



MANAGEMENT INTEGRATION GOAL

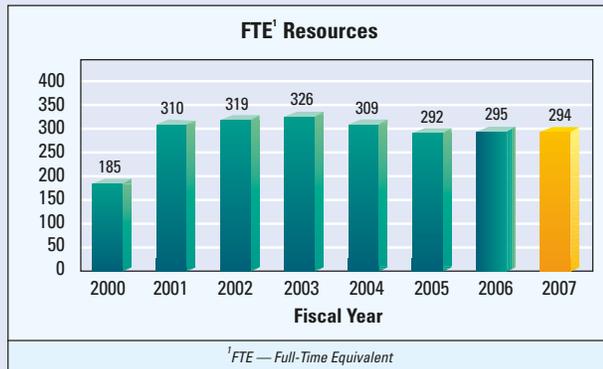
PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
Identify and effectively manage human and material resources critical to the success of the Department's strategic goals (DM)	3 of 6
Promote improvements to Commerce programs and operations by identifying and completing work that (1) promotes integrity, efficiency, and effectiveness; and (2) prevents and detects fraud, waste, and abuse (OIG)	3 of 3



MANAGEMENT INTEGRATION GOAL

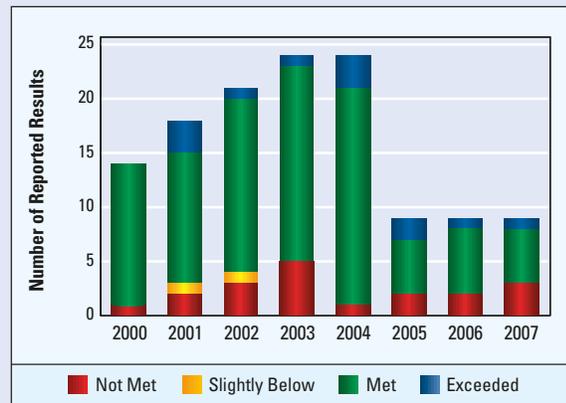
Achieve organizational and management excellence

MANAGEMENT INTEGRATION GOAL TOTAL RESOURCES



Achieving organizational and management excellence is a goal that requires extensive interaction and coordination among entities throughout the Department. Departmental Management (DM)—consisting of the Offices of the Secretary, Deputy Secretary, Chief Financial Officer and Assistant Secretary for Administration, Chief Information Officer, and General Counsel—provides the policies and guidelines that support the management infrastructure the Department needs to carry out its mission. In addition, the Office of the Inspector General (OIG) audit and inspection programs help promote consistency and integrity throughout the Department. Most of DM's and OIG's work can be characterized as "behind-the-scenes," contributing to the efficiency with which operating units throughout the Department administer their programs.

MANAGEMENT INTEGRATION GOAL PERFORMANCE RESULTS



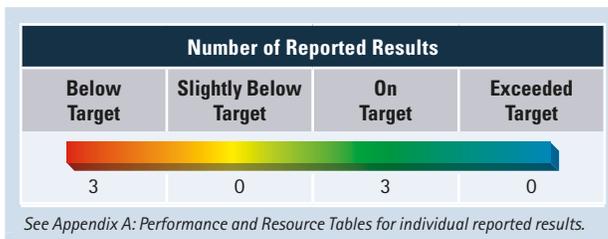
See Appendix A: Performance and Resource Tables for individual reported results.

Highlights of the Department's accomplishments are provided in the performance outcome information that follows.

Performance Outcome: Identify and effectively manage human and material resources critical to the success of the Department's strategic goals (DM)

The executive direction and coordination of program activities provided through centralized services contribute to the efficient administration of the Department to ensure that the overall mission is fulfilled.

The Department must have the capacity to do business with the public and its partner agencies, both as a more than \$6 billion worldwide enterprise, and as an integrated set of individual programs. This requires that it identify, adopt, and maintain business practices essential to successful operations; use its resources wisely; and effectively implement the laws that affect it.



In order to ensure the accomplishment of its mission, the Department has developed and put into place policies and programs designed to enable the successful operation of its units, the effective and efficient use of both material and human resources (HR), and the implementation of laws and regulations that govern the use of those resources. This performance goal represents the Department's commitment to ensuring the wise stewardship of its resources. Because this goal encompasses a wide range of administrative and operational tasks, the measures used to assess progress are highly diverse.

There is no issue more critical to the Department's continued effective functioning than that of current and projected turnover in mission-critical positions, and the domino effect it precipitates. Separation projections are high among economists, fish biologists, mathematicians, statisticians, meteorologists, and engineers. As the Department's qualified staff departs, it must find ways to attract replacement staff, develop them to do the work of the Department, and retain them. The Department continues to refine and develop programs to help train and retain a highly qualified workforce and avoid disruption in services it provides.

