been disbursed as of July 2024.

Maintaining a Skilled Grants and Acquisitions Workforce

Maintaining skilled workers in these fields has long been a challenge for the Department. The Department's FY 2024 *Acquisition Human Capital Report* states that successful acquisitions directly result from having the right people in place to support the acquisition lifecycle. The plan also states that to ensure the effective stewardship of its resources, the Department must have an acquisition workforce that optimizes the utilization of resources and assets; leverages technology; adapts to changing business environments; promotes the timely delivery of high-quality products and services; and ensures compliance with statutes, regulations, policies, and guidance.

The Department's acquisition workforce is currently undergoing changes. Implementing recent executive orders[42] and consolidating procurement actions through the General Services Administration, intended to eliminate waste and increase efficiency, will effect extensive changes to federal contracting. The Department's acquisition workforce will need to adapt to these proposed changes while maintaining effective oversight of contracts and grant programs.

The Department's Office of Acquisition Management notes that accomplishments in managing and strengthening the Department's acquisition workforce were achieved by offering acquisition-related training to enhance the workforce's knowledge. In addition, some bureaus identified leadership programs for staff growth and development. Further, the Department has forged a new agile acquisition pathway consisting of an agile framework, guidebook, and related artifacts so it can be more customer-centric, continue to learn, and routinely adapt requirements to maximize the value of investments in the Department's unique programs.[43] The Office of Acquisition Management also develops guidance and templates intended to serve as a reference, guide, and collection of best practices. These resources are designed to support consistency and quality across programs. Individual bureaus and programs are encouraged to use them to train program managers and are also welcome to tailor the materials to fit their programs' specific needs.

The Department's most critical challenge in managing its financial assistance and acquisition workforce is to ensure that it has the right talent, with the technical expertise and program management skills to procure, administer, and manage the Department's many highly specialized products, services, and programs.

Mitigating Fraud and Improving Accountability

In recent years, the Department received historic amounts of funding, which is currently being implemented.[44] This funding, like all federal funding, is at risk of fraud.[45] To ensure that funding reaches intended beneficiaries and that funded programs achieve their goals, fraud must be properly mitigated.[46]

Fraud poses a significant risk to the integrity of federal programs and erodes public trust in government.[47] A 2024 GAO report has estimated that fraud costs the federal government between approximately $233 billion and $521 billion in direct losses per year.[48] This amount was cited in a 2025 executive order focused on protecting the United States General Fund from fraud, waste, and abuse.[49] That order noted that financial fraud threatens the integrity of federal programs and undermines trust in government and that it is the United States' policy to defend against financial fraud.[50]

To combat fraud and preserve the integrity of its programs, the Department should manage risk by increasing proactive fraud detection, prevention, and response measures as part of its program implementation and oversight.[51] Elements of an effective fraud risk management program include requiring accurate data from funding recipients, ensuring subrecipient accountability, and working with our office. Effective fraud risk management helps to ensure that services fulfill their intended purpose, funds are spent effectively, and assets are safeguarded.[52]

Requiring accurate data from recipients. GAO and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) have both cited the benefits of data analytic tools and techniques for effective fraud prevention and detection. A 2021 CIGIE report noted that using data analytics throughout a grant's lifecycle can provide greater visibility and insight into the use of federal funds and result in greater accountability.[53] But, as OMB has pointed out, financial award and subaward data must be accurate and high quality to provide transparency in how federal funding is spent.[54]

One way to help ensure the quality of grant data is to require grantees to certify the accuracy and truthfulness of the information they give the Department in applications, reports, and support for expenditures. Robust certifications can also contribute to effective civil and criminal grant fraud enforcement[55] —which, in turn, improves accountability.

Ensuring accountability for subrecipient performance. Accurate data is even more important at the subrecipient level, which is particularly vulnerable to fraud. OMB has stated that prime funding recipients are responsible for reporting subaward data and that agencies must hold recipients accountable for this reporting.[56] It is therefore critical for the Department to ensure that recipients of funding meet their subrecipient reporting requirements.

Collaborating and coordinating with OIG. According to GAO, another important component of effective fraud risk management is for federal agencies to collaborate and coordinate with their OIGs.[57] OMB has noted that agencies' leadership and OIGs share the responsibility of promoting economy, efficiency, and effectiveness in the agencies' programs and preventing and detecting fraud and abuse.[58]

25

In fact, in FY 2024 our office accounted for approximately $1.4 billion in monetary impacts. This includes $1.3 billion from audits and inspections (including questioned costs and the identification of funds that could be put to better use) and $31 million from investigative recoveries.[59] When compared to our aggregate budget for FY 2024, this represents an approximate return of $24 for every $1 invested.

$24 Estimated return on **every $1** invested in our office in FY 2024

The Department is required to report to us on possible fraud and other criminal matters such as a false claim by a grantee, contractor, or financial assistance recipient.[60] Such reporting is essential to preventing and mitigating fraud in the Department's programs. A 2024 study of 1,921 fraud cases revealed that 43 percent of frauds were detected by tips.[61] More than half of all tips come from employees, and approximately a third of all tips come from external sources such as customers, vendors, and competitors.[62] (According to the same study, a guilty plea or conviction was obtained in 72 percent of cases in which a criminal referral was made.)[63]

Notably, tips are twice as likely to come from employees who received fraud awareness training as from employees who did not, showing the importance of fraud awareness education in preventing fraud.[64] It is important not only to report fraud, but to make sure that the Department's employees and funding recipients know about our office and how to contact us.[65]

Our Office of Investigations is a federal law enforcement entity with jurisdiction to investigate any matter related to the Department's programs and operations. Investigations can include criminal, civil, and administrative matters, and we invite the Department to continue to actively engage with us on fraud risk management and to make award data available for analysis. Effective fraud risk management will help the Department ensure that its funding is being used as intended to serve the American people.

Improving Efficiency in and Oversight of Broadband Grant Programs

Through NTIA, the Department is responsible for administration and oversight of six grant programs worth a total of $49.8 billion, with the shared goal of bringing broadband access to every American.[66] If NTIA is to meet this ambitious goal, its major challenges include increasing efficiency by reducing unrealistic requirements and ensuring sufficient oversight of grant funds.

Increasing Efficiency by Reducing Unrealistic Requirements

The broadband grant programs are intended to expand broadband use in America; lay the groundwork for sustainable economic growth, better education, public safety, and healthcare; and advance other national priorities. However, some requirements—specifically, tight deployment timelines and lengthy permitting processes—create obstacles to deploying broadband programs.

26

Tight timelines do not account for conditions that might complicate or delay projects. As we reported in March 2025, the deployment timelines for the Broadband Equity Access and Deployment (BEAD) and Middle Mile Grant programs (4 and 5 years, respectively) are unreasonably short.[67] This is due to historically known, predictable geographic barriers—including short construction seasons, locations that are remote or have limited access, and climate hazards or natural disasters—that can cause significant delays to the projects they impact. Additionally, according to industry stakeholders, the telecommunications sector does not have sufficient capacity, both in material and in workforce resources, to complete all projects within the set timelines. In fact, some projects could take 10 or more years to complete.

Lengthy permitting process further impacts timelines and costs. As we have reported, the permitting process for broadband projects is lengthy—sometimes over 2 years for permit requests.[68] This can cut into the already short deployment timelines for broadband programs and lead to increased costs. Concerns over the length of the permitting process have also been expressed in multiple congressional hearings in 2023 and 2024. Failure to make changes will significantly delay broadband deployment and negatively affect the implementation, execution, and achievement of its goal to close the digital divide in underserved and unserved communities.

Even though permitting is outside NTIA's control, the bureau has been proactively developing and implementing initiatives to provide a more streamlined, efficient regulatory framework that complies with environmental and historic preservation obligations. NTIA has reduced potential permitting delays by:

- Establishing 30 new categorical exclusions and adopting 6 categorical exclusions from the First Responder Network Authority supporting streamlined environmental review for its grant programs
- Creating expedited compliance options for Endangered Species Act and National Historical Preservation Act reviews
- Providing publicly available GIS tools to help providers identify and avoid environmental resources and permits
- Partnering with states and territories and providing them with a tool for tracking environmental screening and permitting to enable expedited, paperless environmental compliance

Opportunities for new approaches.
The Department can **increase efficiency** in its broadband programs by revising tight timelines and streamlining the permitting process.

Congress is currently introducing legislation to reduce some of the statutory requirements for the BEAD program. In addition, NTIA conducted a comprehensive review of BEAD program requirements and issued a policy notice in June 2025 updating requirements from those outlined in BEAD's original notice of funding opportunity.[69]

27

Ensuring Sufficient Oversight of Grant Funds

Oversight of federal funds is one of the critical missions of every executive agency. Ensuring appropriate oversight of broadband programs will be essential to ensuring that the funds are spent effectively. In addition, strong oversight is critical to accomplishing departmental goals, including the expansion of broadband access. NTIA has taken action to strengthen internal controls for broadband program oversight by:

- Enhancing its procedures for verifying certifications from tribal governments that tribal lands were unserved or underserved by broadband
- Developing a framework of policies, procedures, and controls intended to help prevent, detect, and respond to fraud, waste, and abuse in NTIA's grant programs

Our recent work, however, has identified weaknesses in NTIA's processes for managing broadband grants. We have also initiated audits of how NTIA spends administrative funds for Infrastructure Investment and Jobs Act grant programs, NTIA's review process for BEAD's planning phase, and the allocation of BEAD funds.

The Department needs reliable internal controls to ensure that it can oversee funds effectively. Additionally, a renewed interest in increasing government efficiency and eliminating waste further highlights the need for strong oversight and controls. Mitigating these challenges is vital to the success of these programs and to ensuring that their limited resources are used as intended: to close the digital divide.

