

MANAGEMENT DISCUSSION AND ANALYSIS



The Department at a Glance

History and Enabling Legislation

The Department of Commerce is one of the oldest cabinet-level departments in the United States Government. Originally established by Congressional Act on February 14, 1903 as the Department of Commerce and Labor (32 Stat. 826; 5 U.S.C. 591), it was subsequently renamed the U. S. Department of Commerce by President William H. Taft on March 4, 1913 (15 U.S.C. Section 1512). The defined role of the new Department was "to foster, promote, and develop the foreign and domestic commerce, the mining, manufacturing, and fishery industries of the United States."

Mission

The Department of Commerce promotes job creation and improved living standards for all Americans by creating an infrastructure that promotes economic growth, technological competitiveness, and sustainable development.

Strategic Goals

- GOAL 1:** Provide the information and the framework to enable the economy to operate efficiently and equitably
- GOAL 2:** Provide infrastructure for innovation to enhance American competitiveness
- GOAL 3:** Observe and manage the Earth's environment to promote sustainable growth
- MANAGEMENT INTEGRATION GOAL:** Strengthen management at all levels



*Department of Commerce –
Herbert C. Hoover Building*

Bureaus

Economics and Statistics Administration (ESA)
 Bureau of Economic Analysis (BEA)
 Bureau of the Census
 International Trade Administration (ITA)
 Bureau of Industry and Security (BIS)
 Economic Development Administration (EDA)
 Minority Business Development Agency (MBDA)
 U.S. Patent and Trademark Office (USPTO)
 Technology Administration (TA)
 Office of Technology Policy (OTP)
 National Institute of Standards and Technology (NIST)
 National Technical Information Service (NTIS)
 National Telecommunications and Information Administration (NTIA)
 National Oceanic and Atmospheric Administration (NOAA)

In addition to these bureaus, Departmental Management (DM) encompasses the responsibilities of the Secretary, Deputy Secretary, Chief Financial Officer and Assistant Secretary for Administration, and the Chief Information Officer. At the heart of the Department, DM provides the policies, planning, and administrative guidance that ensure bureau operations are consistent with Secretarial priorities and with the Department's mission.

Location

The Department is headquartered in Washington, D.C., at the Herbert Clark Hoover Building, which is located on eight acres of land covering three city blocks. The Department also has field offices in all states and territories and maintains offices in more than 86 countries worldwide.

Employees

The Department is an agency with approximately 35,000 employees.

Financial Resources

The Department's FY 2001 budget was approximately \$5.5 billion and its FY 2002 budget was about \$5.8 billion.

Internet

The Department's Internet address is <http://www.doc.gov>

FISCAL YEAR 2002 HIGHLIGHTS AND MANAGEMENT ACCOMPLISHMENTS



DEPARTMENT OF COMMERCE



UNITED STATES OF AMERICA

Fiscal Year 2002 Highlights and Management Accomplishments

THE PRESIDENT'S MANAGEMENT AGENDA

The President's Management Agenda, issued in August 2001, establishes five government-wide initiatives to address many of the most serious, crosscutting management challenges facing federal agencies:

- Improving financial management;
- Competitive sourcing;
- Strategic management of human capital;
- Expanded electronic government (E-government); and
- Budget and performance integration.

In the months since President Bush issued his directive, Commerce has aggressively pursued its implementation. The Deputy Secretary routinely meets with senior bureau managers to review progress and discuss alternative approaches, and the Department's Chief Financial Officer and Assistant Secretary for Administration (CFO/ASA), and Chief Information Officer oversee day-to-day activities. To ensure accountability, individual performance plans have been modified to assign responsibility to Commerce's Senior Executives. Additionally, the performance measures for Departmental Management (DM), as reflected in this document, were modified in FY 2001 to incorporate the five government-wide management initiatives. Using this framework, Commerce has made significant progress in each of these five areas.



Secretary Evans and Deputy Secretary Bodman view implementing management reform at the Department of Commerce as a top priority.

Improving Financial Management

Accurate and timely financial information is integral to optimum performance and critical to providing full accountability to the American people. The Department must continue to receive unqualified audit opinions to support effective management.

The Department has received unqualified opinions on its consolidated financial statements since FY 1999. A key factor in continuing to maintain clean audit opinions and accelerate the timeliness of providing financial information is the deployment of the Commerce Administrative Management System (CAMS), a financial management system that will integrate financial data throughout the entire Department. CAMS will be fully implemented in October 2003. The Department is moving aggressively toward meeting this goal with the deployment of CAMS at ten Departmental entities, including NOAA — our largest bureau.

