THE INSPECTOR GENERAL'S STATEMENT OF MANAGEMENT CHALLENGES

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Inspector General
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The management challenges have changed since FY 2005 along with the order. The following is a crosswalk between the FY 2005 and the FY 2006 management challenges. Following this crosswalk is a description of the challenges and then the bureau responses to the challenges.

2006 MANAGEMENT CHALLENGE CROSSWALK		
2005 CHALLENGES	**CHALLENGE NUMBER**	**2006 CHALLENGES**
Strengthen Department-wide information security	1	Strengthen Department-wide information security
Effectively manage Departmental and bureau acquisition processes	2	Effectively manage Departmental and bureau acquisition processes
Enhance the U.S. Patent and Trademark Office's (USPTO) ability to manage and operate its own processes	3	Strengthen internal controls over financial, programmatic, and business processes [Moved up from 9]
Control the cost and improve the accuracy of Census 2010	4	Ensure that USPTO uses its authorities and flexibilities as a performance-based organization to achieve better results [Moved down from 3]
Monitor the effectiveness of the National Oceanic and Atmospheric Administration's (NOAA) stewardship of ocean and living marine resources	5	Control the cost and improve the accuracy of the decennial census [Moved down from 4]
Promote fair competition in international trade	6	Effectively manage the development and acquisition of environmental satellites [New]
Enhance export controls for dual-use commodities	7	Promote fair competition in international trade [Moved down from 6]
Enhance emergency preparedness, safety, and security of Commerce facilities and personnel	8	Effectively manage NOAA's stewardship of ocean and living marine resources [Moved down from 5]
Continue to strengthen financial management controls and systems	9	Aggressively monitor emergency preparedness, safety, and security responsibilities [Moved down from 8]
Continue to improve the Department's strategic planning and performance measurement in accordance with the Government Performance and Results Act (GPRA) of 1993	10	Enhance export controls for dual-use commodities [Moved down from 7]

Challenge 1: Strengthen Department-Wide Information Security

In the five years since enactment of the Federal Information Security Management Act (FISMA), government agencies have devoted significant resources to improving the security of information stored on their computer systems. At the Department, information technology (IT) security has been a top management challenge, and has been a Federal Managers' Financial Integrity Act (FMFIA) material weakness since 2001.

To eliminate the material weakness, the Department has established a certification and accreditation (C&A) improvement process for IT systems. In FY 2006, the Office of the Chief Information Officer (OCIO) reviewed improved bureau C&A packages as they became available, and provided the Office of the Inspector General (OIG), for the Department's FISMA review, the packages for high and moderate impact systems considered to be of sufficient quality. The Department's inventory contains 229 such systems. OCIO received 22 improved C&A packages for these systems in time to forward for the Department's FISMA review, and determined 12 to be of sufficient quality. The Department evaluated 11 of the 12 packages (which were all for Department-owned systems), as well as four packages for contractor systems (which did not go through the improvement process) in time for FISMA reporting. The review identified significantly improved quality of risk assessments and system security plans overall for Department systems, but found that certification testing still needs improvement. OIG concluded that five of the 11 improved Department systems and none of the contractor systems met the C&A criteria established by Departmental IT security and Office of Management and Budget (OMB) policy, and National Institute of Standards and Technology (NIST) standards and guidelines. Based on the limited number of improved C&A packages and its review, OIG concluded that the Department lacks a consistent and effective process for performing C&A. The result is that (1) systems are authorized for processing without demonstrating that their operational and technical controls are, in fact, in place and operating as intended, and (2) authorizing officials lack adequate information on the remaining vulnerabilities.

Challenge 2: Effectively Manage Departmental and Bureau Acquisition Processes

The Department spends nearly $2 billion annually on goods and services—roughly a third of its annual appropriation—and each year relies more on contractors to support its mission-critical work. Adequate oversight of acquisition planning and execution is essential to ensuring that taxpayers' dollars are spent effectively and efficiently and procurement laws and regulations are followed.

For example, the Census Bureau's contracting for products and services to support 2010 decennial operations continues to bear watching. The Bureau estimates that 17 percent ($1.9 billion) of its 2010 budget will be spent on contracts for IT systems, advertising, and leases for local office space.[1] One key IT program—Field Data Collection Automation (FDCA)—will develop the handheld mobile computers that field staff will use to collect 2010 decennial information. This is a critical piece of the Bureau's re-engineered strategy. The Census Bureau originally planned to develop this equipment in-house but determined in early 2004 that it lacked the management and technical resources to do so, and on March 31, 2006 awarded a system development contract. However, the late decision to use a contractor and the initial slow pace in planning the acquisition shortened the amount of time available for awarding the contract and developing FDCA. These delays have been a major contributor to the recently-announced one-month delay in address canvassing, the first major field operation of the dress rehearsal for the 2010 census.

Challenge 3: Strengthen Internal Controls Over Financial, Programmatic, and Business Practices

Internal controls are the steps agencies take to make sure their operations are effective, efficient, and in compliance with laws and regulations. Internal controls also ensure that financial reporting is reliable, and assets are safeguarded from waste, loss, or misappropriation, according to OMB. Two documents, the FMFIA and the 2004 revision of OMB Circular A-123 (Management's

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1 *http://frwebgate.access.gpo.gov/cgi-bin/useftp.cgi?IPaddress=162.140.64.21&filename=d06465t.pdf&directory=/diskb/wais/data/gao. Accessed April 7, 2006.*

Responsibility for Internal Control), set out internal control requirements for the federal government: the Department and all federal agencies must define and document major financial internal control processes and test key financial controls to determine whether they are effective as of June 30, 2006.