Managing and Overseeing CHIPS Act Funding

In 2022, Congress passed the CHIPS and Science Act[70] to promote long-term growth in domestic semiconductor manufacturing and research in support of national and economic security. The CHIPS Act of 2022 authorizes direct funding to support semiconductor research and development, innovation, and manufacturing.[xvii] The CHIPS Act also provided $1.5 billion to the Public Wireless Supply Chain Innovation Fund for grants to facilitate the adoption of open and interoperable radio access networks to drive wireless innovation, competition, and supply chain resilience.

These initiatives represent major priorities of the administration. Managing the programs so they meet their goals is an ongoing challenge for the Department.

Investing Responsibly in the Nation's Technological Future

NIST is playing a pivotal role in the attempt to bring semiconductor development and manufacturing back to the United States. To do this, the bureau must award and manage $50 billion in direct funding and up to $75 billion in loans and loan guarantees under the CHIPS Act.

[xvii] The CHIPS Act of 2022 (division A of the CHIPS and Science Act) amended Title XCIX of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021; we refer to these provisions collectively as the CHIPS Act.

28

A program of this size and complexity has many inherent risks, including the potential that funds will be misspent, improper payments will be issued, and ineligible entities will receive funds. This could result in an ineffective program and even the possibility that foreign entities of concern could benefit (for example, by partnering with American companies to conduct research into semiconductors critical to national security). NIST's ongoing challenge is to issue funding efficiently while reducing the risk of errors, fraud, waste, and abuse.

The rapid pace of CHIPS awards also presents oversight challenges. The two CHIPS offices, the Program Office and the Research and Development Office, began making awards in FY 2024. As of June 30, 2025, the Program Office has made 20 awards for up to $33.7 billion in direct funding and up to $5.5 billion in loans. Eighteen of the awards—totaling up to $30.5 billion—were announced within the 9-week period of November 15, 2024, to January 17, 2025. On January 16, 2025, the Research and Development Office awarded $7.4 billion to operate the National Semiconductor Technology Center and fund research projects to bring new CHIPS technology to the commercial market. Finalizing so many agreements so quickly increases the risk of many oversight-related issues, including rushed decision-making, insufficient due diligence, compliance gaps, and the need to modify awards later. On August 25, 2025, the Department announced that it would end the $7.4 billion agreement to operate the National Semiconductor Technology Center, stating that operational responsibility for the center had not been established within the Department as required.[71] According to a press release, NIST will assume operational responsibility for the center.[72]

$33.7 billion

The amount of direct funding the CHIPS Program Office awarded between November 2024 and April 2025. The office also issued up to **$5.5 billion** in loans during that time.

In addition, the main type of funding CHIPS uses (agreements that are not federal contracts, grants, or cooperative agreements) to streamline the award process is exempt from many federal procurement regulations. Given the scale of the funding awarded through these agreements, this approach adds complexity to oversight, increasing the risk of inconsistent accountability, limited transparency, and challenges in measuring performance.

To further complicate matters, the Program Office lost more than half of its employees in 2025 due to government-wide efforts to reduce staffing, according to the NIST Office of Human Resource Management.

Adequate oversight and internal controls can help lower these risks. This makes it crucial for CHIPS to have policies and procedures—and, importantly, people—in place to provide effective oversight. However, we reported in a May 2024 audit that CHIPS had not developed a comprehensive workforce plan to ensure that it has adequately aligned its resources to fulfill its mission and to identify current and future staffing opportunities and constraints.[73]

Internal restructuring is another challenge that must be met if the CHIPS program is to achieve its goals. In March 2025, the President established a new Department of Commerce office, the

United States Investment Accelerator, which will oversee the CHIPS Program Office.[74] The office aims to facilitate and accelerate investments of over $1 billion and to negotiate more favorable terms for U.S. taxpayers. Despite these potential benefits, the restructuring may change how the Program Office operates and engages with funding recipients.

As required by the CHIPS Act, we will continue to monitor the Department's implementation of the CHIPS program in the coming fiscal year.[xviii] In June 2025, we issued a status report of CHIPS Act programs administered by NIST.[75] In addition, in February 2025, we initiated the first of several statutorily required audits.[76] In this audit, we will examine the eligibility requirements of award recipients, including investment commitments, fiscal sustainability, supply chain security, and anti-counterfeiting measures.

Strengthening U.S. Leadership in 5G and Successor Wireless Technologies with the Innovation Fund

Established in 2021, the Public Wireless Supply Chain Innovation Fund aims to support the United States' leading position in the telecommunications ecosystem, reduce costs, enhance competition, and strengthen the nation's telecommunications supply chain. NTIA administers the Innovation Fund grant program for the Department, and NIST serves as the fund's grants office.

As we explained in our *TMC* reports for FYs 2024 and 2025,[77] NTIA had a very short time after funds were appropriated for the program—about 2 months—to review applications and begin awarding grants. NTIA issued three grants on August 8, 2023, meeting the legislative requirement to issue grants within 1 year of fund appropriation.[xix]

Since the program began, NTIA has issued three notices of funding opportunities (NOFOs). As of August 18, 2025, NTIA has awarded 35 grants, for over $550 million. Table 2 summarizes the grants and funds awarded under each of the three NOFOs.

Table 2. Over $550 million of the Innovation Fund's initial $1.5 billion* has been awarded.

NOFO	Release Date	Grant Purpose	Awards	Funding (millions)
1	April 12, 2023	Research and development/testing and evaluation	17	$140.4
2	May 7, 2024	Open Radio commercialization and innovation	18	$410.0
3	Dec. 17, 2024	Software to validate new revenue streams and reduce complexity and cost of integrating multiple vendors	0	$0
			35	**$550.4**

Source: OIG review of NIST's Grant Management Information System

* In July 2025, $850 million of the original $1.5 billion was rescinded (Pub. L. 119-21).

[xviii] The CHIPS Act appropriated $5 million annually to our office from FYs 2022 through 2026 to oversee expenditures related to the semiconductor incentive program and research and development initiatives. We are also required to audit the semiconductor incentive program to assess whether recipients met eligibility requirements, used funds in accordance with the law, fulfilled workforce and community investment commitments, and received sufficient guidance on agreement violations, and whether the Department took appropriate enforcement actions.

[xix] The CHIPS and Science Act was issued on August 9, 2022, and appropriated $1.5 billion to the program.

30

The CHIPS and Science Act also appropriated $2 million each fiscal year between 2022 and 2032 for our office to conduct oversight of the program. We completed one evaluation report in FY 2025 and launched an audit, which we will issue in FY 2026. Our Office of Investigations is also reviewing and assessing any allegations of fraud in the program.

Our evaluation report, issued in April 2025,[78] found that although NTIA took steps to mitigate some challenges it faced when implementing the program, it lacked a comprehensive strategic plan that would ensure the program's success. Specifically, NTIA did not have a sufficient strategy for anticipating emerging industry challenges, had not fully developed program goals and strategic objectives that align with the program's statutory objectives, and did not develop a comprehensive staffing plan before it began awarding grants.

In February 2025, we initiated an audit of NTIA's award process for NOFO 1 (research and development/testing and evaluation). Our objective is to determine whether NTIA had an adequate review and award selection process to ensure that grant recipients met the program's requirements as described in NOFO 1.

Because this is a new program, NTIA's challenge for FY 2026 is to ensure that a comprehensive internal control framework exists so that funds are granted only to eligible applicants and used according to program objectives.

Improving Oversight Weaknesses in Nationwide Broadband Network for First Responders

When disaster strikes, reliable communications are crucial to first responders' lifesaving efforts as well as their own safety. The Nationwide Public Safety Broadband Network (NPSBN, commonly known as FirstNet) is a nationwide, interoperable broadband network developed to give first responders a dedicated, reliable wireless network for communicating when responding to emergencies. (Figure 6 is an example of equipment that can temporarily connect first responders during a crisis.)

Figure 6. Mobile FirstNet cell sites like this one connect via satellite to provide network coverage.

Source: AT&T website

The Middle Class Tax Relief and Job Creation Act of 2012 established the First Responder Network Authority as an independent authority within NTIA to ensure the deployment and operation of the NPSBN. In March 2017, AT&T was awarded a $6.5 billion, 25-year contract with a ceiling of $100 billion to deploy and operate the network. FirstNet Authority manages and oversees the network and is responsible for contract management and administration.

31

Appropriate contract management and administration are imperative to the success of NPSBN operations. However, deficiencies in FirstNet Authority's contract management and administration, including weaknesses in contract oversight and inconsistent adherence to federal and departmental regulations, remain ongoing challenges. Moreover, we have found that these deficiencies have a direct operational impact on the effectiveness of NPSBN services.

For example, we reported in 2024 that FirstNet Authority did not ensure effective NPSBN service in support of public safety's response to the wildfires that swept through Maui in August 2023. It ultimately took up to 11 days to temporarily restore NPSBN service at affected cell sites—and, after service was restored, issues with connectivity and communication hampered first responders' ability to perform their mission-critical services. As a result, public safety could not rely on the NPSBN during the critical first days of the wildfire response. Beyond the issues during the wildfires, FirstNet Authority did not ensure that contractual requirements were met for sufficient disaster recovery planning before the wildfires and accurate reporting of response efforts after the wildfires.

We also reported that the NPSBN suffered a nationwide, multi-hour outage in February 2024 that impacted public safety agencies that use NPSBN services. Notification of an NPSBN outage is especially important so that agencies can implement their own alternate communication solutions, if needed. But agencies were not always notified about the February 2024 outage, nor were they updated on efforts to restore the network. Without notification of the outage, the safety of our nation's first responders was in jeopardy and their ability to perform their critical mission was compromised.

The NPSBN contract continues to be a high-profile, mission-critical departmental program that warrants special management attention. We have reported on the NPSBN as a top management challenge for FYs 2017 through 2025,[79] and our audit reports have continually identified issues with FirstNet Authority's oversight of AT&T's contract performance.[80] We are currently conducting two audits of FirstNet Authority's oversight of service availability and user eligibility for the NPSBN.