The Department has made significant progress in reducing the number of material weaknesses identified during the financial statement audits from eleven in FY 1996 to one in FY 2002. The remaining material weakness will be resolved with implementation of CAMS and the Department's aggressive efforts toward resolving IT security weaknesses.

Competitive Sourcing

Many of the tasks carried out by federal employees can be readily conducted by service providers in the commercial marketplace. Historically, the government has realized cost savings in the range of 20 to 50 percent when federal and private sector service providers compete to perform such functions. The objective of the competitive sourcing initiative is to increase the cost effectiveness of our programs by applying the principles of the Federal Activities Inventory Reform (FAIR) Act and Office of Management and Budget (OMB) Circular A-76, "Performance of Commercial Activities."

We have made considerable progress in reinvigorating our competitive sourcing program, which is centrally overseen by the Office of the CFO/ASA, by:

- Establishing a cross-functional working group to update Department-wide guidance and ensure an integrated approach to implementing all government-wide initiatives;
- Employing the CFO Council to serve as a coordinative body, maintain momentum across Commerce, and aid communication between organizational units;
- Working closely with bureau staff to enhance the FAIR Act inventory, helping to consistently and appropriately classify activities across the Department;
- Adopting a practical and realistic management plan for achieving government-wide targets, which is recommended by OMB as a model for other agencies; and
- Developing a new two-hour training module to educate managers about the fundamentals of competitive sourcing.

Recent highlights include the selection of a private sector firm to deliver workers' compensation services, which will reduce program costs by 64 percent. The Bureau of the Census recently released a request for proposals to obtain "mixed tour" clerical support services. Currently, 225 full-time, part-time and intermittent employees fill these temporary assignments throughout Census. The upcoming competition will help ensure that they are carried out as efficiently as possible. Additionally, NOAA's National Weather Service is conducting a competition for its Internet gateway function.

Strategic Management of Human Capital

The world of federal employment faces significant challenges. Overall projections show that more than half of the federal workforce will be eligible for retirement within the next few years. To meet this potential surge in prospective retirement levels, the Department must ensure that it retains the knowledge, skills and management capabilities needed to achieve its mission-critical activities. The Department also faces difficulty in attracting and retaining highly qualified workers in specific fields, such as information technology and selected scientific disciplines. To counter this trend, we must effectively employ human resources flexibilities to adapt to labor market realities and allow us to compete for our Nation's best talent.

During FY 2002, Commerce completed a comprehensive five-year Workforce Restructuring Plan, which will assist us in increasing the percentage of employees who provide front-line service delivery, reducing the proportion of our employees in supervisory positions, eliminating unnecessary organizational layers, and improving spans of management controls. The Plan, which is now being implemented, identifies three Commerce-wide human capital challenges: (1) high turnover in mission-critical occupations; (2) an impending retirement wave, especially among the Senior Executive Service (SES); and (3) the need to reshape workforce competencies to address the impact of E-government, competitive sourcing, and re-engineering initiatives.

Over the past year, Commerce has established a strong infrastructure for strategic human capital management, which includes leadership by the Deputy Secretary, CFO Council and Human Resources Officers Council. Critical positions were filled by hiring an Accountability Officer, a Training and Knowledge Management Officer, and a Program Manager for the SES Candidate Development Program. Commerce established new performance measures for its Senior Executives, revised and revitalized its training policies, acquired an online Learning Management System, enhanced the Commerce Opportunities Online automated hiring system to improve recruitment, developed an automated Commerce Performance and Award System, improved collaboration with the bureaus through the use of counterpart groups, revitalized the employee safety program, and enhanced diversity recruitment efforts.

Expanded E-Government

Expanded E-government is the keystone to fostering citizen-centered government and providing the American taxpayer with the same level of service that they expect from the private sector. In doing so, we must ensure that our investment in information technology (IT) resources is wisely used to safeguard the security and integrity of our IT systems; dissolve bureaucratic divisions and increase our productivity through the virtual consolidation of diverse functions such as payroll processing; implement applications to address common requirements such as e-grants, e-regulation, and e-signatures; provide citizen centered service by creating easy-to-find single points of access to our programs; reduce reporting burdens on the public by sharing information between federal agencies and state, local, and tribal governments; increase the ease of electronic access for persons with disabilities; increase the transparency of our program operations; and reemphasize the importance of customer satisfaction so that our service delivery compares favorably with state-of-the-art providers located elsewhere in government and the private sector.

Commerce is working collaboratively with other agencies on the cross-agency E-government initiatives, including Geospatial One-Stop, Disaster Management, and e-Grants. ITA sponsors the International Trade Process Streamlining initiative, whose export.gov portal offers a wide range of information to potential exporters and is being expanded to include forms and services. We have expanded the number of Commerce services available through the Internet by converting an additional 39 transactions from paper-based to Web-based formats, bringing the total number of transactions converted under the Government Paperwork Elimination Act to 67.

