FINANCIAL MANAGEMENT AND ANALYSIS

In support of the President's Management Agenda (PMA) and under the Secretary's leadership, the Department is continuing to give the highest priority to providing accurate financial data to its internal and external customers, and to its accountability for all assets. Ensuring that there are strong internal controls throughout the Department remains a priority. The Department has created a financial management environment that complies with federal laws and regulations and that provides its executives with timely, accurate financial and performance information. This is evidenced with the achievement of a green status rating on the Financial Performance Scorecard under the PMA. In addition, the Department continued to receive unqualified opinions, maintains a single integrated financial system, and continued its compliance with the Federal Financial Management Improvement Act (FFMIA). Highlights of accomplishments for fiscal year (FY) 2006 and future initiatives are discussed further below.

I. FINANCIAL MANAGEMENT SYSTEMS

The Department maintains a FFMIA compliant financial management system, the Commerce Business Systems (CBS). CBS replaced non-compliant legacy financial management systems within the Department. Bureaus that were previously on compliant systems continue to use those systems with one bureau converting to CBS in FY 2008. The financial information from these systems and CBS is integrated in the Corporate Database (as discussed further below) for consolidated financial reporting, resulting in a single integrated financial system. A Consolidated Reporting System (CRS) integrates existing management data from financial, human resource, acquisition, and federal assistance enterprise databases and provides senior management with online desktop access to information about bureau programs and resources that is critical to strategic decision-making.

CBS provides reliable and 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 includes a Core Financial System (CFS) interfaced with administrative systems for small purchases, bankcards, grants (Automated Standard Application for Payments [ASAP]), a data warehouse, and time reporting/labor cost distribution module, collectively called Core CBS. An obligation and requisition interface between CBS and the Commerce Standard Acquisition and Reporting System (CSTARS), the Department's acquisition system, was implemented in October 2006. As a result of an ongoing project to upgrade the CBS application software to a Web version, the life expectancy of the system is to 2012 and beyond. The Department has begun the initial planning to move to a Financial Management Line of Business (FMLoB) Shared Service Provider in 2012 as agreed upon with the Office of Management and Budget (OMB).

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

During FY 2006, the Department accomplished the following initiatives:

- Implemented an upgraded Corporate Database system which facilitated the Department's ability to produce useful, accurate, and timely financial statements, and provide financial data needed to analyze and understand financial results and performance. The system was successfully in production as of July 1, 2006 for the third quarter FY 2006 financial statement process.

- Completed the implementation of the standard interface between the CBS and procurement system in production throughout the Department. This interface will pass CSTARS commitments (requisitions) and obligations (awards) to the CBS/CFS for processing.
- Began migrating CBS to the current Web version of its Oracle application software expanding the CBS life expectancy to 2012 and beyond. In addition, best practices identified in the Web Migration Independent Verification and Validation (IV&V) for maintaining CBS software were implemented.
- Began detailed planning for consolidating financial system applications from the existing locations to one data center using a common hardware platform.
- Planned and initiated the implementation of the conversion of the International Trade Administration (ITA) to the CBS/CFS. This effort will expand the benefits of CBS in standardizing financial management activities across the Department.
- Implemented a standard interface between the CBS/CFS and the Department of Defense Electronic Business Program Office's Central Contractor Registration (CCR) system. The interface will populate the CBS vendor database with CCR vendor records database. The CCR vendor records database will be a secure, single repository of vendor data.

In FY 2007 and beyond, the Department will continue its efforts to enhance its financial systems and to move toward a consolidated operating environment. The Department plans to accomplish the following:

- Complete migration of CBS to the current Web version of its application software in FY 2007.
- Begin consolidation of financial system platforms from their existing locations to one data center using a common hardware platform with scheduled completion in FY 2008.
- Continue implementation of the ITA to the CBS/CFS, with a planned conversion and go-live date in FY 2008.
- Initiate planning for the transition to an FMLoB Shared Service Provider by 2012. Staff will continue to participate in FMLoB government-wide working groups aimed at standardizing financial management activities in the federal government. The Department will continue mapping out a timeline that includes the required phases and activities for this transition during FY 2007. In FY 2008, detailed planning will begin to ready the Department for competing the financial management system against identified shared service providers. In FY 2010, the Department will identify a shared service provider then begin implementation/deployment between FY 2010 and FY 2012.