FirstNet Authority is revising and implementing its corrective action plans to address our audit findings and recommendations from FYs 2024 and 2025. However, we must continue to ensure that FirstNet Authority's action plans are effectively implemented. Until FirstNet Authority puts sufficient oversight for the contract in place, it will continue to put the NPSBN program—and the billions of dollars that fund it—at risk.

This risk is even more serious because the authority of FirstNet Authority is set to terminate in 2027, in accordance with the Middle Class Tax Relief Act. Congress will need to decide whether to reauthorize FirstNet Authority to continue fulfilling its statutory requirements and contract responsibilities for the NPSBN. Even as FirstNet Authority faces uncertainty about its future, it must take immediate action to implement robust controls to ensure the program's success.

Strengthening Hollings MEP Program Oversight

NIST's Hollings Manufacturing Extension Partnership (MEP) is a national network aimed at enhancing the productivity and technological performance of U.S. manufacturing.[81] NIST enters into cooperative agreements with state, university, and nonprofit organizations, which operate 51 MEP centers (one in each state and in Puerto Rico) to help U.S. manufacturers improve production processes, upgrade technological capabilities, facilitate production innovation, and more.

In April 2025, it was announced that funding for about 20 percent of MEP centers would not be renewed. Although funding was later restored through the end of FY 2025, uncertainty about the program's future still exists. Despite this uncertainty, NIST must still protect the taxpayer money that funds MEP. To meet this challenge, it must improve its oversight to prevent waste of MEP funds and the use of inaccurate data on the program's economic impact.

Fighting Waste of MEP Funds

In 2023, we reported that NIST's inadequate oversight of MEP led to inefficient use of financial resources related to the centers in our review:[82]

- NIST did not ensure that centers used all funds to further MEP's mission. Instead, NIST allowed centers to keep and use millions of dollars for their own purposes, with no accountability to the federal government or taxpayers.
- NIST did not review the reasonableness of centers' executive salaries, resulting in excessive center personnel costs.
- Centers did not meet their award requirement to disclose potential conflicts of interest to NIST. This raises concerns about how they use award funds and increases the risk of fraud, waste, and abuse in the program.

As a result of our findings, we identified nearly $6.9 million in total funds that could be put to better use.

Since issuing that report, we continue to find instances where NIST allowed centers to retain significant financial resources for their own purposes and where award terms were breached, heightening the risk to taxpayer money. For example, we recently found that one center did not report to NIST millions of dollars generated using award funds, while another center claimed several hundred thousand dollars in unallowable expenses.[83] In addition, one center failed to return to NIST nearly $18,000 in federal funds it had overbilled—the center retained the funds for nearly a year and only initiated their return after we questioned center officials about the funds.

Addressing Inaccurate Economic Impact Data

NIST reports MEP's economic impact data in many contexts, including budget justifications. It is therefore key information for Congress and other potential decision-makers. Our September 2024 evaluation found that NIST publicly reported unreliable economic impact data, including 48 percent of the FY 2022 total sales for the seven centers in our review.[84] NIST also overstated MEP's return on investment from FYs 2020 through 2023—by 34 percent in FY 2020 alone. These unreliable economic impacts were also the basis for computing and publishing reports on the MEP program's macroeconomic impacts—reports that are posted on the NIST contractor's public website.

Since we issued our evaluation report, NIST has removed its FYs 2022 and 2023 impacts from its own website and directed its centers not to cite those economic impacts in any marketing or

33

communications material. However, NIST made no effort to remove or correct the publicly available MEP advisory board reports, allowing the inaccuracies to persist. In fact, the unreliable impacts from 2023 were referenced in an April 2025 letter in support of MEP, signed by 86 U.S. Representatives and addressed to the Secretary of Commerce, which highlighted the impacts as "indisputable." [85]

Similarly, NIST made no attempt to remove or correct the macroeconomic impact reports publicly available on the contractor's website. As a result, another letter to the Secretary supporting MEP, this one signed by 15 U.S. Senators, referenced these inaccurate reports.[86]

In addition, these economic impacts are NIST's primary means of evaluating centers' performance for continued federal funding. NIST's reliance on this data to evaluate centers may have caused it to provide federal funds to centers that overstated their performance.

MEP centers' inefficient use of financial resources, breach of award terms, and unreliable, overstated economic impact data increase the risk of fraud, waste, and abuse throughout the program. We will continue to monitor the program and review its progress in addressing this challenge.

Appendix: Relevant OIG Reports and Ongoing Projects

Section 1: Modernizing Technology and Systems

Cybersecurity and IT Security

Completed

- *Data Quality Challenges and Ineffective Program Management Hinder the Department's Enterprise Cybersecurity Capabilities* (OIG-25-006-A)
- *The National Weather Service Should Further Strengthen Its Protection of Essential Operational Technology* (OIG-25-12-I)
- *Audit of the Department's Vulnerability Reporting and Resolution Program* (OIG-26-002-A)

Ongoing

- Evaluation of the International Trade Administration's Cyber Incident Detection and Response

Systems and Operations

Completed

- Management Alert: *BAS Program's Focus on Technology May Overlook Risks Related to Business Processes* (OIG-21-023-M)
- *The BAS Program Needs to Increase Attention to Business Process Reengineering and Improve Program Management Practices* (OIG-22-025-A)
- *The Department Needs to Improve Oversight to Ensure the Success of Its Financial System Modernization* (OIG-24-014-A)
- *The Department's Vision for an Enterprise Grants Management System Has Not Been Realized* (OIG-25-025-A)

Ongoing

- Audit of BAS System Implementation for the Census Bureau

35

AI and Emerging Technologies

Completed

- *USPTO Needs to Improve Its Cost Estimating, Scheduling and Agile Practices to Timely Retire Legacy Systems* (OIG-22-026-A)
- *USPTO Should Improve Governance to Promote Effective Oversight of Its Artificial Intelligence Tools* (OIG-25-018-A)

Section 2: Providing Core Services and Data

Secure, Fair Trade

Completed

- *Lack of Defined Processes and Procedures Impede Efforts to Monitor End Use Check Performance* (OIG-20-019-A)
- Management Alert: *Excluding Deemed Exports and Reexports from 15 C.F.R. § 742.6(a)(6) Could Pose a Significant Risk of Unauthorized Technology Release to China's Military* (OIG-24-001-M)
- *ITA Did Not Effectively Resolve Foreign Trade Barriers* (OIG-24-004-A)
- *BIS' Export License Approval Process Reduces Risk of Threats from China's Military-Civilian Fusion Strategy, but BIS Should Take Additional Steps to Mitigate Risks of Unauthorized Technology Release to China's Military* (OIG-24-036-A)

Ongoing

- Audit of BIS's Enforcement of Russia and Belarus Export Controls
- Audit of BIS's Enforcement Efforts to Combat China's Military-Civilian Fusion Strategy

NOAA's Operations and Services

Completed

- *NOAA's Office of Marine and Aviation Operations Needs to Improve the Planning and Governing of Its Ship Fleet Recapitalization Effort* (OIG-20-006-A)
- *OMAO Must Define and Implement a Disciplined Requirements Management Process to Ensure Future Acquisitions Meet User Needs* (OIG-21-027-I)
- *The Success of NOAA's Next-Generation Satellite System Architecture Depends on Sound Requirements Management Practices* (OIG-22-022-A)
- *Space Weather Follow-On (SWFO) Program: Rideshare Schedule Presents Challenges and Lack of Backup Option Warrants NOAA Attention* (OIG-23-015-A)
- *Satellite Integration and Test Phase Improvements Are Needed to Ensure the Success of Future Polar Weather Satellite Missions* (OIG-23-027-A)

- *The GeoXO Program: Cost and Schedule Baselines Are Established, But NOAA Should Evaluate Plans for the Central Satellite Mission and Revise Its Approach to Performance Gains to Provide the Best Overall Value* (OIG-23-028-A)
- Management Alert: *NOAA Must Take Action to Address Significant Ship Fleet Recapitalization Risks* (OIG-24-016-I)
- *NOAA's Office of Space Commerce Efforts to Provide Space Situational Awareness Services Have Been Delayed and Need a Realistic Schedule* (OIG-24-031-A)
- *NOAA Should Assess Opportunities to Improve Hurricane Forecasts and Warnings* (OIG-25-007-A)
- *NOAA Must Take Action to Avoid Gaps in Hurricane Hunter Missions and Improve Oversight, Program Management, and Systems Engineering Practices* (OIG-25-023-A)
- *Independent Evaluation of the National Oceanic and Atmospheric Administration's National Weather Service Tornado Forecasting and Warning Services* (OIG-25-026-I)

Ongoing

- Audit of NOAA's GeoXO Program Implementation
- Audit of NOAA's Space Weather Follow-On Program Progress

Intellectual Property and Innovation

Completed

- *USPTO Has Opportunities to Improve Its Internal Controls and Oversight Related to PTA and PTE Calculations* (OIG-21-030-I)
- *USPTO Should Improve Controls over Examination of Trademark Filings to Enhance the Integrity of the Trademark Register* (OIG-21-033-A)
- *USPTO Has Opportunities to Improve its Patent Examination Process and to Advance Patent Decision-Making* (OIG-22-010-I)
- *USPTO Needs to Improve Oversight and Implementation of Patent Classification and Routing Process* (OIG-23-026-A)
- *The Department Needs to Strengthen Its Ethics Oversight for USPTO Patent Examiners* (OIG-24-013-I)
- *A 3-Year Exposure of Privacy Act-Protected Data Revealed USPTO Mismanagement in Safeguarding the Sensitive PII of Trademark Filers* (OIG-24-029-I)
- *USPTO Should Address Risks to its Pendency Reduction Efforts for Trademark Applications* (OIG-25-002-A)
- *The United States Patent and Trademark Office Needs to Strengthen Its Quality Review Program* (OIG-25-029-A)