In support of E-government, we continue to strengthen our information technology capital planning and investment control processes to ensure that proposed investments contribute to the Secretary's strategic vision and mission requirements, employ sound IT investment methodologies, comply with Departmental systems architectures, ensure security of the data and systems, and provide the highest return on the investment. Commerce's Information Technology Review Board, composed of senior departmental managers, reviews and makes recommendations for approval or disapproval of funding and recommends continuation or termination of projects. Commerce has developed a Federated IT Architecture, which includes an overarching component for the Department for all common business functions and IT services, and a component for each operating unit that addresses business-specific systems. This approach allows the operating units flexibility in their varied needs and requirements, while providing greater efficiency and reduced cost for those functions that are common to all operations. Commerce has made significant progress in improving the security of its IT systems and the data they house. Specific accomplishments include providing IT security awareness training to all computer users, developing security plans for all IT systems, updating the IT Security Program Policy, and establishing both a compliance review program and a computer incident response capability.

Budget and Performance Integration

Results offer the most persuasive accounting of our use of taxpayer funds. Some of the challenges involved in making a full and accurate accounting include the structure of the federal budget, which inhibits identification of the full cost of individual programs. We support government-wide efforts to identify all costs and seek to assess our performance with easily understood and accurate performance and cost data. Managers often do not have control over the resources they use or have the flexibility to use them efficiently, and we support government-wide efforts to align authority with accountability.

As part of this effort, the CFO/ASA issued guidance instructing bureaus on integrating performance information in the preparation of their FY 2004 budget requests. Budget development meetings between the Secretary and bureau managers during the summer also used a combined approach for addressing budget and performance issues. We also worked closely with OMB to assess the effectiveness of approximately 50 percent of the Department's activities during preparation of the Department's FY 2004 budget proposal.

Through the Deputy Secretary's regular meetings with the senior managers of the bureaus, we also re-examined the performance measures that we rely on to assess our progress in carrying out our mission. The Department continues striving to improve the accuracy, completeness, and reliability of the data by which we measure and report our performance. We are also working with our bureaus to refine the integration of budget and performance data in our budget and planning documents such as this performance and accountability report, our annual performance plans, and our annual budget justifications. In FY 2003, we will continue these efforts, as we monitor program performance and develop our performance plans for FY 2004.

DEPARTMENTAL HIGHLIGHTS

Enhancing the Nation's Preparedness

The Department of Commerce took numerous independent and cooperative actions to help our Nation become better prepared to meet emergencies, regardless of their origin and nature.

Commerce, in cooperation with the National Institute of Justice, developed a series of Emergency First Responder Equipment Guides. Many of the guides address the selection of appropriate equipment for personal protection, communications, decontamination, and detection of chemical and biological agents. This information will help the men and women who respond to emergencies protect themselves and others in the event of chemical, biological, radiological or nuclear attack.

Commerce is participating in the development of a set of national standards for chemical and biological protective equipment. The first standard — for Self-Contained Breathing Apparatus — was implemented in January 2002.

The Department's scientists are developing measurements and standards to help validate the performance of new screening technologies for explosives and to detect uranium isotopic ratios in microscopic samples of material. Commerce now has authority, under the National Construction Safety Team Act, to investigate major building failures in the U.S.

Strengthening America's Cyber Security

The Department helped strengthen the security of America's computer systems by providing a variety of cyber security services and resources. These services included cryptography testing and standards, securing time-stamps for transactions, helping small businesses secure their computers, and establishing biometric standards to support homeland security. The National Institute of Standards and Technology (NIST) published several guidelines to give federal agencies a systematic way to evaluate the security of their computer systems and defend against cyber attacks. The new guidelines, which can be easily adapted by any organization, cover such areas as security policies, standards, security validated products, training and education, and collaborative work. These guidelines are available at <http://csrc.nist.gov/publications>. Additionally, the Department's Critical Infrastructure Assurance Office (CIAO), which is being transferred to the Department of Homeland Security, coordinated considerable private sector input for the development of the National Strategy to Secure Cyberspace.

Adopting the Advanced Encryption Standard

The Department, in cooperation with the private sector, approved a new information technology advanced encryption standard (AES) to protect sensitive information. Adopted in December 2001, the AES is now protecting federal information and is used voluntarily in the private sector to protect sensitive computerized information and financial transactions, thus benefiting millions of consumers and businesses. A four-year effort, the AES will protect data well into the 21st century.