II. FINANCIAL REPORTING

The Department is committed to making financial management a priority and significant efforts are being made to further improve the management of its financial resources. The Department has received unqualified opinions on its consolidated financial statements since 1999. In addition, one bureau subject to individual audit has maintained unqualified opinions on its principal financial statements. The Department met or exceeded the accelerated financial statement submission deadlines for FY 2006. These achievements resulted from the Department's commitment to strong management controls and accountability for its resources. One reportable condition for a bureau's control over construction work-in-progress was resolved during FY 2006 and the other reportable condition cited relating to deficiencies in general information technology (IT) controls remained from the prior years. Although the Department did not identify any significant problems with erroneous payments, it recognized the importance of maintaining adequate internal controls. The Performance and Accountability Report (PAR) section, Improper Payments Information Act of 2002 (IPIA), and the Appendix C on the IPIA reporting details describe the Department's implementation efforts of this act along with the results of the Department's reviews.

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

- Successfully implemented the requirements under OMB Circular A-123, *Management's Responsibility for Internal Control, Appendix A*, including documentation of the internal controls over financial reporting and an assessment as to the effectiveness of the internal controls. A Senior Management Council (SMC) and a Senior Assessment Team (SAT) worked together to provide oversight guidance and decision-making for the A-123 implementation process. The final report which reported no material weaknesses was incorporated into management's overall assurance statement provided under the requirements of the FMFIA.
- Continued business process re-engineering to provide optimal service delivery for Accounts Payable through process and data standardization. A Department-wide working group was established to analyze and make recommendations for optimization using a business process re-engineering case implemented by one bureau during the fiscal year as a starting point.
- Prepared and monitored Corrective Action Plans (CAP) for the reportable condition and management letter comments, and progress was monitored throughout the year.
- Published guidance on the preparation and submission of financial statements, including a calendar of milestone dates. Each quarter, with the participation of all bureaus, guidance was reviewed and updated to reflect lessons learned and to identify best practices among the bureaus. When necessary, task forces were formed to resolve issues that impeded the Department's ability to produce timely and accurate financial statements.
- Held meetings throughout the fiscal year with the Office of the Inspector General (OIG) and independent auditors to ensure timely completion of the audit and issuance of the financial statements.
- Held monthly meetings led by the Department's Deputy Chief Financial Officer (CFO) with the bureaus' CFOs to discuss financial management issues, including financial statements, OMB Circular A-123, and financial performance metrics. These meetings were in addition to the Department's monthly CFO Council meetings led by the Department's CFO, and the monthly Finance Officer meetings led by the Deputy CFO.
- Monthly financial metrics were compiled, analyzed, and reported in the government-wide consolidated CFO measurement tracking system. This information is also included in the Department's CRS for senior management's review. Individual bureaus were provided with a monthly status report comparing and analyzing their results with the Department's goals, and the Department and government-wide results. The results of bureaus metrics were also discussed at the bureau CFOs individual monthly meetings.

- Facilitated intragovernmental reconciliations using the Department's Corporate Database application to collect, extract, and report on a quarterly basis its intragovernmental account balances, by trading partner, to the Treasury Department. The Department took a proactive approach of initiating contact with all trading partner agencies to reconcile large differences. Although the Department has seen an improvement in trading partner's participation, continued improvement is needed in order to reconcile all differences. Although the Department has accomplished much in the area of financial management, there is still a need to improve upon these accomplishments to ensure that the Department produces and reports accurate, reliable, and timely financial information.

In FY 2007 and beyond, the Department plans to accomplish the following:

- Continue to enhance the OMB Circular A-123, *Management's Responsibility for Internal Controls*, process and monitor the implementation of the CAP for the identified deficiencies as a result of the A-123 and financial statement audit process.
- Continue to identify areas that will facilitate the acceleration of providing accurate and reliable financial information to Department managers and central agencies. This will be achieved through ongoing meetings and workgroups amongst the Department's financial managers and participation in government-wide financial management committees and workgroups.
- Continue to monitor and perform reviews of the Department's progress in preventing improper payments and perform a contract audit recovery review.
- Continue to work with OMB, Treasury Department, and the Government-wide Intragovernmental Subcommittee to improve the intragovernmental reconciliation process.

GRANTS MANAGEMENT

Under the Office of the Chief Financial Officer and Assistant Secretary for Administration (CFO/ASA), the Office of Acquisition Management and Financial Assistance (OAMFA) is responsible for the Department's enterprise-wide grants management policy and oversight.

The Department's focus is to standardize policy and procedures for its grant and cooperative agreement programs, continue to streamline operations while strengthening compliance, work towards a single automated grants management system, and enhance/formalize workforce education. Targeted efforts are underway to transform the decentralized Department grants management community into an effective and efficient partnership. The sharing of resources and responsibilities to accomplish enterprise goals is a recurring theme throughout the partnership effort.