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

Among the DM accomplishments in FY 2007 are:

- ◆ Developed and implemented policies for a contract review board and standard file organization to help ensure acquisition quality and effectiveness within the Office of the Secretary.
- ◆ Continued training of contracting and purchasing professionals in the required competency areas in order to close competency gaps.
- ◆ Redesigned the Enterprise Acquisition Reporting System to make it more user-friendly and developed reports used as a tool to support data accuracy efforts.



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- ◆ Continued the Acquisition Review Board which met six times in FY 2007 and reviewed 13 cases with an estimated value of \$1.6 billion.
- ◆ Revised the Acquisition Career Management Program to incorporate training and certification requirements of the Federal Acquisition Certification Program.
- ◆ Participated in the Government-wide task force to implement the Federal Funding Accountability and Transparency Act. Developed alternatives and recommendations for implementation of the act.
- ◆ Began development of a new risk management initiative to address the major investment review process.
- ◆ Completed accounts payable business process re-engineering review and developed recommendations.
- ◆ Maintained a green status in "Improving Financial Management" and in "Improving Program Performance" on the President's Management Agenda Scorecard.
- ◆ On its FY 2007 financial statements, the Department received an unqualified audit opinion for the ninth consecutive year.
- ◆ Completed migration of the code for the Commerce Business System (CBS) to Oracle Web-based technology. Bureaus have agreed to implement the migrated code in early FY 2008.
- ◆ Implemented the interface between the acquisition system and the financial management system, and completed bureau training on the interface, so as to promote greater efficiency in financial and grants management.
- ◆ Developed enhanced program to monitor, evaluate, and test the Department's Occupant Emergency Plans (OEP). Continued assessments of OEPs for the Department's 738 facilities, thus far completed 333 in the current four-year cycle.
- ◆ Tracked implementation of recommended countermeasure designed to mitigate risks identified in the 445 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 738 facilities.
- ◆ Strengthened access control measure with random screening of employees and upgraded screening of contractors at Department headquarters.
- ◆ Developed and implemented Foreign National Visitor (FNV) and Guest Risk Assessment tool designed to ensure on-site compliance with current FNV policy and procedures.
- ◆ Conducted nationwide after-hours inspections to assure that appropriate safeguards are in place in order to protect sensitive information.
- ◆ Continued the implementation of the conversion of the International Trade Administration (ITA) to the CBS/CFS (Core Financial System), with conversion in October 2007. This will move ITA from its current system, which has become non-compliant, to a compliant system.

- ◆ In FY 2007, the Department enhanced the A-123 program by developing a three-year rotational testing plan to incorporate a three-year, risk-based approach based on FY 2006 assessments of the key processes and results of previous audits. Under this approach, high-risk cycles are selected for annual testing; low/moderate-risk cycles are tested every three years, with selected test procedures at specific locations or on specific sub-processes performed as often as needed based on specifically identified risks; a limited controls review assessment survey is utilized for cycles that are not being tested in a given year. The Department's A-123 Appendix A review and assessment included the following:
 - The Department utilized the Senior Management Council (SMC) to implement, direct, and oversee the assessment process; and the Senior Assessment Team (SAT) to develop A-123 planning documentation, administer internal control test plans, and monitor and review the test work.
 - Updated Department-wide testing templates for selected key processes/sub-processes and modified Departmental sampling plan to ensure consistency including the use of a statistical sample size generator for attributes sampling.
 - Utilized a contractor's expertise in support of smaller bureaus' testing and review of the Department-wide testing results and workpapers.
 - Utilized a contractor's expertise to review Department-wide internal control documentation to assess the structure, breadth, and depth of the bureau-level documentation. The review encompassed comparing documentation practices among bureaus, providing comments on consistency, and whether the cycle documentation contained the expected cycle components.
 - Analyzed the results of the overall effort to assess and document the adequacy of the Department's internal controls in order to develop the annual statement of assurance issued by the Secretary and published in the Performance and Accountability Report (PAR).
- ◆ Expanded implementation of multi-tier performance appraisal system; 90 percent of the Department's full-time equivalents (FTE) are now on multi-tier systems.
- ◆ Trained HR staff and managers in category rating and implemented a pilot program to improve hiring processes.
- ◆ Implemented new Human Capital Strategic Plan that outlines what the Office of Human Resources Management (OHRM) intends regarding their three strategic goals: (1) uphold the Department mission and take a leadership role in implementing government reforms, (2) Implement and support HR policies and practices that create a positive workforce culture and establish the Department as an employer of choice, and (3) cultivate an environment that encourages and empowers all Departmental HR employees to become leaders and innovators in the HR community.
- ◆ Created and began implementing action plan addressing 2006 Federal Human Capital Survey results.
- ◆ Received full Office of Personnel Management (OPM) and Office of Management and Budget (OMB) certification for Senior Executive Service (SES) Performance Appraisal System for FY 2007-FY 2008.
- ◆ Conducted, in conjunction with OPM, all six of the accountability audits scheduled for FY 2007 to identify areas for improvement and application of best practices.
- ◆ Identified and reported positions via the Career Patterns Initiative in order to attract and recruit talent.