Ongoing

- Audit of USPTO's Patent Center System

Ensuring Quality Population Data

Completed

- *The Census Bureau Did Not Develop a Workforce Plan to Address Field Representative Staffing Gaps* (OIG-25-013-I)
- *The Census Bureau Should Address Challenges from the 2020 Post-Enumeration Survey Ahead of the 2030 Census* (OIG-25-015-A)
- *Audit of the Census Bureau's Progress in Meeting Workforce Hiring Goals for the 2026 Census Test* (OIG-25-030-A)

Ongoing

- Audit of the American Community Survey
- Evaluation of 2026 Census Test Site Selection Methodology

Section 3: Managing Spending

Strengthening Oversight to Increase Efficiency

Completed

- *EDA Generally Maintained Grant Award Files During the COVID-19 Pandemic* (OIG-23-029-I)
- *NTIA Took the Necessary Steps to Implement the Requirements for Awarding Funds Under the Consolidated Appropriations Act, 2021* (OIG-23-018-I)
- *EDA Implemented and Followed the Requirements for Awarding and Disbursing CARES Act Funding Through the Revolving Loan Fund Program* (OIG-23-021-I)
- *EDA Generally Monitored Grants Awarded Under the FY 2019 EDA Disaster Supplemental Notice of Funding Opportunity* (OIG-24-005-A)
- *USPTO Must Improve Acquisition Planning to Ensure Efficient and Competitive Procurements* (OIG-24-008-A)
- *The Puerto Rico Department of Natural and Environmental Resources Needs to Fully Comply with Procurement Regulations When Executing NOAA Awards* (OIG-24-028-A)
- *Independent Program Evaluation of NIST Pandemic Relief Program* (OIG-24-017-I)
- *Independent Program Evaluation of NOAA Fisheries Pandemic Relief Program* (OIG-24-018-I)
- *The Puerto Rico Department of Agriculture Met Pandemic Funds Requirements but Was Slow to Disburse Fishery Consolidated Appropriations Act Funds* (OIG-25-016-A)
- *EDA Needs to Improve Oversight of CARES Act Revolving Loan Funds to Ensure Loans are Made to Eligible Borrowers and Used as Intended* (OIG-25-019-A)
- *Puerto Rico's Department of Natural and Environmental Resources Properly Disbursed Funds but Was Slow in Expending Fishery Disaster Assistance Funds* (OIG-25-009-A)

- *Audit of MBDA Business Center Program* (OIG-26-001-A)

Ongoing

- Audit of EDA's FY 2019 Disaster Relief Grants Costs Claimed and Oversight
- Audit of the Department's Past Performance Evaluations and Oversight of Accenture Contracts

Broadband Grant Programs

Completed

- Management Alert: *NTIA's Reliance on Self-Certifications Increased Fraud Risk for the Tribal Broadband Connectivity Program* (OIG-23-022-M)
- *Semiannual Status Report on NTIA's Broadband Programs* (OIG-24-012-I)
- Management Alert: *Challenges Industry Stakeholders Face with Broadband Deployment* (OIG-24-015-M)
- *Semiannual Status Report on NTIA's Broadband Programs* (OIG-24-033-I)
- NTIA's Award Processes Leave Tribal Broadband Grants Vulnerable to Fraud and Duplication (OIG-24-019-A)
- *Broadband Stakeholders Identified Various Challenges Affecting Broadband Deployment* (OIG-25-014-I)
- *NTIA Broadband Programs: Semiannual Status Report* (OIG-25-031-I)

Ongoing

- Audit of Infrastructure Investment and Jobs Act (IIJA) Administrative Funds
- Audit of NTIA's Allocation of BEAD Funds
- Audit of NTIA's BEAD Program Review Process
- Semiannual Status Report on NTIA's Broadband Programs

CHIPS and Innovation Fund

Completed

- *NIST Surpassed Hiring Goals for CHIPS but Did Not Develop a Comprehensive Workforce Plan* (OIG 24-023-I)
- *NTIA Established the Innovation Fund Program but Needs a Plan to Ensure That the Program Meets Statutory Objectives* (OIG-25-017-I)
- *Commerce CHIPS Act Programs Status Report* (OIG-25-021-I)

Ongoing

- Audit of Semiconductor Incentives Program Eligibility
- Public Wireless Supply Chain Innovation Fund Award Process for NOFO 1

39

NPSBN Program Oversight

Completed

- *FirstNet Authority Failed to Provide Adequate Contract Oversight for its Initial Two Reinvestment Task Orders* (OIG-23-012-A)
- Management Alert: *The NPSBN Band 14 Signal Strength Does Not Consistently Provide Adequate Band 14 Service for First Responders* (OIG-24-022-M)
- *FirstNet Authority Did Not Ensure the Nation's First Responders' Needs Were Continuing to Be Met Timely When Modifying Key Objectives of the NPSBN Contract* (OIG-24-024-A)
- *FirstNet Authority's Lack of NPSBN Contract Oversight for Coverage Puts at Risk First Responders' Ability to Serve the Public Effectively* (OIG-24-026-A)
- *FirstNet Authority's Lack of Contract Oversight for Device Connection Targets Puts the NPSBN at Risk of Impacting First Responders' Use of the Network (*OIG-24-027-A)
- Management Alert: *February 2024 FirstNet Authority's Nationwide Public Safety Broadband Network Outage Raised a Significant Risk to the Readiness of First Responders Across the Country* (OIG-24-030-M)
- *Nationwide Public Safety Broadband Network Was Not Always Available to First Responders During the Catastrophic 2023 Maui Wildfires* (OIG-25-004-A)

Ongoing

- Audit of the First Responder Network Authority's Oversight of Service Availability for the Nationwide Public Safety Broadband Network
- Audit of the First Responder Network Authority's Oversight of User Eligibility for the Nationwide Public Safety Broadband Network

NIST's MEP Oversight

Completed

- *NIST Must Improve Monitoring of MEP to Prevent Waste of Financial Resources* (OIG-23-014-I)
- *NIST Overstated MEP's Economic Impacts to Congress and Other Stakeholders* (OIG-24-037-I)
- *OIG's Evaluation of MEP's Economic Impact Reporting Process Also Identified Instances of Noncompliance at Centers, Led to NIST Action* (OIG-25-011-I)

Ongoing

- Audit of NIST Cooperative Agreements with Ohio Department of Development

40

References

[1] Government Accountability Office (GAO). February 25, 2025. *High Risk Series*, "Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness."

[2] *TMCs* FY 2025, OIG-25-001; FY 2024, OIG-24-002; FY 2023, OIG-23-001; and FY 2022, OIG-22-001.

[3] Commerce OIG, February 22, 2024, *The Department Needs to Improve Oversight to Ensure the Success of Its Financial System Modernization*, OIG-24-014-A; and June 30, 2025, *The Department's Vision for an Enterprise Grants Management System Has Not Been Realized*, OIG-25-025-A.

[4] Commerce OIG, *Financial System Modernization*, OIG-24-014-A.

[5] Commerce OIG, *Financial System Modernization*, OIG-24-014-A.

[6] Senate Appropriations Committee. Departments of Commerce and Justice, Science, and Related Agencies Appropriations Bill 2025, Senate Report 118-198, 77.

[7] Commerce OIG. January 2025. *Audit of BAS System Implementation for the Census Bureau*.

[8] Executive Office of the President. January 23, 2025. Executive Order 14179: *Removing Barriers to American Leadership in Artificial Intelligence*.

[9] OMB. April 3, 2025. *Accelerating Federal Use of AI through Innovation, Governance, and Public Trust*. Memorandum M-25-21, 2.

[10] OMB, *Accelerating Federal Use of AI*.

[11] OMB, *Accelerating Federal Use of AI*, 25.

[12] OMB, *Accelerating Federal Use of AI,* and April 3, 2025, *Driving Efficient Acquisition of Artificial Intelligence in Government,* Memorandum M-25-22.

[13] Commerce OIG. April 22, 2025. *USPTO Should Improve Governance to Promote Effective Oversight of its Artificial Intelligence Tools,* OIG-25-018-A.

[14] National Academies of Sciences, Engineering, and Medicine (NASEM), *Capital Facility Needs*.

[15] NASEM, *Capital Facility Needs*, 3.

[16] Australian Strategic Policy Institute. August 2024. *ASPI's Two-Decade Critical Technology Tracker: The Reward of Long-Term Research Investment*.

[17] Executive Office of the President. January 20, 2025. *America First Trade Policy*.

[18] *America First Trade Policy* § 4(c).

[19] Executive Office of the President. April 3, 2025. *Report to the President on the America First Trade Policy*, *Executive Summary*, "Chapter 19: Review of U.S. Export Controls (Section 4(c) of AFTP)," 7–8.

[20] *America First Trade Policy* § 2(h).

[21] Commerce OIG. November 1, 2023. *ITA Did Not Effectively Resolve Foreign Trade Barriers*, OIG-24-004-A.

[22] OIG. June 17, 2025. *NOAA Must Take Action to Avoid Gaps in Hurricane Hunter Missions and Improve Oversight, Program Management, and Systems Engineering Practices,* OIG-25-023-A, 11.

[23] GAO. February 13, 2025. *Hurricane Hunter Aircraft: NOAA and Air Force Should Take Steps to Meet Growing Demand for Reconnaissance Missions*, GAO-25-107210, 2.

[24] Commerce OIG. March 12, 2024. Management Alert: *NOAA Must Take Action to Address Significant Ship Fleet Recapitalization Risks,* OIG-24-016-I. This alert identified the challenges NOAA faces in ensuring that it has sufficient staff with the required skills to simultaneously acquire three new classes of ships.

[25] Commerce OIG. July 30, 2024. *NOAA's Office of Space Commerce Efforts to Provide Space Situational Awareness Services Have Been Delayed and Need a Realistic Schedule*, OIG-24-031-A.