Enhancing the Department's Preparedness

The Department has re-examined its crisis management strategies and is presently addressing potential vulnerabilities involving its facilities and emergency preparedness plans and procedures. At the outset of FY 2002, we directed all senior officials to review the security of their employees, facilities, and service delivery systems; and to implement all measures required by the President's Homeland Security Directive. We have been implementing local plans to secure approximately 500 facilities in 50 states and 161 overseas posts. By mid-FY 2002, we completed an overall Continuity of Operations Plan (COOP) for the Department's executive direction. We are continuing to develop our ability to respond to various types of potential emergencies, domestically and abroad.

Ensuring Commerce's Information Technology Security

The Department has made significant progress in securing our IT systems and the data housed in them. Risk assessments have been performed on our IT systems and current IT security plans are in place for ninety-eight percent of them. The IT Security Program Policy is being updated and a compliance review program has been put in place to ensure its implementation throughout the Department. A combination of intrusion detection and other technical solutions is being put in place to protect systems and a Computer Incident Response capability has been established. In conjunction with the overall management of the security of systems, attention is being given to critical infrastructure protection, continuity of operations planning and protection of national security systems. The Department is also establishing standard contract provisions for safeguarding systems developed or managed by contractors.

Recovery Assistance in 2002

World Trade Center Recovery

Commerce mapped the site of the World Trade Center (WTC) following the September 11, 2001 terrorist attacks. Global Positioning System ground receivers were established at numerous points throughout the impact area at the WTC to locate underground utilities and pre-existing exit routes and to better position cranes for the removal of the massive amount of debris at Ground Zero.

NIST made significant contributions by providing an urban search-and-rescue test course for robots used in searching for victims at the WTC. Search-and-rescue robots were able to penetrate areas too small and hazardous for access by emergency personnel.



New methods for analyzing degraded DNA tissue samples developed by NIST chemists helped to identify victims of the World Trade Center disaster.

Photo credit: © Robert Rath



The lead investigator for NIST's study of the World Trade Center buildings shows reports where steel samples stood in the building before its collapse.

Our experts assisted in the identification of victims by using a new DNA analysis technique that allowed many more tissue samples to be matched successfully against those of suspected victims than was previously possible.

In August, we began a collaborative investigation of the building materials and construction techniques used in the WTC. The results will be used to improve design, materials and building standards so future buildings can better withstand disaster.

Pentagon Reconstruction

The impact area at the Pentagon was also mapped by Commerce. Our experts provided analytical data on the performance of structural and fire protection systems, and their recommendations for improvement were incorporated in the U.S. Army Corps of Engineer's plans for rebuilding and retrofitting the Pentagon.

Ameliorating Anthrax Contamination

Commerce officials aided in the successful anthrax decontamination of the Hart Senate Office Building by using a sophisticated computer model to detect how the building's ventilation systems transported spores. To guard against further bio-terrorism by mail, NIST provided essential technical support to the U.S. Postal Service for rapid deployment of safe and effective irradiation technology in the mail delivery system.

After 140 Years, Turret Rescued from Atlantic Graveyard

Commerce and the U.S. Navy rescued a famous Civil War artifact, the 120-ton turret from the USS Monitor. After 140 years at the bottom of the Atlantic Ocean, the world's first revolving gun turret was hoisted from 240 feet below the surface and brought to shore. The Department's National Oceanic and Atmospheric Administration (NOAA) was a leading partner in this multi-year effort, which recovered more than 600 artifacts from the Monitor.

Ten Saved from Atlantic Ocean

Commerce satellites aided in two rescue missions involving four sailors and six fishermen. The first mission involved a distress signal from a 53-foot fishing vessel; the second, an emergency beacon from sailors who were in a lifeboat after the loss of their vessel. In both cases, NOAA collaborated with the Russian government and the U.S. Coast Guard to ensure data relay and effective rescue.



A fork recovered from the USS Monitor and engraved with "USN" for U.S. Navy and "SAL" may have belonged to Third Assistant Engineer Samuel Augee Lewis, who perished when the Monitor sank.

PROGRAM HIGHLIGHTS

Advancing Patent and Trademark Technology

Intellectual Property Advances

In FY 2002, the U.S. Patent and Trademark Office (USPTO) celebrated its 200th year as the clearinghouse for American innovation and for promoting intellectual property rights here and abroad. As part of the Office's celebration of both its history and its move to full electronic processing of patents and trademarks, the Office retired a piece of history by discontinuing publication of the *Official Gazette of the USPTO* — Patents after 130 years and making it available at the USPTO website (www.uspto.gov) and by subscription on CD-ROM. Customers may now electronically search the status of pending and registered trademarks; conduct a preliminary search prior to filing an application; access general information, examination manuals, treaties, laws and regulations; obtain weekly information on marks published, registered and renewed; and file applications.