Although OIG noted recent improvement in the Department's management and financial accountability as well as in program and operational effectiveness, OIG audits continually indicate more work is needed to strengthen internal controls over programs, operations, and administrative areas.

OIG expects the new federal emphasis on strong internal controls to create a number of new demands for OIG reviews in the coming years. For example, the Digital Television Transition and Public Safety Act of 2005 passed in 2005 puts the National Telecommunications and Information Administration (NTIA), one of the Department's smaller agencies, in a position of having to manage an enormous national project with an even larger budget than had been anticipated. Successfully implementing this act will constitute a significant management challenge for the Department. OIG will share lessons learned from its work in other areas to help the Agency design strong, well-structured programs and minimize opportunities for fraud.

Challenge 4: Ensure that USPTO Uses Its Authorities and Flexibilities as a Performance-Based Organization to Achieve Better Results

Since March 2000 when the Patent and Trademark Office Efficiency Act transformed the U.S. Patent and Trademark Office (USPTO) into a performance-based organization designed to operate more like a private corporation than a government agency, OIG has paid close attention to a number of aspects of the organization's internal management structures and practices.

At the same time, USPTO faces numerous challenges, such as a continuing increase in applications, training over 1,000 newly hired examiners in Patents and Trademarks, and transitioning to an electronic processing environment. In addition, USPTO's expanded authority over personnel decisions and processes, procurement, and IT operations needs to be effectively and efficiently utilized.

OIG has issued nearly a dozen reports examining problems at USPTO since 2001. The Bureau has generally taken decisive action to address some problems OIG identified in the past, and OIG has been pleased that USPTO has been receptive to OIG recommendations. But ultimately, OIG believes that many of the problems USPTO suffers are serious and require the sustained commitment of senior managers to resolve. OIG will continue to monitor the Bureau's progress.

Challenge 5: Control the Cost and Improve the Accuracy of the Decennial Census

Even after adjusting for inflation, the 2010 census will be the country's most expensive decennial ever—estimated to cost $11.3 billion. The Census Bureau has established a rigorous testing schedule to monitor development and implementation of the strategy, identify problems, and incorporate solutions in time for the decennial.

During the last six months, OIG built on the work it did in 2005 and early 2006 which reviewed the 2006 test address canvassing operation. OIG completed a review of the Census Bureau's test to enumerate the group quarters population.

Although most U.S. residents live in residential housing units, such as single-family houses, apartments, and mobile homes, more than seven million people live in situations such as college dormitories; nursing homes; prisons; and group homes, collectively known as group quarters. OIG reviewed the group quarters testing operation at the Census Bureau's test site in Travis County, TX.

OIG's review found that although the Bureau is working on new methods to better enumerate the group quarters population, it continues to face a number of challenges. For example, non-traditional student housing, such as private dorms and student cooperative housing, did not easily fit into any of the Census Bureau's group quarters definitions. Sometimes these units were defined as private residences and received housing unit questionnaires. In those cases, there was an increased likelihood that the unresponsive students had already moved out of their residence before the follow-up operation. When this occurred, enumerators relied on records kept in administrative offices, which often lacked Hispanic origin and race information. OIG also found that 42 percent of the validation workload was associated with large apartment complexes erroneously identified as potential group quarters during address canvassing. This caused problems in the group quarters validation and the nonresponse follow-up operations.

OIG also found that the Census Bureau should take additional steps to count the student population, such as working closely with fraternity and sorority campus oversight organizations and exploring the use of the Internet as a response option for this computer-oriented generation. Finally, OIG noted that some additional group quarters processes and procedures warrant management attention. OIG continues to look at various aspects of Bureau planning and preparations for the 2010 census, including update/enumerate operation at the Cheyenne River Reservation and Off-Reservation Trust Land in South Dakota.

Challenge 6: Effectively Manage the Development and Acquisition of Environmental Satellites

Over the next five years, the Department, through the National Oceanic and Atmospheric Administration (NOAA), will spend several billion dollars in contracts for the purchase, construction, and modernization of environmental satellites.[2] These systems, operated by NOAA's National Environmental Satellite, Data, and Information Service (NESDIS), collect data to provide short and long-range weather forecasts and a variety of other critical environmental and climate information.

Complex, high-cost acquisitions such as these are extremely difficult to manage within cost and schedule goals, as was revealed in OIG's audit during this reporting period of the National Polar-orbiting Operational Environmental Satellite System (NPOESS).

NPOESS is intended to replace the current generation of civilian and military weather satellites as they reach the end of their useful lives. By September 2005, NPOESS was $3 billion over budget and well behind schedule, yet the contractor had received more than $123 million in award fees. OIG uncovered two overarching management and contract weaknesses that contributed to the unchecked cost and schedule overruns.

First, OIG found that while the sensor problems were communicated to the program's executive committee (EXCOM), the EXCOM did not effectively challenge the integrated program office's optimistic assessment of their impact. Though it was clear by December 2002 that both costs and delays were increasing, the program director—a NOAA employee—maintained that these problems would be solved within available funding reserves and that NPOESS remained on schedule, and his assessment was never effectively challenged. Three years later it was clear the first satellite launch was going to be delayed, but it was too late to turn the program around.