[26] Executive Office of the President. June 18, 2018. *Space Policy Directive-3, National Space Traffic Management Policy*.

[27] Commerce OIG. October 24, 2024. *USPTO Should Address Risks to its Pendency Reduction Efforts for Trademark Applications*, OIG-25-002-A.

[28] Commerce OIG. August 28, 2025. *The United States Patent and Trademark Office Needs to Strengthen Its Quality Review Program,* OIG-25-029-A.

[29] Commerce OIG. August 11, 2021. *USPTO Should Improve Controls over Examination of Trademark Filings to Enhance the Integrity of the Trademark Register*, OIG-21-033-A.

[30] Commerce OIG. September 16, 2025. *Audit of the Census Bureau's Progress in Meeting Workforce Hiring Goals for the 2026 Census Test*. OIG-25-030-A.

[31] Census Bureau. May 19, 2022. *U.S. Census Bureau Releases 2020 Undercount and Overcount Rates by State and the District of Columbia*; accessed August 25, 2025.

[32] Census Bureau. March 10, 2022. *Census Bureau Releases Estimates of Undercount and Overcount in the 2020 Census*; accessed August 14, 2025.

[33] GAO. November 21, 2024. *2020 Census: Coverage Errors and Challenges Inform 2030 Plans*, GAO-25-10760.

[34] Commerce OIG. March 25, 2025. *The Census Bureau Should Address Challenges from the 2020 Post-Enumeration Survey Ahead of the 2030 Census*, OIG-25-015-A.

[35] Commerce OIG. March 13, 2025. *The Census Bureau Did Not Develop a Workforce Plan to Address Field Representative Staffing Gaps,* OIG-25-013-I.

[36] Executive Office of the President. March 25, 2025. *Eliminating Waste and Saving Taxpayer Dollars by Consolidating Procurement*, Executive Order 14240.

[37] Executive Office of the President. February 26, 2025. *Implementing the President's "Department of Government Efficiency" Cost Efficiency Initiative*, Executive Order 14222.

[38] Commerce OIG. April 30, 2025. *EDA Needs to Improve Oversight of CARES Act Revolving Loan Funds to Ensure Loans Are Made to Eligible Borrowers and Used as Intended,* OIG-25-019-A.

[39] Institute for Defense Analyses (IDA). March 27, 2024. *Independent Program Evaluation of National Institute of Standards and Technology (NIST) Pandemic Relief Program,* OIG-24-017-I.

[40] IDA. April 4, 2024. *Independent Program Evaluation of National Oceanic and Atmospheric Administration (NOAA) Fisheries Pandemic Relief Program*, OIG-24-018-I.

[41] Commerce OIG. January 22, 2025. *Puerto Rico's Department of Natural and Environmental Resources Properly Disbursed Funds but Was Slow in Expending Fishery Disaster Assistance Funds*, OIG-25-009-A.

[42] Executive Orders 14222 and 14240.

[43] Department of Commerce Office of Acquisition Management, n.d. *Acquisition Human Capital Report Fiscal Year 2024*, 6–7.

[44] Office of Internet Connectivity and Growth. *2023 Annual Report*, 6.

[45] GAO. April 2024. Report to Congressional Committees: *Fraud Risk Management*, GAO-24-105833, 1.

[46] GAO. July 2015. *A Framework for Managing Fraud Risk in Federal Programs*, GAO-15-593SP, 5.

[47] GAO, *A Framework for Managing Fraud Risk*, 2.

[48] GAO, *Fraud Risk Management*, 18.

[49] Executive Office of the President. March 25, 2025. *Protecting America's Bank Account Against Fraud, Waste, and Abuse*. Executive Order 14249.

[50] Executive Order 14249, *Protecting America's Bank Account*.

[51] GAO, *A Framework for Managing Fraud Risk*, 5.

[52] GAO, *A Framework for Managing Fraud Risk*, 2.

[53] CIGIE. January 2021. *The IG Community's Joint Efforts to Protect Federal Grants from Fraud, Waste, and Abuse*, 3.
[54] OMB. April 4, 2024. *Reducing Burden in the Administration of Federal Financial Assistance*, M-24-11, 7.
[55] CIGIE, *The IG Community's Joint Efforts to Protect Federal Grants*, 3.
[56] OMB, *Reducing Burden*, 7.
[57] GAO, *A Framework for Managing Fraud Risk*, 26.
[58] OMB. December 3, 2021. *Promoting Accountability through Cooperation among Agencies and Inspectors General,* M-22-04, 1.
[59] These figures are from our *Semiannual Reports to Congress* for spring and fall 2024. For questioned costs and funds put to better use, see pp. 33 of the spring 2024 report and 35 of the fall 2024 report. For the investigative recovery numbers, see pp. 5 of spring 2024 and 7 of fall 2024.

[60] Department Administrative Order 207-10, §§ 3.01 and § 3.02(b).

[61] Association of Certified Fraud Examiners (ACFE), n.d. *Occupational Fraud 2024: A Report to the Nations*, 23.

[62] ACFE, *Occupational Fraud 2024*, 23.

[63] ACFE, *Occupational Fraud 2024*, 72.

[64] ACFE, *Occupational Fraud 2024,* 42.

[65] ACFE, *Occupational Fraud 2024,* 23.

[66] Commerce OIG. February 6, 2024. *Semiannual Status Report on NTIA's Broadband Programs*, OIG-24-012-I, 1.

[67] Commerce OIG. March 20, 2025. *Broadband Stakeholders Identified Various Challenges Affecting Broadband Deployment,* OIG-25-014-1, 3.

[68] Commerce OIG, *Broadband Challenges*, OIG-25-014-1, 5.

[69] NTIA. June 6, 2025. BEAD Restructuring Policy Notice.

[70] CHIPS and Science Act of 2022, Pub. L. No. 117-167, 136 Stat. 1366 (2022).

[71] Secretary of Commerce Howard W. Lutnick. August 25, 2025. Letter to Natcast Chief Executive Officer Deirdre Hanford.
[72] Department of Commerce. August 25, 2025. Press release: *Department of Commerce Takes Action Against the Biden Administration's Unlawfully Established Operator of the National Semiconductor Technology Center, "Natcast."*

[73] Commerce OIG. May 20, 2024. *NIST Surpassed Hiring Goals for CHIPS but Did Not Develop a Comprehensive Workforce Plan*, OIG 24-023-I.

[74] Executive Office of the President. March 31, 2025. *Establishing the United States Investment Accelerator,* Executive Order 14255.

[75] Commerce OIG. June 3, 2025. *Commerce CHIPS Act Programs Status Report*, OIG-25-021-I.

[76] Commerce OIG, *Audit of Semiconductor Incentives Program Eligibility*.

[77] *TMC* FY 2024, 49–50; and *TMC* FY 2025, 21–22.

[78] Commerce OIG. April 9, 2025. *NTIA Established the Innovation Fund Program but Needs a Plan to Ensure That the Program Meets Statutory Objectives*, OIG-25-017-I.

[79] *TMC* FY 2017, OIG-16-049, 3; *TMC* FY 2018, OIG-17-033, 17; *TMC* FY 2019, OIG-19-004, 11; *TMC* FY 2020, OIG-20-001, 11; *TMC* FY 2021, OIG-21-003, 12; *TMC* FY 2022, OIG-22-001, 36; *TMC* FY 2023, OIG-23-001, 26; *TMC* FY 2024, OIG-24-002, 32; and *TMC* FY 2025, OIG-25-001, 22.

[80] Commerce OIG, March 1, 2023, *FirstNet Authority Failed to Provide Adequate Contract Oversight for its Initial Two Reinvestment Task Orders,* OIG-23-012-A; May 16, 2024, *The NPSBN Band 14 Signal Strength Does Not Consistently Provide Adequate Band 14 Service for First Responders Final Memorandum*, OIG-24-022-M; May 30, 2024, *FirstNet Authority Did Not Ensure the Nation's First Responders' Needs Were Continuing to Be Met Timely When Modifying Key Objectives of the NPSBN Contract,* OIG-24-024-A; June 5, 2024, *FirstNet Authority's Lack of NPSBN Contract Oversight for Coverage Puts at Risk First Responders' Ability to Serve the Public Effectively,* OIG-24-026-A; June 12, 2024, *FirstNet Authority's Lack of Contract Oversight for Device Connection Targets Puts the NPSBN at Risk of Impacting First Responders' Use of the Network,* OIG-24-027-A; July 18, 2024, *February 2024 FirstNet Authority's Nationwide Public Safety Broadband Network Outage Raised a Significant Risk to the Readiness of First Responders*

Across the Country, OIG-24-030-M; December 5, 2024, *Nationwide Public Safety Broadband Network Was Not Always Available to First Responders During the Catastrophic 2023 Maui Wildfires,* OIG-25-004-A.

[81] Omnibus Trade and Competitiveness Act of 1988, Pub. L. No. 100-418, § 5121, 102 Stat. 1107, 1433 (1988).

[82] Commerce OIG. March 13, 2023. *NIST Must Improve Monitoring of MEP to Prevent Waste of Financial Resources*, OIG-23-014-I.

[83] Commerce OIG. February 25, 2025. *OIG's Evaluation of MEP's Economic Impact Reporting Process Also Identified Instances of Noncompliance at Centers, Led to NIST Action*, OIG-25-011-I.

[84] Commerce OIG. September 25, 2024. *NIST Overstated MEP's Economic Impacts to Congress and Other Stakeholders*, OIG-24-037-I.

[85] United States House of Representatives. April 9, 2025. Letter to Secretary Lutnick and Acting Under Secretary Burkhardt in support of the MEP program.

[86] United States Senate. April 8, 2025. Letter to Secretary Lutnick in support of the MEP program.