Four-Year Digital Patent Project Ends in Success

Commerce's patent officials completed an ambitious, four-year project to make every U.S. patent available electronically. The project, called USAPat, was launched to give the public unlimited access to images of millions of patents without the worry of interrupted on-line service. Patents, from 1790 forward, are available in a user-friendly, state-of-the-art format. The collection reduces the cost of supplying patents to other intellectual property offices around the world.

Trademark Customers Find Everything On-line at the USPTO

Recent improvements make dealing with trademarks easier. Users can check the status of pending and registered trademarks; run a preliminary search before filing an application; look up general information; check manuals, laws and regulations; receive weekly information on trademarks published, registered and renewed; and, most importantly, file applications. Customers are aware of this service enhancement and use it regularly. For example, in September 2002, 52 percent of all trademark applications were filed on-line, using the Trademark Electronic Application System.

Fostering International Trade

Compliance with Trade Agreements and Expanding Market Access

The Secretary has made monitoring and enforcement of trade agreements a top priority for the International Trade Administration (ITA) and for the Department. In FY 2002, ITA initiated 253 market access and compliance cases, exceeding the target by 48 percent. Staff were positioned in several countries, including China, Japan, and Korea, to expedite the remedy of unfair trade practices. A Trade Remedy Compliance Staff was established exclusively to assist U. S. companies with these issues, and the Department modified its unfair practices tracking system to provide a clear measure of “completed” cases.

More Trade with Mexico

The Department expanded two-way trade with Mexico. In June, chief executive officers from 15 companies accompanied the Secretary to Mexico to discuss opportunities for selling American goods. Representing information technology, telecommunications, environmental, medical and manufacturing sectors, these industry leaders met with Mexican government officials and companies. Mexico’s Department of Transportation and Communication partnered with Connecticut-based PanAmSat to expand broadband accessibility to the most remote areas of Mexico. During the trip, more than \$1 million in grants were signed for technical assistance and capacity-building for future growth in Mexico.

Trading with Russia, a Nation on the Rise

When Commerce designated Russia as a market economy in June, the Department greatly increased the Nation’s potential for trade. The designation, reflecting the tremendous changes that have occurred over the last decade, opened the door for greater U.S. investment in Russia. A long-running dispute on poultry trade was resolved in August, and, in September, the Department supported a dialog on energy policy and development. Plans are now underway for a mission to discuss Russia’s oil and gas industries.

Opening Trade with China

China became the 143rd member of the World Trade Organization on December 11, 2001. For the first time, American firms have unprecedented freedom to sell American goods in the world’s most populous market. The average Chinese tariff on most industrial goods will be reduced from the 1997 average of 25 percent to 8 percent by January of 2004, making it easier to place American goods in the hands of Chinese consumers.

Export Controls and Regulations

Enhancing Export Controls for Dual-Use Commodities

The Department's Bureau of Industry and Security (BIS) published several important regulations dealing with export licensing; led certain U.S. government efforts to strengthen the multilateral export control regimes; conducted extensive outreach to U.S. and foreign companies to heighten awareness and increase compliance with U.S. export controls; notified exporters of the identities of certain "unverified" foreign entities for which heightened due diligence is required; vigorously engaged China, India, and Russia on bilateral export control and high-technology issues; and developed and launched the Transshipment Countries Export Control Initiative — a multi-pronged cooperative initiative to counter diversion of controlled items through the world's major transshipment hubs.

In the realm of export enforcement, BIS conducted a comprehensive new agent training program and closed several important cases that established significant legal precedents and resulted in some of the largest civil penalties ever imposed by BIS. Export enforcement attachés will shortly be placed in Abu Dhabi, United Arab Emirates, and Egypt. BIS also established a new internal advisory board to ensure that enforcement cases are processed consistently and in accordance with best legal practices.

Export Alert!

The Department launched a free Internet-based service to help U.S. companies with technical foreign regulations affecting overseas business. The service — known as Export Alert! — notifies businesses when foreign governments propose regulations. The system gathers, organizes, and disseminates proposed changes issued by the members of the World Trade Organization. The notices are sorted by manufacturing and service fields, country of origin, and other pertinent data to facilitate monitoring by interested companies.

Data Collection Produces Valuable Information

Improving the Quality of the Nation's Economic Measures

The Bureau of Economic Analysis (BEA) made important strides in its ability to provide policy makers, business leaders, and households with accurate and relevant information about the U.S. economy. Better estimates of wages and salaries, and improved indexes for brokerage services and federal consumption expenditures significantly improved the quality of the Gross Domestic Product (GDP) and related accounts. These improvements allow the Federal Government to better forecast budget estimates, to more confidently adjust interest and exchange



rates, and to more accurately allocate more than \$200 billion in federal funds to state and local governments. Businesses benefit by having more accurate and relevant information on which to base their investment strategies.