Second, the NPOESS experience shows that the incentive structure used to reward contractors does not always result in top performance. Despite ongoing, significant delays and cost overruns, OIG found the prime contractor was awarded nearly the maximum fee amounts for the first five billing periods. These payments were permissible because the fee plan's evaluation criteria did not sufficiently tie incentive earnings to completion of the most critical or high-risk tasks.

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2 http://www.osec.doc.gov/bmi/Budget/05APPR/PAR05.pdf, page 210.

Since OIG's report was released, the Deputy Secretary of Commerce has stressed the importance of NPOESS to the Department's mission and national responsibilities and noted that he now receives monthly NPOESS progress reports from NOAA.

The GOES-R series is the next generation of geostationary satellites (GOES) that will replace existing GOES satellites in the next decade. The Department's investment for GOES-R for FY 2006 to FY 2010 is projected at about $2 billion. OIG has initiated a joint review of the GOES-R program with the National Aeronautics and Space Administration's (NASA) OIG. The shared objective is to determine whether the Department and NASA have created a management structure to ensure effective oversight of the many risks associated with the GOES-R program.

OIG's acquisition focus will be on the program office's overall approach to procuring key satellite instruments, identifying potential risks, and implementing associated mitigation strategies. OIG will also assess the acquisition contracts' award fee plans to determine whether they are structured to promote excellent performance.

Challenge 7: Promote Fair Competition in International Trade

The Department accomplishes its goals of promoting trade, opening overseas markets to U.S. firms, and protecting U.S. industry from unfair competition by imports primarily through the work of the International Trade Administration (ITA). ITA also works with USPTO and NIST to assist U.S. companies on intellectual property rights (IPR) and standards. Over the past several years, OIG has focused a number of reviews on the Department's efforts to increase U.S. market opportunities, provide assistance to U.S. exporters, and overcome trade barriers in difficult foreign markets.

In September 2006, in response to OIG recommendations made to ITA in several recent reports, the ITA's U.S. and Foreign Commercial Service Program (US&FCS) announced extensive changes in its procedures for verifying export success claims, its primary performance measure. US&FCS stated that the new procedures were necessary because, in a significant number of cases, OIG had found discrepancies in the reported export successes. These discrepancies raised doubts about the integrity of the data US&FCS reports to Congress and the Administration on its accomplishments. The new US&FCS procedures require improved documentation, supervisory confirmation of a sample of export success reports, and verification that US&FCS provided value-added assistance.

OIG conducted on-site inspections of US&FCS posts in Brazil, Argentina, and Uruguay. Significant export opportunities are opening in these countries as Brazil's large economy continues its steady growth, Argentina recovers from its 2001-2002 economic crisis, and Uruguay pursues closer trade relations with the United States. OIG inspections focused on the management, program operations, and financial and administrative practices of these three South American posts. It issued its report on US&FCS's operations in Argentina and Uruguay in September with 20 recommendations, and OIG will publish its report on US&FCS's larger post in Brazil before the end of the calendar year.

OIG's review of US&FCS Argentina and US&FCS Uruguay found that the posts are providing useful export assistance to U.S. companies and have established collaborative relationships with key U.S. government offices and non-governmental organizations (NGO) both in those countries and in the United States. OIG's review found effective administrative management practices at both posts, but it also identified some financial management and accounting concerns that warrant the attention of Department managers.

Challenge 8: Effectively Manage NOAA's Stewardship of Ocean and Living Marine Resources

NOAA is charged with monitoring the health of the nation's ocean, coastal, and Great Lakes resources; administering civilian ocean programs; and protecting and preserving the nation's living marine resources through scientific research, fisheries management, enforcement, and habitat conservation.

During the past year, OIG followed up on its audit of the National Marine Fisheries Service's (NMFS) preparation of a biological opinion for California's Central Valley Project, one of the nation's major water conservation efforts. In response to OIG's audit recommendations, NOAA commissioned two independent scientific reviews of the opinion, both of which found the scientific information used in the biological opinion was not the best available. In light of these findings, OIG asked NOAA officials to submit to it a plan that identifies actions they will take to address the deficiencies and implement the related recommendations made by the independent review organizations.

OIG also continued its series of reviews of salmon recovery programs, auditing a tribal subgrantee funded by NOAA's Pacific Coastal Salmon Recovery Fund. Much like the audits OIG detailed in its 2004 and 2005 semiannual reports, it questioned costs and noted some administrative weaknesses.

NOAA's challenges include its efforts as a steward of marine resources, the Agency's consultation process, and its management of fisheries and marine mammals.

Challenge 9: Aggressively Monitor Emergency Preparedness, Safety, and Security Responsibilities

The Department has a dual responsibility in the area of emergency preparedness, safety, and security; not only must it be ready to protect 38,000+ employees and hundreds of facilities, but because several Department programs are critical to national preparedness and recovery efforts, it must support U.S. efforts to prepare for, respond to, and promote recovery from major disasters.

OIG continues to monitor the Department's progress in resolving departmental emergency preparedness and security weaknesses it identified in assessments conducted in 2002 and 2005. Although the Department has made significant improvement in emergency preparedness to address vulnerabilities, OIG found, among other things, the need for better departmental guidance and oversight of emergency programs, risk assessments, occupant emergency plans, and security forces at its domestic operations, as well as better oversight of security upgrades and greater attention to security at its overseas offices.