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- ◆ Continued implementation of the OMB mandated Information System Security Line of Business (ISSLoB) Federal Information Security Management Act (FISMA) tool to automate certification and accreditation (C&A) standards and security reporting.
- ◆ Implemented Department-wide e-mail system consolidation.
- ◆ OMB considers all Department business cases for major information technology (IT) investments acceptable. This ensures that IT funds are managed and invested wisely.
- ◆ The Department's major IT investments were, on average, within five percent of cost, schedule, and performance targets.
- ◆ Developed an FY 2007 security awareness training plan, including milestones, for authorizing officials and system owners.
- ◆ Developed IT C&A compliance and oversight controls based on OMB requirements, National Institute of Standards and Technology (NIST) standards, and past OIG recommendations.
- ◆ Installed a Herbert C. Hoover Building network intrusion prevention system for monitoring and reporting IT security violations.

The Department uses reviews and reports generated by the OIG, OMB, the Government Accountability Office (GAO), other Congressional organizations, government-wide task forces, and other objective sources to evaluate activities of the Department related to this goal. For example, DM works closely with OMB on implementing the five government-wide management initiatives established in the President's Management Agenda (PMA). The Department is rated quarterly on its success in implementing these initiatives. In addition, many of the laws pertaining to these activities have separate reporting requirements, which highlight both strengths and weaknesses of the Department's administrative functions. The Department uses the results of these efforts to assess achievement of performance targets.

The performance-based contracting measure was not met in FY 2007. Limitations within the procurement infrastructure, e.g., data accuracy and level of staff expertise, continue to frustrate efforts to meet this goal. These issues are being aggressively addressed within the procurement community.

Data on awards to small businesses are not considered to be final until the Small Business Administration issues the Small Business Goaling Report later this year. Preliminary figures, as of November 15th, indicate that the Department achieved 44 percent, pending validation and verification of data in the Federal Procurement Data System (FPDS). The preliminary number suggests that the Department did not achieve the 48 percent target, which was based on the most recent three years of activity that are not necessarily sustainable. It is important to note that significant changes have occurred or are underway which will impact the percentage of the Department's opportunities available for future small business participation. These include the transition of the Commerce Information Technology Solutions Government-Wide Acquisition Contract (COMMITTS GWAC, a small business set-aside) to the General Services Administration, and large contract awards to support the GOES-R Satellite Program, the 2010 Decennial Census, and NOAA's phased ship replacement. In light of these anticipated changes, the Department plans to negotiate its FY 2008 and out-year small business goals with the Small Business Administration to reflect more realistic goals.

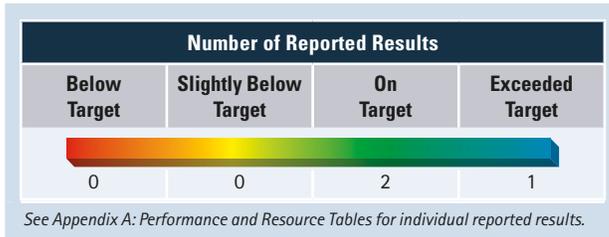
The financial management measure of eliminating any significant deficiency (previously referred to as a "reportable condition") within one year also was not met. The significant deficiency concerns consolidated IT controls. Although the Department has made progress toward eliminating this problem, more requirements were added to the OIG auditors' review of IT controls in support of the FY 2007 Consolidated Financial Statement Audit when, for the first time, the auditors used NIST Special Publication 800-53, Recommended Security Controls for Federal Information Systems, in conducting the review. The OIG auditors used a risk-

based methodology to determine the controls to be tested as well as adding the area of access controls, both of which resulted in an increased number of findings. Another contributing factor was the increased regulatory requirements (the protection of personally identifiable information) imposed additional security controls. As a result of the increased IT security focus at the Department, management has appointed a team comprising from both the Chief Information Officer (CIO) and Chief Financial Officer (CFO) staffs to actively monitor issues and resolve any outstanding corrective actions.

Performance Outcome: Promote improvements to Commerce programs and operations by identifying and completing work that (1) promotes integrity, efficiency, and effectiveness; and (2) prevents and detects fraud, waste, and abuse (OIG)

Promotes improvements to Departmental programs through audits, inspections, evaluations, and investigations and a variety of activities geared toward averting problems.