Big Payoff from Education

In July, Commerce provided the data to show the financial benefits of an education. High school graduates can expect average lifetime earnings of \$1.2 million, while those with a bachelor degree can expect to earn approximately \$2.1 million. Earning a PhD can result in earnings of approximately \$3.4 million. The largest lifetime incomes are likely to be earned by those with professional degrees — \$4.4 million, or nearly four times more than those attaining only a high school diploma.



American Community Survey off to Good Start

The Department successfully completed the second year of testing data collection on a survey that could replace the decennial census long form. With this success, the Bureau of the Census can reliably expand the survey to every U.S. county and Puerto Rican municipality. This is good news for data users. Previously available each decade, the data will now be available annually, so more timely information can be used for public and private planning, assessment, and operations. This is particularly important in areas such as transportation, education, and housing.

Evaluating Census 2000

The Department continued to evaluate the outcome of the 2000 decennial census by reviewing data quality; operational performance; automated systems usage; and the processes for collecting, analyzing, and producing data. Critical evaluation reports were completed in 2002, in areas such as data quality, population coverage, and address list usage.

Promote Economic Growth

World Trade Week — A Celebration of Jobs for America

Commerce joined with America's exporters to celebrate World Trade Week as a vital part of the American economy. Through events held all over the Nation at the end of May, the Department promoted awareness among farmers, workers and businesses that exports are key to economic growth and job creation. U.S. exports accounted for nearly 25 percent of economic growth in the past decade and about 12 million American jobs depend upon exports. In addition, workers in jobs supported by exports receive wages 13 to 18 percent higher than the national average. Small and medium-sized companies benefit the most from trade.

Sale Creates 45,000 Jobs

Commerce assisted the U.S. aircraft engine industry in securing a historic \$3.8 billion aircraft engine sale to Emirates Airline in the United Arab Emirates. Expert coordination and utilization of resources throughout the Department and other federal agencies were instrumental in this victory. This export success is creating 45,000 highly paid American jobs.

Diversifying Local Economies for America's Well-Being

The Department provided \$1.2 million to four North Carolina textile-based communities to help in broadening their economies. The communities had experienced severe economic distress as a result of international trade pressures that had caused losses in local jobs. The Department's funds are being used in a regional approach to retrain displaced workers and accelerate their re-entry into the local workforce. This award is benefiting the Western Piedmont Council of Governments, North Carolina Partnership for Economic Development, Mt. Airy Chamber of Commerce, and the Cleveland County Chamber of Commerce.

An Export Strategy for the Nation

The Department collaboratively developed a National Export Strategy to ensure that all of America's export-ready companies are able to participate in the global economy. The strategy, completed in May, ensures that the federal trade-related agencies work together to adopt "best practices" used by other nations, aid experienced and novice exporters, and support America's foreign and economic policy aims. This strategy is succeeding in expanding opportunities in the Philippines, Egypt, Jordan, Indonesia, and Pakistan.

Seeking the Best for World Steel

The Department identified foreign market-distorting practices that lead to inefficient production, and oversupply, of global steel products. In FY 2002, the Department's ITA began building a consensus for eliminating these practices in international fora, such as the World Trade Organization and the Organization of Economic Cooperation and Development. Our efforts have had a positive impact on global steel production and are expected to help the U.S. steel industry.

A Go-Ahead for Advanced Wireless

Commerce issued a plan to allocate spectrum for new advanced wireless services. With wireless usage growing by 75 percent annually, the plan provides sufficient capacity for providers to serve the tens of millions of anticipated new customers. The plan builds on the National Telecommunications and Information Administration's negotiating the release of a portion of the federal government's spectrum allocation used by the Department of Defense and several other federal agencies while ensuring no jeopardy to national interests. Spectrum availability is key to improving the quality of voice and data services, delivering health services (for example, via wireless insulin monitors), and wireless credit processing and inventory management.

Partnering for Minority Business Success

In FY 2002, the Department launched partnerships with several organizations to create opportunities for minority businesses. These included the Tennessee Valley Authority, National Commission on Entrepreneurship, International Franchising Institute, AT&T, and the National Native American Chamber of Commerce. These partnerships promoted minority business start-ups, provided training, and increased the exposure of minority firms to business opportunities.

The Department, in collaboration with the Small Business Administration, also held security workshops for small businesses across the U.S. The workshops raised awareness of information security risks and vulnerabilities. At these workshops, Commerce disseminated an on-line tool to help small companies assess how well their information technology systems are protected against failure or intrusion.



The City of Filmore, California suffered massive economic damage as a result of the 1994 Northridge earthquake. The quake caused all downtown commercial and office buildings to be declared unusable. EDA assistance helped construct a new City Hall, which was initially used by businesses until new commercial structures were built. Use of the City Hall facility saved many businesses from permanently closing, protecting Filmore's economy.