The Department is an active participant with the government-wide implementation of Public Law (PL) 106-107 (The Grants Streamlining Initiative) to simplify and automate the grants process, including participation on several related interagency workgroups.

OAMFA coordinates quarterly Departmental Grants Council meetings and works closely with the OIG and General Counsel to implement sound policy and ensure consistency for the Department's financial assistance programs. The Department is committed to the goal of strengthening its grant operations and improving its business processes to provide better services to its customers in the federal grant recipient community. An active partner in e-grants initiatives, OAMFA serves on the Grants.gov Executive Board and the Grants Line of Business Taskforce, participating in workgroups and pilot activities. The Department is now fully compliant with Grants.gov, and has revised its Grants and Cooperative Agreements Manual and Standard Grants Terms and Conditions to recognize the emerging growth of electronic government.

Integral to the Department's effort to move aggressively into the world of e-grants is the continued utilization of the National Oceanic and Atmospheric Administration's (NOAA) Grants Online System, a back-office solution to the Grants.gov's storefront. The system, which went live in January 2005, was designed to facilitate efficiencies through standardized business processes and provide a direct interface to other Departmental systems. It has demonstrated significant potential for reducing paperwork, increasing accountability, simplifying the application process, and is being considered for enterprise-wide implementation. The Department has taken additional steps to adapt its operational structure and business processes to the streamlined vision of federal grants operation expressed in PL 106-107. The goal is to create a performance-based culture utilizing value-added business processes with maximum use of automation for improved timeliness and quality of service delivery.

OAMFA's responsibility for approval of recipient indirect cost rates continued throughout the fiscal year. Incorporating a significantly higher level of financial review and analysis into the process in FY 2006, OAMFA noted several instances where the new procedures resulted in financial savings to the Department through indirect cost rate adjustments from grantee's rate proposed. As resources permit, OAMFA would like to leverage the results of some indirect cost rate analyses to identify and manage higher risk grantees.

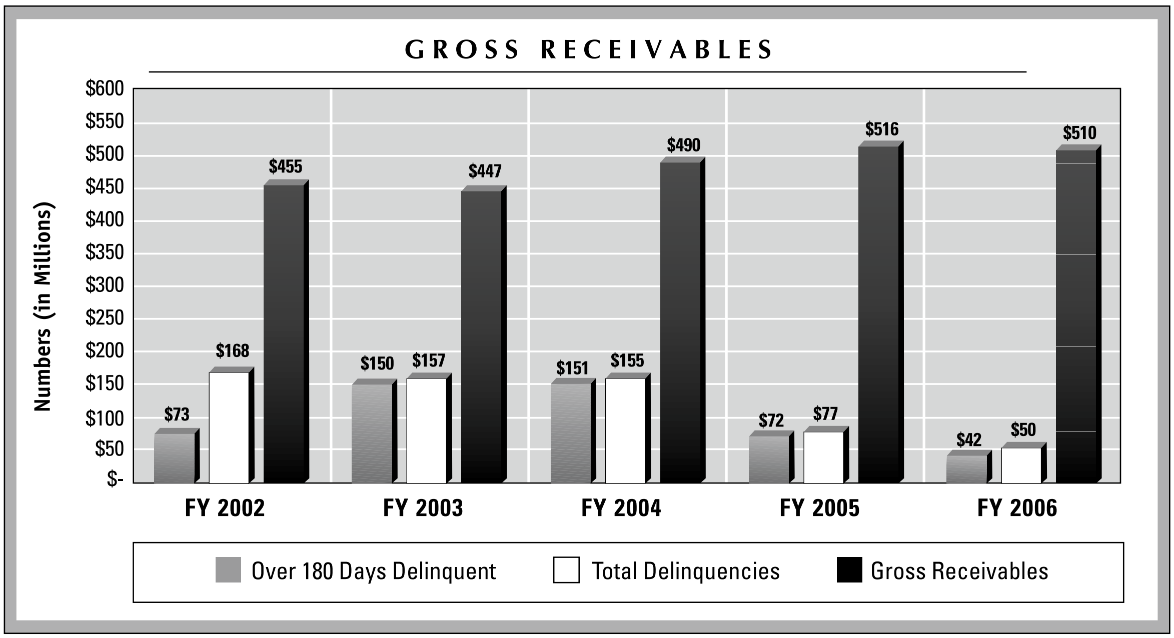
HUMAN CAPITAL

The Department's leadership recognizes the need to ensure succession planning in the area of financial management and to enhance the current workforce development initiatives. Therefore, internship programs are implemented through a variety of sources to give finance and accounting majors an opportunity to gain hands-on accounting experience, while introducing potential future employees to the opportunities that exist at the Department. In FY 2006, the Department offered a two-year career internship program for college level graduates interested in pursuing a career in federal accounting. Candidates participated in finance related training courses and rotational assignments throughout the Department. A second class was selected and will begin their internship program in FY 2007. Department leadership continued its partnership with the National Academy Foundation (NAF) by employing finance interns from local high schools and participating in NAF sponsored events.