Summary of Financial Statement Audit and Management Assurances

Presented below is a summary of financial statement audit and management assurances for FY 2025. Table 1 relates to the Department's FY 2025 financial statement audit, which resulted in an unmodified opinion with two 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 operation or financial reporting, and Section 4, which relates to internal controls over financial management systems; as well as the Department's compliance with the Federal Financial Management Improvement Act (FFMIA).

Table 1. Summary of Financial Statement Audit

Audit Opinion:	Unmodified
Restatement:	No

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Financial Reporting at NOAA	1	0	1	0	0
Manual Journal Entries at NOAA	1	0	1	0	0
Grant Accrual process at NTIA	0	1	0	0	1
Reporting of Significant Unusual Transactions at NIST and OFM	0	1	0	0	1
Total Material Weaknesses	2	2	2	0	2

Table 2. Summary of Management Assurances

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA § 2)						
Statement of Assurance:	Modified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Financial Reporting and Journal Entries at NOAA	1	0	1	0	0	0
Grant Accrual process at NTIA	0	1	0	0	0	1
Reporting of Significant Unusual Transactions at NIST and OFM	0	1	0	0	0	1
Total Material Weaknesses	1	2	1	0	0	2
EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS (FMFIA § 2)						
Statement of Assurance:	Unmodified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Financial Reporting and Journal Entries at NOAA	1	0	1	0	0	0
Total Material Weaknesses	1	0	1	0	0	0

(continued on next page)

(continued from previous page)

<table>
<tr><th colspan="7">CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS (FMFIA § 4)</th></tr>
<tr><td>Statement of Assurance:</td><td colspan="6">Systems conform with financial management system requirements</td></tr>
<tr><td>Non-Conformances</td><td>Beginning Balance</td><td>New</td><td>Resolved</td><td>Consolidated</td><td>Reassessed</td><td>Ending Balance</td></tr>
<tr><td>Total Non-Conformances</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><th colspan="7">COMPLIANCE WITH FFMIA</th></tr>
<tr><td></td><td colspan="3">Agency</td><td colspan="3">Auditor</td></tr>
<tr><td>1. System Requirements</td><td colspan="3">No lack of substantial compliance noted</td><td colspan="3">No lack of substantial compliance noted</td></tr>
<tr><td>2. Accounting Standards</td><td colspan="3">No lack of substantial compliance noted</td><td colspan="3">No lack of substantial compliance noted</td></tr>
<tr><td>3. U.S. Standard General Ledger at Transaction Level</td><td colspan="3">No lack of substantial compliance noted</td><td colspan="3">No lack of substantial compliance noted</td></tr>
</table>

Payment Integrity

Payment Integrity Information Act of 2019

The *Payment Integrity Information Act of 2019*, Public Law 116-117 (PIIA) was signed into law on March 2, 2020, with the intention of improving efforts to identify and reduce government-wide improper payments. PIIA repealed prior key improper payment legislation such as: the Improper Payments Information Act of 2002, the Improper Payments Elimination and Recovery Act of 2010, and the Improper Payments Elimination and Recover Improvement Act of 2012, among others. PIIA requires executive agencies to do the following:

1. Publish payment integrity information with the agency's Agency Financial Report (AFR) for the most recent fiscal year and post the AFR and accompanying materials required by the Office of Management and Budget (OMB) on the agency's website.

2. Conduct improper payment risk assessments for each program with annual outlays greater than $10 million at least once in the last three years and adequately conclude whether the program is likely to make improper payments and unknown payments above or below the statutory threshold.[1]

3. Publish improper payment and unknown payment estimates for programs susceptible to significant improper payments and unknown payments in the accompanying materials to the AFR.

4. Publish corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the AFR.

5. Publish an improper payment and unknown payment reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the AFR, demonstrate payment integrity improvements or reach a tolerable improper payment and unknown payment rate, and develop a plan to meet the improper payment and unknown payment reduction target(s).

6. Report an improper payment and unknown payment estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the AFR.

Currently, only requirements 1 and 2 are applicable to the Department of Commerce as the Department only has programs/activities in Phase 1 status; none of the Department's programs/activities are in Phase 2 status.

[1] Public Law 116-117, 31 U.S.C. § 3352(a)(3)(A), 134 Stat. 113, 115. Programs are considered to be above the statutory threshold if they are reporting improper payments and unknown payments above (1) $10 million and 1.5 percent of the program's total annual outlays; or (2) $100 million.

Improper Payment Risk Assessments

Each of the Department's bureaus/reporting entities periodically completes or updates, over a one to three-year period, 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 incorporate improper payment risk assessments every three years of the control, procurement, and grants management environments.

In FY 2025, the Department and its bureaus completed 14 program/activity improper payment risk assessments. None of the risk assessments indicated that the programs/activities were likely to be susceptible to significant improper payments and, therefore, remained in Phase 1 status.

Overpayments Identified and Recaptured

The Department's bureaus report improper payments and related recaptures information (recaptures information for improper payments of $10 thousand or more) to the Department's Office of Financial Management (OFM) on a quarterly basis. OFM then tracks the improper payments of $10 thousand or more that have not been fully recaptured, and periodically requests updates from the responsible bureaus.

In FY 2025, the Department's programs/activities reported $51.7 million in overpayments and $51.0 million in recaptures. $45.3 million, 5.3 million, and $1.1 million of the overpayments stemmed from grants, payroll, and contracts, respectively.

Departmental Payment Integrity Information Included In Paymentaccuracy.gov

The U.S. Department of the Treasury, in coordination with the U.S. Department of Justice and OMB, established the PaymentAccuracy.gov website, located at *https://paymentaccuracy.gov*, to create a centralized location to publish information about U.S. government improper payments. The website provides a centralized place where suspected incidents of fraud, waste, and abuse can be reported, and contains information about (1) current and historical rates and amounts of improper payments; (2) why improper payments occur; and (3) what agencies are doing to reduce and recapture improper payments. PaymentAccuracy.gov also contains the Department's data for overpayments identified in FY 2025 and overpayments verified as recaptured in FY 2025, as discussed above.

Civil Monetary Penalties' Adjustments for Inflation

The Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Debt Collection Improvement Act of 1996 and the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, requires agencies to adjust their civil monetary penalties (CMP) for inflation to maintain their deterrent effect. A CMP is defined as any penalty, fine, or other sanction that is (1) for a specific monetary amount as provided by federal law, or has a maximum amount provided for by federal law; (2) assessed or enforced by an agency pursuant to federal law; and (3) assessed or enforced pursuant to an administrative proceeding or a civil action in the federal courts. The Department has been adjusting its CMPs for inflation since 1996 in accordance with the Federal Civil Penalties Inflation Adjustment Act of 1990, as amended. Effective 2017, agencies are required to make annual adjustments for inflation to CMPs, to take effect not later than January 15.

The Department published its 2025 adjustments for inflation to CMPs and the resulting inflation-adjusted CMP levels (Title 15, *Commerce and Foreign Trade*, Part 6, *Civil Monetary Penalty Adjustments for Inflation*, of the Code of Federal Regulations) in the Federal Register on December 30, 2024 (Vol. 89, No. 249, Rules and Regulations, pages 106308-106311). These adjustments for inflation to CMPs and the resulting inflation-adjusted CMP levels, which became effective on January 15, 2025, are also available at the Department's website at *https://www.commerce.gov/ofm/publications*.

Biennial Review of Fees

The Office of Management and Budget (OMB) Circular A-25 Revised, *User Charges* (July 8, 1993), requires the biennial review of agency programs to determine whether fees should be charged for government goods or services, and to ascertain that existing user charges are adjusted to reflect unanticipated changes in costs or market values.

The Department conducts reviews of its programs at least biennially. With the exception of the International Trade Administration (ITA), the Department is in compliance with the requirement to adjust its fees to meet the Circular A-25 Revised requirement of full-cost recovery for user charges. The Department's latest reviews did not result in any significant recommendations or proposals.

OMB granted ITA an exception to the full cost recovery provisions of Circular A-25 Revised for the user fees ITA charges to small and medium enterprises for FY 2025.

Oversight of Expired Grant and Cooperative Agreement Awards

The Department administers a diverse array of programs and projects concerned with the entire spectrum of business and economic development concerns. Departmental operating units and grants offices are responsible for the award, administration, and monitoring of these programs under a variety of legislative authorities, governing regulations, policies, and procedures using mandatory and discretionary grants and cooperative agreements. Awards are made to a wide variety of recipients, including state and local governments, for-profit or commercial organizations, non-profit organizations, and educational institutions. The administration of the Department's grant and cooperative agreement programs requires adherence not only to the program objectives for which funds are awarded, but also to sound business practices, as well as laws, regulations, policies, and procedures governing grants and cooperative agreements.

Unclosed, Expired Grant and Cooperative Agreement Awards for Which the Period of Performance Has Expired by Two Years or More

To promote the efficient administration of grants programs, OMB requires that significant reporting entities with federal grants programs must submit a brief high-level summary of expired, but not closed, federal grants and cooperative agreements (awards).

This reporting requirement is applicable to the seven bureaus that issue grants and/or other cooperative agreements: Census Bureau, Economic Development Administration (EDA), International Trade Administration (ITA), Minority Business Development Agency (MBDA), National Institute of Standards and Technology (NIST), National Oceanic and Atmospheric Administration (NOAA), and National Telecommunications and Information Administration (NTIA).

Challenges preventing the timely closing of these awards are primarily due to the delayed receipt of necessary closeout documentation (final performance report; final SF-425, *Federal Financial Report*; etc.), final indirect cost rate negotiations, audit disputes and/or debt collection requirements and the Department's grant-making bureaus are diligently working with the respective recipients in resolving each particular issue.

From an oversight perspective, the grant-making bureaus submit a bi-monthly report to the Department's Financial Assistance Policy and Oversight Division (FAPOD) detailing the status of all expired awards. FAPOD consolidates these reports and presents the information during the Department's bi-monthly Grants Council meetings for review and analysis.