Long-Term Recovery Assistance

We have continued providing recovery assistance to areas of the Nation that have been particularly hard hit by disasters. Since 2000, Commerce has provided over \$60 million in financial assistance to states and communities devastated by Hurricane Floyd. In FY 2002, we provided a final award of \$4.7 million to aid in the completion of two years of in-depth work totaling 52 disaster recovery investment efforts.

Trade Adjustment Assistance Act Reauthorization

With passage of the Trade Act of 2002, the Department secured reauthorization to continue assisting U.S. manufacturing firms that had been injured as a result of shifts in our Nation's trade patterns. The Department provides injured firms with three types of assistance: (1) preparing certifications documenting the extent of harm, (2) analyzing a company's strengths and weaknesses, and (3) developing strategies for

adjusting to changing circumstances. Help is provided through 12 Trade Adjustment Assistance Centers funded by the Department. Assistance in preparing certifications is free, while other assistance is provided on a cost-sharing basis.

Technical Assistance to Small Businesses

Commerce awarded \$600,000 to expand technical assistance to small businesses in Los Angeles communities with high unemployment and low income. This economic development grant will help provide professional advice, marketing, accounting, computer time, and workforce training to companies that currently lack capital, insurance, and expertise.

High Payoff from High-Tech Incubator

Commerce awarded \$1.5 million to help a high-tech business incubator continue combating high unemployment in the Houston Federal Enhanced Enterprise Community. The Texas community in which the incubator is located had a 24-month unemployment rate of 5.3 percent, compared to the national rate of 4.6 percent. This investment helped the incubator nurture 21 client company graduates having an estimated annual payroll of \$62 million.

Lift-Off for Biotechnology Business Incubator

The Department awarded \$6.44 million to three California organizations to construct a biotechnology business incubator in Alameda. This economic development grant will combat the loss of over 30,000 jobs resulting from a military base closure in 1996. The facility, which includes light manufacturing and laboratory space, will become a nucleus for high-technology development in Alameda.

Environmental Stewardship

Half a Million Oysters on a Reef

A Commerce-funded shoreline restoration project placed 500,000 disease-free oysters on an artificial reef in the Chesapeake Bay. The project, in which Commerce marine fisheries experts joined with five major environmental organizations, restores wetlands and increases habitat for oysters, fish, and nesting terrapins. This man-made reef also acts as a breakwater to lessen wave impact and protect the shore from erosion.

Restoring Pacific Salmon

The Department is continuing efforts to restore Pacific salmon runs. Our marine fisheries experts assembled teams to develop recovery plans for threatened and endangered Pacific salmon species. We have worked collaboratively to establish performance standards to guide the recovery of Pacific salmon in the Columbia River Basin. These standards include mitigation of the impact of dams, the careful siphoning off of built up silt behind the dams, restoration of habitat, increased use of fish ladders to help fish pass over the remaining dams, and limiting the introduction of genetically different salmon that are not accustomed to longer migrations upstream. Implementing these actions will not only restore the salmon runs, but will also promote fishing, rafting, and other economically important tourism activity.

Consensus Reached on Fish Data

Fisheries experts agreed on what data are needed to determine healthy population levels for more than 900 species of fish. Agreement was reached in July on five critical components of sound fisheries management: (1) fish catch information, (2) estimates of stock abundance, (3) species' life history facts, (4) analyses of human and environmental impact on fish populations, and (5) timeliness and frequency of assessments. The Department's experts devised a three-tiered method for advancing assessments, which includes better use of existing data, moving to advanced data collection and analyses, and creating more sophisticated assessments that consider interrelationships between species and their environment.

Putting a Damper on Illegal Marine Harvests

Commerce successfully investigated several large-scale instances of criminal trade in endangered marine wildlife. Our law enforcement agents seized a shipment of 5,000 raw Cape Fur seal skins en route from Namibia via Canada to Europe and China. Sixty-five tons of Chilean sea bass, that had been illegally harvested in waters off the Antarctic, were seized in April and June.

Indictments Made in Illegal Spiny Lobster Activity

Commerce employees apprehended criminals involved in an international conspiracy to promote the illegal harvest, transportation, and sale of Honduran spiny lobsters in the U.S. Honduran spiny lobsters are in danger of being exploited to the point of being over-fished. In investigating this case, Commerce agents worked closely with the Government of Honduras and other federal agencies investigating foreign fishing companies as a source of drug smuggling in the Caribbean. Four conspirators were indicted and arrested on 102 counts involving smuggling, money laundering, conspiracy, and obstruction.