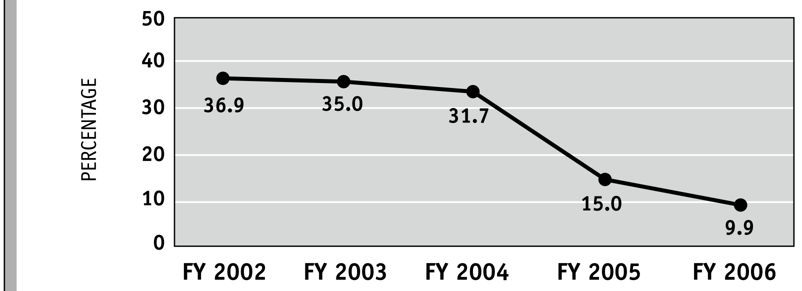
DEBT MANAGEMENT

RECEIVABLES AND DEBT MANAGEMENT

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



The Department's gross receivables decreased minimally, from $516 million at September 30, 2005 to $510 million at September 30, 2006, as reported on the Department's Treasury Report on Receivables (TROR). The TROR is the primary means for the Department to provide comprehensive information on its gross receivables and delinquent debt due from the public. Debt over 180 days delinquent decreased significantly from $72 million at September 30, 2005 to $42 million at September 30, 2006. This decrease is mainly due to a large collection on a loan receivable, made possible by a liquidation, under bankruptcy, of the borrower's assets. As a result, total delinquencies as a percentage of gross receivables also decreased significantly, from 15.0 percent at September 30, 2005 to 9.9 percent at September 30, 2006.



TOTAL DELINQUENCIES AS A PERCENTAGE OF GROSS RECEIVABLES

The Debt Collection Improvement Act of 1996 established the Treasury Department as the collection agency for eligible federal agency debts that are more than 180 days delinquent. It also established Treasury's Financial Management Service as the federal government's debt collection center. Over $11 million in delinquent debt has been referred to Treasury for cross-servicing since FY 2002.

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

PAYMENT PRACTICES

Electronic Funds Transfer (EFT)

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

The Department's vendor EFT percentage notably increased from 93 percent for FY 2005 to 96 percent for FY 2006. The Department accomplished this, in large part, by working closely with its bureaus to identify opportunities for new or improved business processes. This improved performance allowed the Department in FY 2006, on average, to meet OMB's vendor EFT performance goal of 96 percent. The Department's overall EFT percentage remained steady for FY 2006 at 98 percent. The Department believes its continued efforts to implement new or improved business processes will lead to further increases in vendor EFT percentages.

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

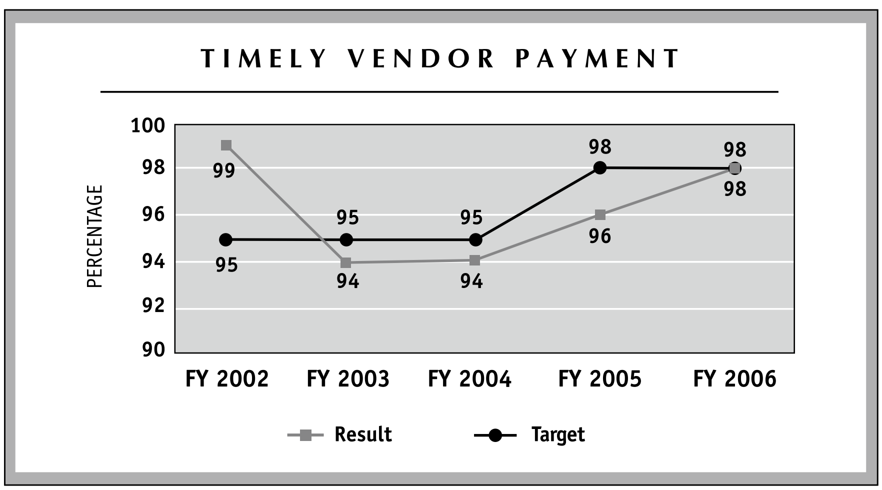
Payment Category	EFT Percentage		Total Volume (Actual Number of Transactions — EFT and Non-EFT)	
	FY 2006	FY 2005	FY 2006	FY 2005
Retirement Benefits	100%	100%	4,529	4,518
Salary	99%	99%	1,255,431	1,166,610
Vendor	96%	93%	364,872	327,525
Overall	**98%**	**98%**	**1,624,832**	**1,498,653**