Challenge 10: Enhance Export Controls for Dual-Use Commodities

The Department's Bureau of Industry and Security (BIS) oversees the federal government's export licensing system for dual-use commodities and technology and is charged with advancing U.S. national economic security interests by administering and enforcing export controls. The primary goal of the licensing and enforcement system is to prevent hostile nations and terrorist groups from acquiring sensitive technologies and materials that have both civilian and military applications by controlling their export.

The National Defense Authorization Act (NDAA) for FY 2000, as amended, directed the inspectors general of the Departments of Commerce, Defense (DOD), Energy (DOE), and State, in consultation with the directors of the Central Intelligence Agency (CIA)[3] and the Federal Bureau of Investigation (FBI), to report to Congress by March 30, 2000, and annually until the year 2007, on the

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3 The Intelligence Reform and Terror Prevention Act of 2004 [Public Law 108-458], dated December 17, 2004, established the Director of National Intelligence to serve as the head of the U.S. intelligence community.

SOME TOPICS COVERED BY INTERAGENCY OIG REVIEWS

◆ Federal Automated Export Licensing Systems

◆ Commerce Control List and U.S. Munitions List

◆ Deemed Exports

◆ Export Enforcement

◆ Export Licensing Process for Chemical and Biological Agents

◆ U.S. Dual-Use Export Controls for China

◆ U.S. Dual-Use Export Controls for India (Department of Commerce only)

◆ Annual Follow-up

adequacy of export controls and counterintelligence measures to prevent the acquisition of sensitive U.S. technology and technical information by countries and entities of concern. (OIG at the Department of Homeland Security [DHS] also has participated since its establishment in 2003.) In addition, the NDAA for FY 2001 requires the IGs to discuss in their annual interagency report the status or disposition of recommendations made in prior-year reports submitted under the act.

OIG has recently initiated its eighth and final NDAA required review, this time looking at the effectiveness of U.S. controls on dual-use exports to India. India presents unique challenges to U.S. commercial interests and export control policy. As one of the fastest growing economies in the world, India offers expanding trade opportunities for U.S. exporters but also increased competition for U.S. industry and labor.

OIG will detail the findings of its India evaluation in its March 2007 semiannual report. And though this will conclude OIG's statutory reporting requirements under NDAA, it will continue to monitor BIS's efforts to implement and enforce dual-use export controls, given the importance of this mission to the nation's security. OIG will also follow up on its previous NDAA recommendations and report on BIS's progress in implementing them in its next semiannual report.

ACTIONS TAKEN TO ADDRESS THE MANAGEMENT CHALLENGES

Each year, the Department's Office of Inspector General (OIG) reviews the Department's and its component bureaus' program activities to ensure that the management, financial, and operational activities are sound and meet the requirements of the Chief Financial Officers (CFO) Act and the Government Performance and Results Act (GPRA).

The emphasis by the President, the Office of Management and Budget (OMB), and Congress on improved government accountability underscores the Department's resolve to enhance transparency within the Department while promoting improved efficiency and effectiveness. Progress in these endeavors requires strong commitment from the Department's senior leadership and staff at all levels.

The following is the Department's description of its actions to address the management challenges identified by the Inspector General (IG).

2006 MANAGEMENT CHALLENGES	
CHALLENGE	**RESPONSE**
1. **Strengthen Department-wide information security**	◆ Made significant progress in information technology (IT) security, with 100 percent of systems covered by IT security plans, 84 percent with tested controls, 100 percent with contingency plans, 93 percent with certification and accreditation (C&A) packages, and with much-improved quality and thoroughness of the C&A documentation. Operating Units are addressing C&A process and documentation issues that OIG identified as needing further improvement.
2. **Effectively manage Departmental and bureau acquisition processes**	◆ Revised acquisition planning policy to make sure that the acquisition and program offices partner early to develop and implement effective and timely contracts which support the Department's mission. ◆ Continued major communication and outreach program to acquisition and program communities focusing on acquisition planning, the training of contracting officer's representatives (COR), and development of a performance-based acquisition enterprise. ◆ Continued COR training in the four required areas of expertise: business/industry; general management; project management, and procurement knowledge. For individuals who spend more than 20 percent of their time working on contracts, ensured that the COR element is included in their performance plan. ◆ Undertook refinement of a database to track the education and training of the acquisition workforce including the CORs. ◆ Launched an initiative to develop and implement a comprehensive human capital plan for the acquisition community. ◆ Sponsored a joint Acquisition and COR Conference in November 2005 with 485 attendees. This training was offered at no cost to the attendees and provided guidance on critical acquisition issues.

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MANAGEMENT CHALLENGES *(continued)*	
CHALLENGE	**RESPONSE**
2. Effectively manage Departmental and bureau acquisition processes *(continued)*	◆ Expanded the Acquisition Review Board to cover interagency agreements over $5 million and real property. The board met 13 times this fiscal year and reviewed 27 cases with an estimated value of $11.7 billion. ◆ Launched a new risk management initiative which will address the major business investment process. ◆ Led by the Departmental Procurement Executive (PE), the Office of Acquisition Management and Financial Assistance (OAMFA) developed an enterprise-wide strategic plan to improve acquisition management. This plan was actively supported by the Commerce Acquisition Council and the Heads of Contract Offices across the Department. ◆ Implemented the acquisition strategic plan which is transforming the acquisition community into a performance-based enterprise. The PE implemented a major outreach program to the acquisition community and to program officials stressing that acquisition is much broader than procurement or contracting and that the acquisition community partnering with program officials are being transformed into business brokers for program mission success. ◆ Met monthly with the Commerce Acquisition Council to keep the bureaus informed on issues and concerns which impact the acquisition community. ◆ Re-designed the Balanced Scorecard (BSC) for Acquisition using an enterprise-wide working group to revise its performance metrics, customer and employee surveys, and standardized reports. ◆ Obtained in January 2006 direct hire authority for the bureaus' contracting offices. It is being used to bring contract specialists on board quickly. ◆ Leading the effort to standardize the definition and description of data elements and processes in the acquisition and requisition systems. ◆ Implementing the financial and acquisition systems interface, the acquisition and financial partners are changing the requisition process. OAMFA is leading the deployment program and designed and implemented training modules to support these efforts.