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



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

As the Department works to accomplish its mission, the OIG provides a unique, independent voice to the Secretary and other senior Department managers, as well as to Congress, in keeping with its mandate to promote integrity, efficiency, and effectiveness; and prevent and detect waste, fraud, and abuse in Department programs and operations. Moreover, the OIG strives to ensure that it:

- ◆ Performs high quality, timely work.
- ◆ Concentrates its efforts on the Department's most critical programs, operations, challenges, and vulnerabilities.
- ◆ Achieves results that allow government funds to be put to better use and address criminal, civil, and other wrongdoing.

The OIG performs its activities in accordance with GAO's Government Auditing Standards and the President's Council on Integrity and Efficiency's (PCIE) Quality Standards for Inspections and Program Evaluations. OIG audit and investigations programs are subject to external peer reviews conducted under PCIE guidelines designed to evaluate their compliance with applicable standards.

STRATEGIES AND FUTURE PLANS

To meet the many management challenges facing the Department, a number of initiatives have been undertaken, some of which are described below.

◆ *Improving Information Security*

The Department will continue to enhance the protection afforded its information systems and data. Every automated system in the Department is subject to C&A, which includes documenting successful control testing or establishing a specific plan for taking remedial action. The Department's IT and security policies and requirements reflect federal standards, best practices, and state-of-the-art advances in controls, evaluation, accreditation, and contingency planning. By carefully planning how the Department invests IT funds—ensuring that it has a cohesive and well-constructed enterprise architecture, trained personnel, and safeguards over the confidentiality, integrity, and availability of the Department's IT systems—DM can provide the IT support the Department needs to carry out its missions. In FY 2008, the Department will take steps to implement two-factor authentication for remote access, and expand general security awareness training. To enhance security in the next year, the Department will take steps to implement encryption on devices used for remote computing, require strong passwords and non-use time-outs on personal digital assistants, and strengthen property management procedures and training.¹

◆ *Preparing for Emergencies*

The Department will continue to aggressively improve emergency preparedness, safety, and security of Departmental personnel and facilities. Certain facilities require cyclical and anti-terrorism risk assessments. In the current four-year cycle, anti-terrorism risk assessments based on criticality, threat, and vulnerability have been conducted for 445 of 738 Department facilities. In FY 2007, bureau managers implemented countermeasures and the Anti-Terrorism Risk Index was reduced (risk methodology validated by the American Society for Industrial Security in 2004). A new self-assessment procedure for OEPs was implemented in FY 2007. The Department continues to improve Continuity of Operations Plans (COOP) preparedness with monthly working group meetings and in-depth reviews of COOP plans.

◆ *Future Workforce Requirements*

The Department will continue to be challenged in the years ahead to cope with significant changes in the way the government hires and compensates its civilian workforce. Flexible approaches to recruiting and employee pay that are based on employee performance represent challenges that, if adopted and implemented with care, are likely to result in a more competent, satisfied, and successful workforce. The Department is already, in some organizations, preparing for the potential overhaul of HR activities through its demonstration projects which highlight pay for performance. The Department will seek approaches to implementation of changes in HR management that will help it compete with private sector employers to recruit a diverse, highly specialized, and increasingly technical workforce.

¹ Resources supporting the IT security program consist of the central oversight office and IT security components of each operating unit, funded through general infrastructure accounts and specialized support for major IT investments. The central program office consists of four full-time federal employees supported by four full-time contract personnel.



CHALLENGES FOR THE FUTURE

As demands for higher productivity and service levels grow, the Department frequently must adjust program operations to meet evolving needs while facing funding limitations. Smooth and sound integration of program demands, performance results, and budget realities will continue to be an objective and a challenge of the Department.

Managing its programs from within aging physical facilities and ensuring the safety and security of staff, information, and customers is a challenge the Department plans to meet through modernization efforts which will satisfy technical, scientific, and safety and security requirements.

The growing technological orientation of its work and a highly competitive market challenge the Department's managers to attract and retain high quality workers. The Department must employ the right people in the right jobs at the right time while assuring that its workforce is representative of the Nation's population. Identification of competencies for mission-critical occupations will help the Department to perfect workable succession plans, and maintaining an ambitious fill-time with the help of automated rating tools will enable the Department to replace mission-critical employees expeditiously.

Information security, critical infrastructure protection, and privacy are among the Department's most important challenges, as the Department, and society in general, depend more and more on electronic communication. The Department puts a high priority on these issues to ensure that its systems, data, products, and services are protected; privacy is maintained; and operations continue unaffected by potential attempts at disruption. The Department also focuses attention on challenges resulting from the increasing use of the World Wide Web to provide data and information to citizens and businesses in the Department's program areas, and to support transaction-oriented e-government that offers efficiencies for both Departmental operations and the Department's customers.

The Department will continue to improve its security policies, programs, and initiatives so that its response to threats to personnel, assets, and operations is swift and effective.