Bankcards

The Department is committed to the use of bankcards (purchase cards) as a means of streamlining Departmental procurements. Bankcard usage is closely monitored, and those that are no longer needed are promptly closed. This has resulted in an overall decrease, over the past five fiscal years, in the number of bankcards in use, from 6,405 at September 30, 2001 to 5,965 at September 30, 2006. The Department's emphasis on EFT-compliant payment methods has contributed to an overall increase, over the past five fiscal years, in bankcard purchases, from $131.6 million at September 30, 2001 to $158.1 million at September 30, 2006. The Department continues to monitor the internal controls surrounding bankcard purchases to ensure that all such purchases are legal and proper. As of September 30, 2006, the Department had an overall zero percent bankcard delinquency rate.

Prompt Payment

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



The Department has further improved its prompt payment performance from 96 percent for FY 2005 to 98 percent for FY 2006. Furthermore, the number of invoices with late-payment interest penalties decreased significantly, from 8,974 in FY 2005 to 5,740 in FY 2006. Throughout FY 2006, the Department, on average, met OMB's prompt payment performance goal of 98 percent. The Department continues to focus on improving its prompt payment percentage by working closely with its bureaus to identify opportunities for new or improved business processes.

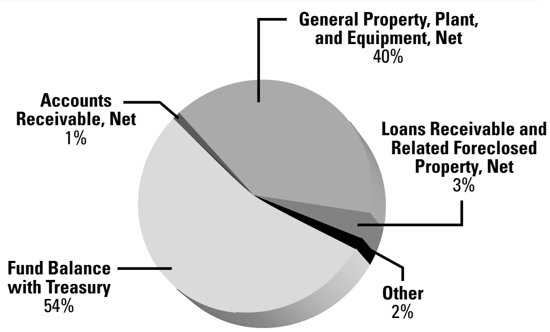
ANALYSIS OF FY 2006 FINANCIAL CONDITION AND RESULTS

Composition of Assets and Assets by Responsibility Segment

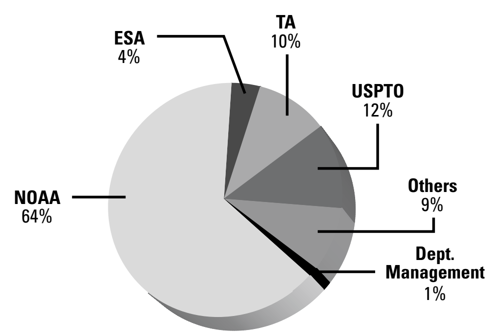
The composition (by percentage) and distribution (by responsibility segment) of the Department's assets remained consistent from FY 2005 to FY 2006.

Total assets amounted to $13.36 billion at September 30, 2006. Fund Balance with Treasury of $7.23 billion is the aggregate amount of funds available to make authorized expenditures and pay liabilities. General Property, Plant, and Equipment (General PP&E), Net of Accumulated Depreciation of $5.30 billion includes $3.47 billion of Construction-in-progress, primarily of satellites and weather measuring and monitoring systems; $556 million of satellites and weather systems; $711 million of structures, facilities, and leasehold improvements; and $565 million of other General PP&E. Loans Receivable and Related Foreclosed Property, Net of $468 million primarily relates to the National Oceanic and Atmospheric Administration's (NOAA) direct loan programs. Accounts Receivable, Net of $146 million resulted primarily when the Department performed reimbursable services or sold goods. Other Assets of $215 million primarily includes Inventory, Materials, and Supplies, Net of $96 million, and Advances and Prepayments of $105 million.