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MANAGEMENT CHALLENGES *(continued)*	
CHALLENGE	**RESPONSE**
3. **Strengthen internal controls over financial, programmatic, and business processes**	◆ In 2005, the Department received an unqualified opinion on the financial statements for the seventh consecutive year. Only two reportable conditions were identified: Construction in Progress (new) and IT Security. Corrective action plans (CAP) were developed and implemented for both reportable conditions. As a result of the Department's internal controls improvements, the auditors removed the Construction in Progress reportable condition for the FY 2006 audit. The Department continues to monitor the remaining CAP and requires and monitors CAPs for management letter comments to address issues before they are raised to the level of internal control reportable conditions. ◆ The Department is participating in a government-wide initiative to strengthen internal controls. While revisions to the government-wide guidance contained in OMB Circular A-123 focus on financial controls, efforts are under way to enhance both financial and non-financial controls. Within the Department, this activity is being coordinated between the Office of the CFO/Assistant Secretary for Administration (ASA), bureau CFOs and OIG. The FY 2006 implementation of A-123 included the following: ● Establishment of the Senior Management Council that provides oversight for these activities and the Senior Assessment Team that conducts day-to-day activities. ● Evaluation of the overall control environment at the Department and compilation of an inventory of both Department-wide and bureau-specific key process cycles and approximately 630 key controls. ● Development of a communications plan to inform Department employees about the importance of internal controls in carrying out their responsibilities. Implementation will begin during the fourth quarter. ● Development of a Department-wide testing approach and plan. ● Review of the testing results and determination as to the significance of any deficiencies (i.e., whether they constitute an internal control deficiency, reportable condition, or material weakness) by the Senior Management Council and Senior Assessment Team. During the first quarter of FY 2007, bureaus will develop CAPs as needed to address any level of deficiency. ● Evaluation of the results and documentation of the adequacy of the Department's internal controls resulting in an unqualified annual statement of assurance issued by the Secretary and published in the Performance and Accountability Report (PAR).

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MANAGEMENT CHALLENGES *(continued)*	
CHALLENGE	**RESPONSE**
4. Ensure that the U.S. Patent and Trademark Office (USPTO) uses its authorities and flexibilities as a performance-based organization to achieve better results	◆ USPTO is continuing the transformation to a performance-based organization and to its credit, the Agency reports it accomplished 94 percent of its key performance measures in FY 2006. USPTO has also had a clean audit opinion for 14 consecutive years. ◆ USPTO faces numerous challenges, such as continuing workload increases, hiring and training over 1,000 patent examiners, and continuing a transition to an electronic processing environment. USPTO must fully utilize its expanded authority over personnel decisions and processes, procurement, and IT operations. OIG has assessed systemic human resources and program issues, and has examined USPTO's computer systems security. A recent evaluation found that while most USPTO contracts include information security clauses, important requirements are not implemented properly or enforced. USPTO has taken decisive action to address problems the OIG identified.
5. Control the cost and improve the accuracy of the decennial census	◆ The 2010 Decennial Census program continues to be the highest priority of the Census Bureau. In response to the lessons of Census 2000, and to better meet expanding needs for social, demographic, and geographic information in the United States, in 2001 a multi-year effort to completely modernize and re-engineer the 2010 Census of Population and Housing was developed. This effort has four major goals: (1) Improve the relevance and timeliness of census long-form data, (2) Reduce operational risk, (3) Improve the accuracy of census coverage, and (4) Contain costs. The re-engineered 2010 Census program consists of three integrated components designed to take advantage of opportunities for innovations made possible through the expanded use of technology, major changes in the business process for data collection, and the use of focused coverage improvement procedures. ● American Community Survey (ACS) ● Master Address File/Topologically Integrated Geographic Encoding and Referencing Enhancement Program (MAF/TIGER) ● Short-form only 2010 Census ◆ Full implementation of the ACS, completion of the MAF/TIGER Enhancement Program (MTEP), and continued development of a fully tested, redesigned plan for a short-form only 2010 Census must all occur for the Census Bureau to achieve its long-range performance goals for the 2010 Census.