The table below summarizes the Department's total number of grant and cooperative agreement awards and balances as of September 30, 2025 for which closeout has not yet occurred but for which the period of performance has elapsed by two years or more.

(Numbers of Agreements in Actual Amounts; Dollars in Thousands)

Category	Period of Performance has Expired as of September 30, 2025		
	Closeout Lapse of at Least Two Years and up to Three Years	Closeout Lapse of More Than Three Years and up to Five Years	Closeout Lapse of More Than Five Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	476	126	9
Number of Grants/Cooperative Agreements with Undisbursed Balances	439	53	1
Total Dollar Amount of Undisbursed Balances	$25,829	$18,310	$537

Undisbursed Balances in Expired Grant Accounts

Undisbursed balances in expired grant accounts (which includes both grants and cooperative agreements) include budget authority that is no longer available for new obligations but is still available for disbursement. The period of disbursement lasts for five years after the last unexpired year unless the expiration period has been lengthened by legislation. Specifically, one may not incur new obligations against expired budget authority, but one may liquidate existing obligations by making disbursements (Section 20.4(c), *Period of availability of budget authority*, of OMB Circular A-11 dated July 25, 2024, *Preparation, Submission, and Execution of the Budget).*

In December 2015, Congress passed the Commerce, Justice, Science, and Related Agencies Appropriations Act, 2016 (Division B of the Consolidated Appropriations Act, 2016, Public Law 114-113), which required the Department to report undisbursed balances in expired grant accounts. OMB Memorandum M-16-18 dated July 15, 2016, *Financial and Performance Reporting on Undisbursed Balances in Expired Grant Accounts*, requires this information to be included each year until instructed otherwise if the requirement is included in subsequent fiscal years' appropriations acts.

The table on the following pages presents, for each applicable budget account as of September 30, 2025, 2024, and 2023, the number of expired grant awards with undisbursed obligations, the number of undisbursed obligations relating to expired grant awards, and the total unobligated balance in the budget account. The total unobligated balance for each budget account shown includes the unobligated balances for both expired funds and unexpired funds.

(Numbers in Actual Amounts; Dollars in Thousands)

Bureau	Budget Account		As of September 30, 2025			As of September 30, 2024			As of September 30, 2023		
	Number	Title	Number of Expired Grant Awards with Undisbursed Obligations	Undisbursed Obligations for Expired Grant Awards	Total Unobligated Balance in Budget Account	Number of Expired Grant Awards with Undisbursed Obligations	Undisbursed Obligations for Expired Grant Awards	Total Unobligated Balance in Budget Account	Number of Expired Grant Awards with Undisbursed Obligations	Undisbursed Obligations for Expired Grant Awards	Total Unobligated Balance in Budget Account
Census Bureau	0450	Periodic Censuses and Programs	4	$ 1,653	$ 389,771	–	$ –	$ 517,933	–	$ –	$ 571,886
EDA	2050	Economic Development Assistance Programs	27	17,283	2,055,261	10	668	555,748	16	6,340	1,242,402
ITA	1250	Operations and Administration	11	2,500	65,230	6	424	74,214	1	285	88,680
MBDA	0201	Minority Business Development	142	40,672	74,660	85	4,925	24,206	15	2,638	13,463
NIST	0500	Scientific and Technical Research and Services	163	25,527	518,748	82	5,885	556,960	126	8,543	704,524
	0513	Wireless Innovation Fund	–	–	1,340	–	–	1,235	14	1,218	343
	0515	Construction of Research Facilities	3	–	17,719	–	–	–	–	–	–
	0525	Industrial Technology Services	80	10,223	8,168,070	13	9,540	7,427,343	22	52	6,404,142
	4650	Working Capital Fund	14	1,030	181,306	7	342	214,544	23	2,400	179,216
	Subtotal		260	36,780	8,887,183	102	15,767	8,200,082	185	12,213	7,288,225
NOAA	1450	Operations, Research, and Facilities	2,735	112,716	1,171,846	1,966	87,778	1,460,715	505	46,468	3,005,696
	1451	Expenses, Pacific Coastal Salmon Recovery	42	968	178	28	1,554	657	7	284	7,828
	1455	Gulf Coast Ecosystem Restoration Science, Observation, Monitoring and Technology	27	48	3,504	26	48	1,334	12	109	417
	1460	Procurement, Acquisition, and Construction	94	4,162	1,282,796	55	3,467	892,167	11	638	1,536,112
	2055	Fisheries Disaster Assistance	25	5,585	5,550	19	16,400	126,872	6	2,072	500,287

(continued on next page)

(continued from previous page)

(Numbers in Actual Amounts; Dollars in Thousands)

Bureau	Budget Account		As of September 30, 2025			As of September 30, 2024			As of September 30, 2023		
	Number	Title	Number of Expired Grant Awards with Undisbursed Obligations	Undisbursed Obligations for Expired Grant Awards	Total Unobligated Balance in Budget Account	Number of Expired Grant Awards with Undisbursed Obligations	Undisbursed Obligations for Expired Grant Awards	Total Unobligated Balance in Budget Account	Number of Expired Grant Awards with Undisbursed Obligations	Undisbursed Obligations for Expired Grant Awards	Total Unobligated Balance in Budget Account
NOAA *(continued)*	4316	Damage Assessment and Restoration Revolving Fund	21	$ 7,343	$ 188,304	16	$ 279	$ 212,942	3	$ 115	$ 214,001
	5139	Promote and Develop Fishery Products and Research Pertaining to American Fisheries	132	825	198	90	918	6,972	15	308	392
	5284	Limited Access System Administration Fund	10	357	23,091	10	408	18,490	4	357	16,691
	5362	Environmental Improvement and Restoration Fund	1	–	–	1	801	6,829	–	–	–
	5439	Western Pacific Sustainable Fisheries Fund	4	1	–	3	–	–	–	–	–
	5583	Fisheries Enforcement Asset Forfeiture Fund	1	–	7,264	1	–	–	–	–	–
	5584	Sanctuaries Enforcement Asset Forfeiture Fund	1	–	1,750	1	–	–	–	–	–
	5598	North Pacific Fishery Observer Fund	1	1	2,238	1	1	298	–	–	–
	Subtotal		3,094	132,006	2,686,719	2,217	111,654	2,727,276	563	50,351	5,281,424
NTIA	0516	State and Local Implementation Fund	–	–	18,928	–	–	18,928	–	–	18,922
	0551	Public Telecommunication Facilities, Planning and Construction	–	–	1,199	–	–	1,199	–	–	1,199
	0561	Connecting Minority Communities Fund	14	36,641	6,004	2	305	7,157	–	–	–
	0563	Digital Equity	–	–	1,305,719	23	2,862	1,536,866	6	4,315	1,032,420
	5396	Digital Television Transition and Public Safety Fund	–	–	–	–	–	–	–	–	1,349
	Subtotal		14	36,641	1,331,850	25	3,167	1,564,150	6	4,315	1,053,890
Total			**3,552**	**$ 267,535**	**$15,490,674**	**2,445**	**$ 136,605**	**$13,663,609**	**786**	**$ 76,142**	**$15,539,970**

THIS PAGE LEFT INTENTIONALLY BLANK

APPENDIX

(Unaudited)

Glossary of Acronyms

A

ACS American Community Survey
AD/CVD Antidumping and Countervailing Duty
ADA Antideficiency Act
AFR Agency Financial Report
AI Artificial Intelligence
APG Agency Priority Goal
APP Annual Performance Plan
APPR Annual Performance Plan and Report
APR Annual Performance Report
ASAP Automated Standard Application for Payments
ASR Agency Strategic Review

B

BAS Business Applications Solution
BEA Bureau of Economic Analysis
BEAD Broadband Equity, Access, and Deployment (a NTIA program)
BIS Bureau of Industry and Security
BRS Blended Retirement System (NOAA Corps)

C

CAA CARES Act and Consolidated Appropriations Act
CAISI Center for AI Standards and Innovation
CARES Coronavirus Aid, Relief, and Economic Security Act
CBS Commerce Business Systems
CDA Command and Data Acquisition (NOAA)
CDQ Community Development Quota (loan program; a NOAA direct loan program)
CEAR Certificate of Excellence in Accountability Reporting (AGA)
CEIP Coastal Energy Impact Program (a NOAA direct loan program)
CFR Code of Federal Regulations
CHIPS Creating Helpful Incentives to Produce Semiconductors
CIGIE Council of the Inspectors General on Integrity and Efficiency
CMP Civil Monetary Penalty
COTS Commercial off-the-shelf (software)
COVID-19 Coronavirus Disease 2019
CPI Consumer Price Index
CPS Current Population Survey
CRF Construction of Research Facilities
CSRS Civil Service Retirement System (OPM)
CTP Corporation for Travel Promotion (Disclosure Entity)
CUEC Complementary User Entity Control

D

DATA Act Digital Accountability and Transparency Act of 2014
DM Departmental Management
DM&R Deferred Maintenance and Repairs
DOW U.S. Department of War

E

E&C Enforcement and Compliance
E2 Electronic Travel System, version 2 (travel management system)
EDA Economic Development Administration
ESPC Energy Savings Performance Contract
Evidence Act Foundations for Evidence-Based Policymaking Act of 2018

F

FAPOD Financial Assistance Policy and Oversight Division (OAM)
FASAB Federal Accounting Standards Advisory Board
FBwT Funds Balance with Treasury
FCA Facility Condition Assessment (NIST and NOAA DM&R)
FCI Facility Condition Index (NIST DM&R)
FECA Federal Employees' Compensation Act
FEGLI Federal Employees' Group Life Insurance Program (OPM)
FEHB Federal Employees Health Benefit Program (OPM)
FERS Federal Employees Retirement System (OPM)
FFMIA Federal Financial Management Improvement Act of 1996
FirstNet First Responder Network Authority (an independent authority within NTIA)
FISMA Federal Information Security Modernization Act of 2014
FKNMS Florida Keys National Marine Sanctuary (NOAA)
FMFIA Federal Managers' Financial Integrity Act of 1982
FR Financial Report
FWC Future Workers' Compensation (benefits; Actuarial FECA Liability)
FY Fiscal Year ended September 30