COMPOSITION OF THE DEPARTMENT'S ASSETS

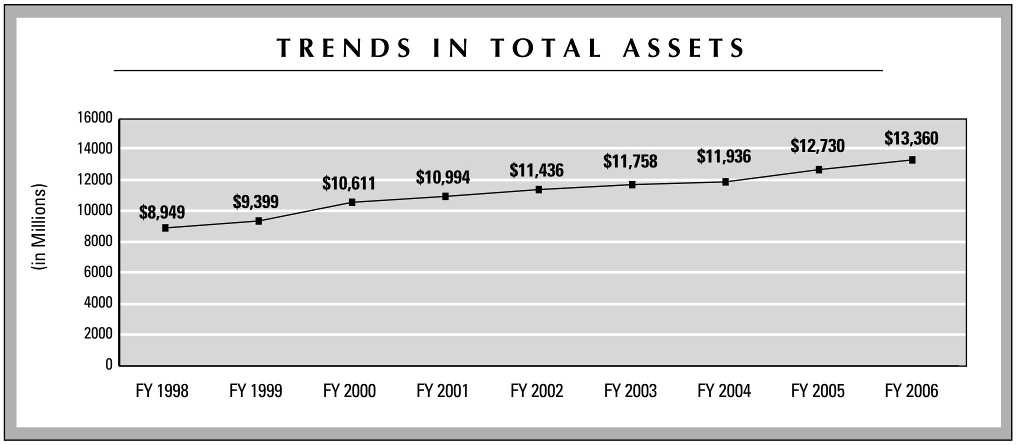


ASSETS BY RESPONSIBILITY SEGMENT



Trends in Assets

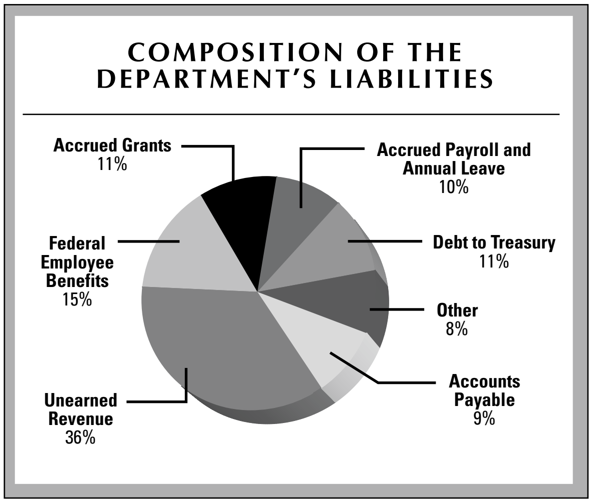
Total Assets increased $630 million or five percent, from $12.73 billion at September 30, 2005 to $13.36 billion at September 30, 2006. Fund Balance with Treasury increased $191 million or three percent, from $7.04 billion to $7.23 billion, which primarily resulted from Appropriations Received, net of reductions, increasing by $293 million or five percent. General PP&E increased $371 million or eight percent, from $4.93 billion to $5.30 billion, mainly due to an increase in NOAA's Construction-in-progress, primarily for satellites. Loans Receivable and Related Foreclosed Property, Net increased $50 million or 12 percent, from $418 million to $468 million, primarily due to NOAA's Fisheries Finance Traditional Loans.