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MANAGEMENT CHALLENGES *(continued)*	
CHALLENGE	**RESPONSE**
5. Control the cost and improve the accuracy of the decennial census *(continued)*	◆ With respect to the OIG's specific observations concerning the Group Quarters Enumeration operation for the 2006 Census Test, the Census Bureau has sent a formal response to the OIG which includes in depth comments on many of the observations. The Census Bureau concurs with some of the findings and recommendations, but disagrees with others, including the recommendation about using the Internet for student population response. The Census Bureau has tested the use of the Internet for the 2010 Census a number of times, and believes offering the option would provide limited benefits. Also, the Bureau is concerned about the increased security risk an Internet option would add to the Decennial Census. For these reasons, the Census Bureau leans against offering an Internet option for the 2010 Census, though they continue to evaluate the feasibility of such an option.
6. Effectively manage the development and acquisition of environmental satellites	◆ The National Oceanic and Atmospheric Administration (NOAA) has responded to the final OIG audit report on the National Polar-orbiting Environmental Satellite System (NPOESS) program issued in May 2006. ◆ NOAA developed an action plan that describes the efforts of NOAA and provides a schedule for completion. Actions address each of OIG's recommendations on program oversight and contractor award fees. They are: ● The first annual Independent Program Assessment (IPA) to implement the IG recommendations is scheduled to begin in January 2007. ● The second action is to revise the NPOESS award fee plan. An interim award fee plan covering the 18 month period from April 2006 to September 2007 will be implemented in early FY 2007. ● The third action is to separate award fee determination from system program direction. NOAA has completed this action and has appointed a Program Executive Officer (PEO) with responsibility as the fee determination official.
7. Promote fair competition in international trade	◆ The International Trade Administration (ITA) recognizes the significance of the management challenges regarding U.S. trade with China. ITA's response to this challenge addresses both operational actions responding to the IG's extensive audit in China and key overarching steps that have been taken to deal with trade compliance in China. ◆ ITA has committed to an extensive action plan to improve ITA's US&FCS operations in China. These actions are in response to the IG's report, "US&FCS China Generally Performs Well, but Opportunities Exist for Commerce to Better Coordinate its Multiple China Operations." ● This report contained 36 recommendations for ITA to address. ITA has completed a detailed action plan that outlines all actions taken or planned. ● ITA has already made considerable progress on completion of open IG recommendations for ITA contained in this report. ITA has completed 75 percent of the recommendations.

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MANAGEMENT CHALLENGES *(continued)*	
CHALLENGE	**RESPONSE**
7. Promote fair competition in international trade *(continued)*	◆ ITA has also taken several overarching steps to advance policies and implement actions to optimize China trade compliance: ● ITA is planning extensive follow-up from the commitments made during the Joint Commission on Commerce and Trade (JCCT) meetings through establishment of working groups and analysis of recent JCCT commitments. Through efforts with the JCCT, an action plan has been developed that address several key trade areas of concern. These areas include Chinese commitments to increase U.S. access to the Chinese market, improving enforcement of intellectual property rights (IPR), ensuring the rule of law, structural and regulatory initiatives, and export controls. In addition to these key areas, China committed to progress in a number of other discrete areas. The first was agreement to establish a new working group on the manufacturing of active pharmaceutical ingredients. The second was development of an enhanced steel dialogue that brings the private sector into the progress. ● ITA is committed to vigorously combating unfair trade practices. It currently maintains 58 antidumping orders on imports from China, including consumer goods, steel products, agricultural products, seafood, and chemicals. These orders represent 22 percent of all current U.S. antidumping orders. The estimated value of trade affected in 2005 by these orders was more than $5.25 billion. ● ITA has stepped up its engagement with China through the JCCT Structural Issues Working Group and the newly established Steel Dialogue. Subsidy concerns cover a wide variety of programs, including industrial policies, the role of state-owned enterprises, and China's continued use of price controls. ● Transparency remains a major obstacle to identifying and measuring subsidies in China, a difficulty furthered by China's continuing failure to provide its annual subsidy notification to the World Trade Organization (WTO).
8. Effectively manage NOAA's stewardship of ocean and living marine resources	◆ NOAA is concerned about the mischaracterization of the peer reviews of the Central Valley biological opinion. OIG reports that two independent scientific reviews of the opinion were conducted and that they both found "serious problems with the opinion's integrity." None of the three independent reviews provided to NOAA concluded that the underlying scientific integrity of the biological opinion was impaired. The peer review reports raised multiple and complex issues that merit evaluation in the context of future improvements to the Section 7 program and the subject biological opinion. Since several of the peer review recommendations require longer-term research or modeling, NOAA will determine what short-term improvements are possible and what longer-term actions will be undertaken.

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| MANAGEMENT CHALLENGES *(continued)*	
CHALLENGE	**RESPONSE**
9. Aggressively monitor emergency preparedness, safety, and security responsibilities	◆ Focused on optimizing security at the Department, the Office of Security has aggressively worked to monitor the emergency preparedness, safety, and security responsibilities of the Department. ● Conducted quarterly Department Security Council meetings with key personnel from each bureau to discuss current and ongoing security issues. ● Met and exceeded the first major milestone of Homeland Security Presidential Directive 12, making the Department one of the only agencies to do so. ● Developed or enhanced program to monitor, evaluate, and test the Department's Occupant Emergency Plans (OEP). Continued assessments of OEPs for the Department's 622 occupied facilities, thus far completing 336 in the current four-year cycle. ● Tracked implementation of recommended countermeasures designed to mitigate risks identified in the 403 anti-terrorism risk assessments (based on criticality, threat, and vulnerability) that have been conducted thus far in the current four-year cycle for the Department's 622 occupied facilities. ● Coordinated closely with the US&FCS and the Diplomatic Security Services to ensure appropriate action was taken to correct deficiencies identified in risk assessments of key overseas locations. ● Exercised the Department's readiness for continuity of operations in the government-wide Forward Challenge FY 2006, successfully testing all bureau Continuity of Operations (Plans (COOP). Conducted in-depth reviews of all bureau COOP plans, while continuing to host COOP working groups. ● Steered bureau declassification activities to meet the December 2006 automatic declassification deadline of the Department's 25-year-old or older classified permanent records. ● Received a Green "R" (Results) Card from OMB's Clay Johnson in recognition of the Department's successful implementation of 100 percent Electronic Questionnaires for Investigative Processing (e-QIP) investigations in May 2006.
10. Enhance export controls for dual-use commodities	◆ An IG report in 2004 resulted in the creation of the Deemed Exports Advisory Committee (DEAC). The DEAC which was established in May 2006, will be issuing its report in 2007. ◆ BIS continues to evaluate and implement IG recommendations.