G

GAAP Generally Accepted Accounting Principles
GAAS Generally Accepted Auditing Standards
GAO U.S. Government Accountability Office
GDP Gross Domestic Product
GEMS Grants Enterprise Management Solution
GeoXO Geostationary Extended Observations
GITC General Information Technology Controls

GOES	Geostationary Operational Environmental Satellite
GPRA	Government Performance and Results Act
GPRAMA	Government Performance and Results Modernization Act of 2010
GSA	U.S. General Services Administration
GSS	General Support Systems
GTAS	Government-wide Treasury Account Symbol Adjusted Trial Balance System

H

HFA	Habitat Focus Area

I

ICOOS Act	Integrated Coastal and Ocean Observation System Act of 2009
IFQ	Individual Fishing Quota (Fisheries Finance IFQ loans, a NOAA direct loan program)
IIJA	Infrastructure Investment and Jobs Act
IOOS	U.S. Integrated Ocean Observing System
IP	Intellectual Property
IT	Information Technology
ITA	International Trade Administration

K

KPI	Key Performance Indicator

M

MEP	Manufacturing Extension Partnership (NIST)
MBDA	Minority Business Development Agency
MD&A	Management's Discussion and Analysis
MR	Maintenance and Repair

N

N/A	Not Applicable
NASEM	National Academies of Sciences, Engineering, and Medicine
NCVS	National Crime Victimization Survey
NEF	Nonrecurring Expenses Fund (DM)
NESDIS	National Environmental Satellite, Data, and Information Service (NOAA)
NEXRAD	Next-Generation Radar
NFC	National Finance Center
NIST	National Institute of Standards and Technology
NMFS	National Marine Fisheries Service (NOAA)
NOAA	National Oceanic and Atmospheric Administration
NOFO	Notice of Funding Opportunities
NPSBN	Nationwide Public Safety Broadband Network
NRHP	National Register of Historic Places
NTIA	National Telecommunications and Information Administration
NTIS	National Technical Information Service
NWS	National Weather Service (NOAA)

O

OAM	Office of Acquisition Management (DM)
OAR	Office of Oceanic and Atmospheric Research (NOAA)
OCIO	Office of the Chief Information Officer (DM)
OFM	Office of Financial Management (DM)
OHRM	Office of Human Resources Management
OIG	Office of Inspector General (DM)
OMAO	Office of Marine and Aviation Operations
OMB	Office of Management and Budget
OPM	U.S. Office of Personnel Management
OS	Office of the Secretary
OSC	Office of Space Commerce
OUSEA	Office of the Undersecretary for Economic Affairs

P

P3	Public–Private Partnership
PES	Post-Enumeration Survey
PII	Personally Identifiable Information
PIIA	Payment Integrity Information Act of 2019
PP&E	Property, Plant, and Equipment
PPA	Prompt Payment Act
Pub. L.	Public Law

R

RA	Regional Association (Disclosure P3s – NOAA)
RCOS	Regional Coastal Observing System (Disclosure P3s – NOAA)
RPMD	Real Property Management Division (NOAA)

S

S&E	Salaries and Expenses
SBR	Combined Statement of Budgetary Resources
SCNP	Consolidated Statement of Changes in Net Position
SF-425	Standard Form 425, *Federal Financial Report*
SFFAS	Statement of Federal Financial Accounting Standards (FASAB)
SNC	Statement of Net Cost
SOC	System and Organization Controls
SP	Special Publication

T

Tech Hub	Regional Technology and Innovation Hub
TMC	Top Management Challenges
TPA	Travel Promotion Act of 2009
TraCSS	Traffic Coordination System for Space
Treasury	U.S. Department of the Treasury
TSP	Thrift Savings Plan

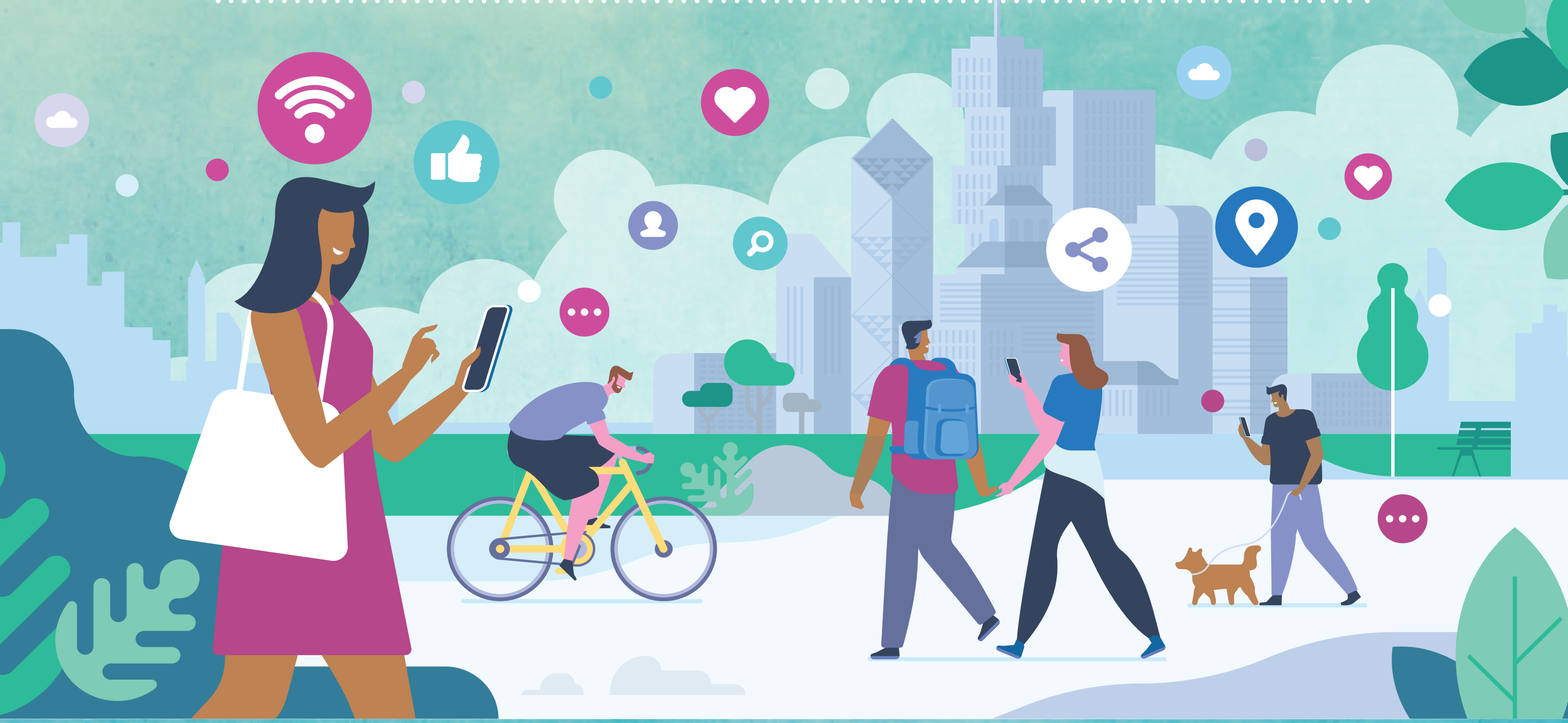
U

UDO	Undelivered Orders
UK	United Kingdom
U.S.	United States
U.S.C.	United States Code
UESC	Utility Energy Service Contract
USPTO	U.S. Patent and Trademark Office

W

WIPO	World Intellectual Property Organization
WCF	Working Capital Fund

CONNECT *With the* DEPARTMENT OF COMMERCE



Thank you for your interest in the Department's FY 2025 AFR. We welcome your comments on how we can make this report more informative for our readers as well as any questions regarding the report. Electronic copies of this report and prior years' reports are available on the Department's website at *https://www.commerce.gov/ofm/agency-financial-reports.*

Stay connected with the Department of Commerce via the following social media sites:

Facebook.com/CommerceGov

x.com/CommerceGov

Linkedin.com/company/u-s-department-of-commerce

Instagram.com/CommerceGov

Youtube.com/commercenews

Please send your comments or questions to the Department's Office of Financial Management at:

Office of Financial Management
U.S. Department of Commerce
1401 Constitution Avenue NW
Washington, DC 20230

(202) 482-1207

AFRcomments@doc.gov

Acknowledgements

This Agency Financial Report was prepared with the energies and talents of many Department of Commerce employees. To these individuals, the Office of Financial Management would like to offer our sincerest appreciation and recognition.

In particular, we would like to recognize the following organizations for their contributions:

The bureau finance offices, Office of the Secretary, Office of the Chief Financial Officer and Assistant Secretary for Administration, Office of Inspector General, Office of Acquisition Management, Office of Sustainable Energy and Environmental Programs, Office of Human Resources Management, Office of Performance Excellence, and Office of Public Affairs.

We also offer special gratitude and recognition to The DesignPond for their outstanding contributions in the design and production of this report.

Certificate of Excellence in Accountability Reporting

In May 2025, the U.S. Department of Commerce received the *Certificate of Excellence in Accountability Reporting* (CEAR) from AGA for its Fiscal Year 2024 Agency Financial Report. The CEAR Program was established by AGA, in conjunction with the Chief Financial Officers Council and the U.S. Office of Management and Budget, to improve the effectiveness of financial and program accountability reporting.

U.S. DEPARTMENT OF COMMERCE

1401 Constitution Avenue NW

Washington, DC 20230

(202) 482-2000

www.commerce.gov