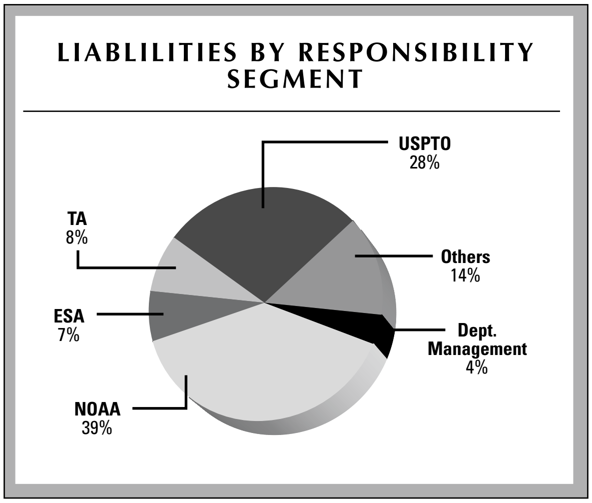


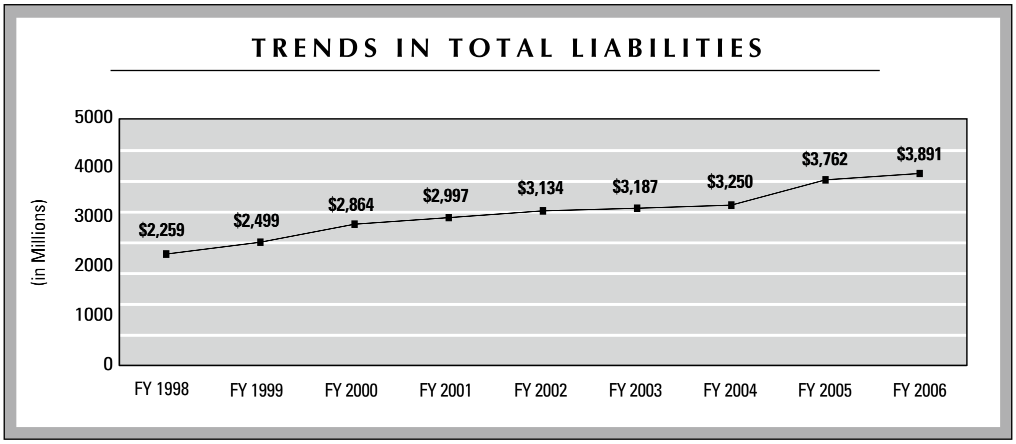
Composition of Liabilities and Liabilities by Responsibility Segment

The composition (by percentage) and distribution (by responsibility segment) of the Department's liabilities also remained consistent from FY 2005 to FY 2006.

Total liabilities amounted to $3.89 billion at September 30, 2006. Unearned Revenue of $1.39 billion represents the portion of monies received from customers for which goods and services have not been provided or rendered by the Department. Federal Employee Benefits of $590 million is composed of the actuarial present value of projected benefits for the NOAA Corps Retirement System ($371 million) and the NOAA Corps Post-retirement Health Benefits ($49 million), and Actuarial Federal Employees Compensation Act (FECA) Liability ($170 million), which represents the liability for future workers' compensation benefits. Accounts Payable of $364 million consists primarily of amounts owed for goods, services, or capitalized assets received; progress on contract performance by others; and other expenses due. Accrued Grants of $421 million, which relates to a diverse array of financial assistance programs and projects, includes the Economic Development Administration's (EDA) accrued grants of $276 million for their economic development and assistance funding to state and local governments. Debt to Treasury of $422 million consists of monies borrowed primarily for NOAA's direct loan programs. Accrued Payroll and Annual Leave of $370 million includes salaries and wages earned by employees, but not disbursed as of September 30. Other Liabilities of $334 million primarily includes Downward Subsidy Reestimates Payable to Treasury of $31 million, Loan Guarantee Liabilities of $74 million, Environmental and Disposal Liabilities of $75 million, and Resources Payable to Treasury of $35 million.







Trends in Liabilities

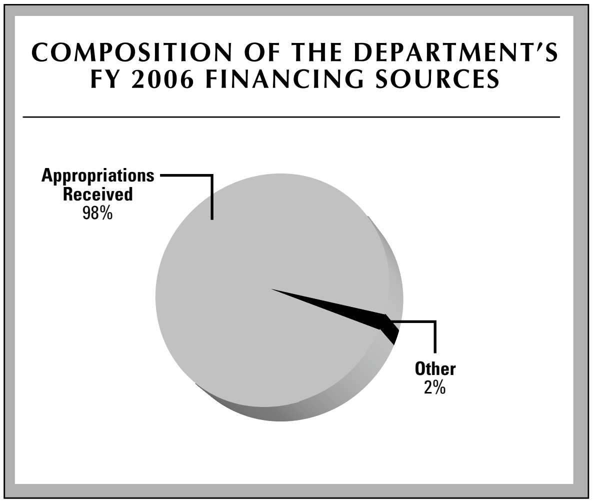
Total Liabilities increased $129 million or three percent, from $3.76 billion at September 30, 2005 to $3.89 billion at September 30, 2006. Unearned Revenue increased $103 million or eight percent, from $1.29 billion to $1.39 billion, primarily due to increased unearned revenue from patent and trademark application and user fees that are pending action. Debt to Treasury increased $64 million or 18 percent, from $358 million to $422 million, mainly due to net borrowings in FY 2006 of $60 million for NOAA's direct loan programs. Accounts Payable decreased $36 million or nine percent, from $400 million to $364 million, primarily due to NOAA's implementation of Central Contractor Registry in FY 2006.

Composition of and Trends in Financing Sources

Most of the Department's Financing Sources, shown on the Consolidated Statements of Changes in Net Position, are obtained from Appropriations Received, net of reductions. Other typical Financing Sources include net transfers to and from other federal agencies without reimbursement, imputed financing sources from costs absorbed by other federal agencies, and Downward Subsidy Reestimates Payable to Treasury (a negative Financing Source).