PROGRAM ASSESSMENT RATING TOOL (PART) STATUS

The Program Assessment Rating Tool (PART) is a component of the President's Management Agenda (PMA) that the Office of Management and Budget (OMB) developed to assess and improve program performance so that the federal government can achieve better results. A PART review helps identify a program's strengths and weaknesses to inform management decisions aimed at making the program more effective.

OMB conducted the following PART reviews during FY 2005 with results reported in FY 2006. The results of previous PART reviews are reported in the FY 2004 and FY 2005 Performance and Accountability Reports (PAR). The results of these reviews are used to inform the participants in the planning and budgeting process and are published in the annual President's Budget and Performance Plan, submitted to Congress. OMB did not conduct any PART reviews for programs appearing in the Management Integration Goal during FY 2005.

TABLE 1: RESULTS OF THE OMB PART PROCESS[1]

RATING	RESULTS
Effective	6
Moderately Effective	10
Adequate	9
Results Not Demonstrated	5
Totals	30*

Percentage of PARTS Rated "Adequate" or Better
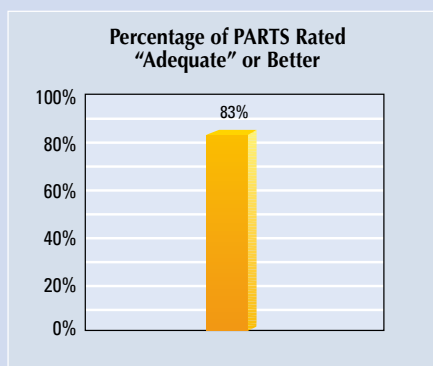
*Amount reflects the total number of Department programs reviewed to date. If OMB reviewed a program a second time, only the score of the second review was included.

PART RATINGS AND SCORES BY PROGRAM	
PROGRAM	**RATING AND SCORE**
Current Economic Statistics and Census of Governments (Census)	Moderately Effective – 83%
Market Access and Compliance (ITA)	Adequate – 58%
Import Administration (ITA)	Results Not Demonstrated
Bureau of Industry and Security (BIS) (entire bureau)	Moderately Effective – 72%
National Telecommunications and Information Administration (NTIA) (entire bureau)	Adequate – 62%
Weather and Related Services (NOAA)	Moderately Effective – 76%
Ecosystem Research (NOAA)	Adequate – 63%

1 Source: Office of Management and Budget – http://www.results.gov

TABLE 2: PART SUMMARIES BY STRATEGIC GOAL

STRATEGIC GOAL 1: PROVIDE THE INFORMATION AND TOOLS TO MAXIMIZE U.S. COMPETITIVENESS AND ENABLE ECONOMIC GROWTH FOR AMERICAN INDUSTRIES, WORKERS, AND CONSUMERS

PROGRAM NAME	CURRENT ECONOMIC STATISTICS (CES) AND CENSUS OF GOVERNMENTS
Score and Rating	◆ Moderately Effective – 83%
Lead Bureau	◆ Census Bureau
Major Findings/ Recommendations	◆ These programs address the need to provide comprehensive economic statistics, critical to understanding the current conditions of the U.S. economy. ◆ Improve the relevance of CES data by improving measurement of the services sector. ◆ Facilitate reporting and reduce burden through the use of electronic reporting.
Actions Taken/ Planned	◆ Increased the number of current economic survey reporting units filing electronically by 41 percent. ◆ Established quality management program for the Economic Directorate. ◆ The Committee on National Statistics, a subsidiary of the National Academy of Science, began its review of the Directorate's Census of Governments and corresponding current programs. ◆ Expand the Quarterly Services Survey to include Rental and Leasing; the remainder of Health Care and Social Assistance; Arts, Entertainment, and Recreation, and Other Services; and increasing coverage to at least 25 percent of GDP.
PROGRAM NAME	MARKET ACCESS AND COMPLIANCE (MAC)
Score and Rating	◆ Adequate – 58%
Lead Bureau	◆ International Trade Administration (ITA)
Major Findings/ Recommendations	◆ MAC's mission is clear. The U.S. government seeks to ensure that its trading partners abide by the commitments of their trade agreements and that U.S. companies can enter foreign markets on a level-playing field. MAC supports this by assisting U.S. industry with market access and trade agreement compliance problems. ◆ MAC has developed new long-term performance measures that will reflect program outcomes; however, MAC should also develop efficiency measures. MAC should engage other federal agencies to develop long-term shared goals regarding high-level trade compliance issues. ◆ Overall, program management is strong. However, MAC would benefit from implementation of a financial system that allows staff to allocate time and operational costs to different activities and enables management to readily identify how resources are applied to key activities and goals.
Actions Taken/ Planned	◆ Developing measures to assess the efficiency and cost-effectiveness of the program. ◆ Implementing a financial system to better track how resources are applied to program goals. ◆ Working with other federal agencies to develop long-term shared goals regarding high-level trade compliance issues.

(continued)

STRATEGIC GOAL 1: *(continued)*	
PROGRAM NAME	**IMPORT ADMINISTRATION (IA)**
Score and Rating	◆ Results Not Demonstrated
Lead Bureau	◆ International Trade Administration (ITA)
Major Findings/ Recommendations	◆ IA does not have long term measures that address the program's intended outcome, and therefore results cannot be demonstrated. IA does have an annual measure that indicates its efficiency in administering certain program processes. ◆ Overall, IA is well-managed. However, it would benefit from a program evaluation that assesses how well IA is accomplishing its mission.
Actions Taken/ Planned	◆ Developing long-term measures and targets that address the program's intended mission. ◆ Conducting a program evaluation that addresses how well the program is accomplishing its mission. ◆ Implementing a financial system to better track how resources are applied to program goals.
PROGRAM NAME	**BUREAU OF INDUSTRY AND SECURITY (BIS) (ENTIRE BUREAU)**
Score and Rating	◆ Moderately Effective – 72%
Lead Bureau	◆ Bureau of Industry and Security (BIS)
Major Findings/ Recommendations	◆ BIS's purpose, design, and management are strong; however it would benefit from an updated, reauthorized Export Administration Act (EAA). A new act would clarify some outdated control requirements, increase penalties for violations, and specify interagency licensing processes. ◆ BIS has long-term and annual measures that relate to the program's goals, and targets are largely met, including those related to increasing efficiency.
Actions Taken/ Planned	◆ Working to ensure passage of an updated reauthorized EAA. ◆ Developing a measure to address the accuracy of the export licensing process.

STRATEGIC GOAL 2: FOSTER SCIENCE AND TECHNOLOGICAL LEADERSHIP BY PROTECTING INTELLECTUAL PROPERTY, ENHANCING TECHNICAL STANDARDS, AND ADVANCING MEASUREMENT SCIENCE

PROGRAM NAME	NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION (NTIA) (ENTIRE BUREAU)
Score and Rating	◆ Adequate – 62%
Lead Bureau	◆ National Telecommunications and Information Administration (NTIA)
Major Findings/ Recommendations	◆ NTIA coordinates executive branch telecommunications policy, manages all spectrum use by federal government departments and agencies, and examines how the radio spectrum is used and managed in the United States. ◆ NTIA plays an important role in advancing the President's Spectrum Policy Initiative, engaging relevant parties in pursuit of the President's goals for spectrum use. ◆ NTIA lacks outcome measures and data to ensure that radio spectrum allocation serves the greatest public benefit. As a proxy, the program uses output-based measures, such as frequency assignment processing speed. NTIA should continue efforts to develop measures of economic efficiency of spectrum use, particularly for the federal spectrum.
Actions Taken/ Planned	◆ Analyzing the costs and benefits of the process by which spectrum is allocated in order to improve efficiency of operations. ◆ Improving technical, procedural, and policy coordination with the Federal Communications Commission (FCC) in order to improve management of the radio spectrum. ◆ Developing methods to measure the economic efficiency of spectrum use, considering opportunity costs and benefits.

STRATEGIC GOAL 3: OBSERVE, PROTECT, AND MANAGE THE EARTH'S ENVIRONMENT TO PROMOTE ENVIRONMENTAL STEWARDSHIP

PROGRAM NAME	WEATHER AND RELATED SERVICES
Score and Rating	◆ Moderately Effective – 76%
Lead Bureau	◆ National Oceanic and Atmospheric Administration (NOAA)
Major Findings/ Recommendations	◆ The program has made progress in achieving its long-term goals, particularly in improving accuracy and timeliness of forecasts and warnings. ◆ One of the satellite programs has experienced significant cost and schedule overruns which were caused by management and technical problems. This program is at least 25 percent over budget and the satellite launches are delayed by at least two years.
Actions Taken/ Planned	◆ Investing in technology to improve severe weather warning lead times. ◆ Instituting quarterly reporting on progress of satellite programs.
PROGRAM NAME	**ECOSYSTEM RESEARCH**
Score and Rating	◆ Adequate – 63%
Lead Bureau	◆ National Oceanic and Atmospheric Administration (NOAA)
Major Findings/ Recommendations	◆ Ecosystem Research addresses the need for science in support of wise management of ocean and coastal resources. The President's U.S. Ocean Action Plan expressed support for many of these activities, which were also emphasized by two recent blue-ribbon panels, the U.S. Commission on Ocean Policy and the Pew Oceans Commission. ◆ Some redundancies exist both within the components of Ecosystem Research and between it and other federal efforts. Ecosystem Research was established to begin to align different research efforts within NOAA in order to address these redundancies. In addition, other federal, state, and private organizations have similar or shared responsibilities. ◆ Within some of the components of this program, program managers have had difficulty influencing how resources are targeted to ensure that the highest priority science needs are met. This can be an issue for institutional programs, such as Sea Grant, and for earmarked research projects.
Actions Taken/ Planned	◆ Assessing the portfolio of research within NOAA's Ecosystem Research program in order clarify the role of each of the program's components and eliminate redundancies. ◆ Modifying planning and management processes so that research activities meet the highest priority science needs and provide a balanced response to local, regional, and national issues.