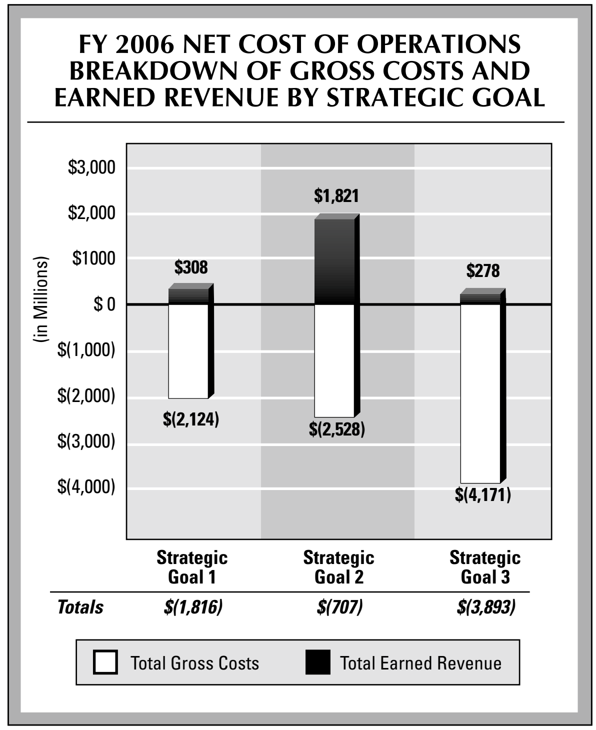
The composition (by percentage) of the Department's financing sources remained consistent from FY 2005 to FY 2006.

Total Financing Sources increased $334 million or five percent, from $6.59 billion for FY 2005 to $6.93 billion for FY 2006. Appropriations Received, net of reductions, increased by $293 million or five percent. Other Financing Sources increased by $37 million from $110 million at September 30, 2005 to $147 million at September 30, 2006.



FY 2006 Net Cost of Operations by Strategic Goal

In FY 2006, Net Cost of Operations amounted to $6.42 billion, which consists of Gross Costs of $8.83 billion less Earned Revenue of $2.41 billion.



Strategic Goal 1, Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers, includes Net Program Costs of $844 million (Gross Costs of $1.10 billion less Earned Revenue of $253 million) for Census Bureau. The Census Bureau carries out the Decennial Census, periodic censuses, and demographic and other surveys, and prepares and releases targeted data products for economic and other programs. ITA's programs and activities also support Strategic Goal 1, with Net Program Costs of $418 million (Gross Costs of $431 million less Earned Revenue of $13 million). ITA assists the export growth of small and medium-sized businesses, enforces U.S. trade laws and trade agreements, monitors and maintains trading relationships with established markets, promotes new business in emerging markets, and improves access to overseas markets by identifying and pressing for the removal of trade barriers. Strategic Goal 1 also includes Net Program Costs of $346 million (Gross Costs of $362 million less Earned Revenue of $16 million) for EDA. EDA helps distressed communities address problems associated with long-term economic distress, as well as sudden and severe economic dislocations, including recovering from the economic impacts of natural disasters, the closure of military installations and other federal facilities, changing trade patterns, and the depletion of natural resources.

Strategic Goal 2, Foster Science and Technological Leadership by Protecting Intellectual Property (IP), Enhancing Technical Standards, and Advancing Measurement Science, includes Net Program Costs of $(49) million (Gross Costs of $1.34 billion less Earned Revenue of $1.38 billion) for the U.S. Patent and Trademark Office's (USPTO) patents program, which includes processing patent applications and disseminating patent information. Through issuing patents, USPTO encourages technological advancement by providing incentives to invent, invest in, and disclose new technology. Strategic Goal 2 also includes Net Program Costs of $482 million (Gross Costs of $593 million less Earned Revenue of $111 million) for the National Institute of Standards and Technology's (NIST) Measurement and Standards Laboratories. These laboratories are the stewards of the nation's measurement infrastructure, and provide measurement methods, reference materials, test procedures, instrument calibrations, fundamental data, and standards that comprise essential tools for research, production, and buyer-seller transactions.

Strategic Goal 3, Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship, includes Net Program Costs of $1.31 billion (Gross Costs of $1.43 billion less Earned Revenue of $122 million) related to NOAA's stewardship of ecosystems, which reflects NOAA's mission to conserve, protect, manage, and restore fisheries and coastal and ocean resources. The Department has a responsibility for stewardship of the marine ecosystem and for setting standards to protect and manage the shared resources and harvests of the oceans. The Department strives to balance sustainable development and healthy functioning marine ecosystems, and to conserve, protect, restore, and better manage resources.

LIMITATIONS OF THE FINANCIAL STATEMENTS

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

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