Warning and Detection Systems

Better Prediction for Coastal Emergencies

Commerce weather experts provided a more powerful predictive tool for emergency preparedness managers, meteorologists and the general public. Released in September, the Historical Hurricane Tracks, provides simultaneous access to coastal population figures and 150 years of historical storm data. This combination allows emergency managers and others to make better preparations in advance of tropical cyclones in the Atlantic Ocean, Gulf of Mexico, and the Caribbean Sea. The tool is on-line at: http://www.csc.noaa.gov/hurricane_tracks.

“Now in the Know” on Ocean Reefs

Released in September by Commerce ocean experts, the world’s first assessment of the ocean’s coral reefs documents global conditions. The assessment documents threats to reefs, particularly in certain hot spots located near population centers. It also assesses the health of reef resources, ranks threats in 13 geographic areas, and describes mitigation efforts. This management tool can raise public awareness of conditions and identify ways to change human-induced pressures on these global treasures. The reefs are essential sources of food, jobs, chemicals, shoreline protection and life-saving pharmaceuticals. Tourism in U.S. coral reef areas generates over \$17 billion annually, and commercial fishing contributes significantly to our Nation’s gross domestic product. In South Florida alone, reefs support 44,500 jobs and provide a total annual income of \$1.2 billion.

Lives to be Saved by Better Heat Warnings

Commerce weather experts devised a new technique to warn citizens of prolonged periods of dangerous heat. Heat waves often turn fatal when nighttime temperatures drop only slightly from high daytime temperatures. The new technique, called the Mean Heat Index, captures this potentially serious condition by including data from what should be a cooler portion of the day to develop a ‘big picture’ of the day’s temperatures, not just the day’s high. The Index, introduced in May, warns local health and emergency officials up to seven days in advance. Having more time to warn the public increases the chances of saving lives.

Better and More Frequent Data on Severe Weather

Since April, the Department’s forecasting experts have been releasing more precise data, with greater frequency, on the potential for severe weather. We have been issuing hourly forecasts that extend out as much as 12 hours and offer more than twice the previous resolution. These improvements provide better forecasts in proximity to warm and cold fronts, where bad weather tends to concentrate, as well as better forecasts on cloud cover, precipitation, wind, and temperature.

Detecting In-Flight Icing Conditions in Clouds

Commerce environmental technology experts developed an improved technique for detecting icing conditions in clouds. The new technique uses both microwave radiometer and continuous depolarization measurement technologies to distinguish between harmless and problematic ice crystals. This new approach uses shape, density, and orientation of ice crystals to identify problem formations. The Department is testing the technique in collaboration with the Federal Aviation Administration. The technology will reduce needless flight cancellations, delays, and re-routing due to suspected, but unconfirmed icing conditions, which in the past have contributed to passenger inconveniences and large financial consequences.

Administrative Resources and Functions

Introducing an Effective and Streamlined Acquisition Process

At the close of FY 2001, the General Accounting Office and the Office of Federal Procurement Policy were concerned with the status of certain acquisition activities across government, including government-wide acquisition contracts, internal controls, and a need to focus on results. The Department's Inspector General cited Commerce for inadequate use of performance-based service contracting, improper use of task order contracts, insufficient planning for contract administration and monitoring, and for inadequate management of the purchase card program.

Commerce has taken substantive steps to address these concerns. We modified our delegation and warrant procedures to increase accountability among bureau program specialists who serve as contracting officer technical representatives. We introduced new tools and provided training to enhance the performance of our acquisition workforce. To increase integrity and prudent use, we revised procedures for purchase card use and how bureaus issue task and delivery orders under the various government-wide and multiple awards vehicles. The Inspector General has noted our progress in three additional areas: integrating security, information technology, budget and planning perspectives into the acquisition process; assessing the contractual procedures by which we develop interagency agreements and Memoranda of Understanding; and using risk management to provide continual assessment of our acquisition performance.

Using Our People Most Effectively

We prepared a comprehensive Workforce Restructuring Plan on how the Department will address the major human capital resource issues we expect to face over the next five years. These concerns include high turnover in mission critical positions, an impending retirement bulge particularly among our senior executives, and our need for the capability to adapt organizationally and procedurally to major changes that will affect our workforce. Some of the specific changes we made in FY 2002 include: (1) introducing a new performance system to hold our senior executives more accountable for implementing the President's Management Agenda, (2) enhancing security features on our Web-based time and attendance system to prevent unauthorized access, (3) modifying our on-line job application system to provide greater flexibility to both applicants and managers, and (4) outsourcing our workers' compensation function, with an estimated first-year savings of \$360,000.

Unqualified Audit Opinion Maintained

The Department continued to make financial management a priority by maintaining an unqualified opinion on the Department's Consolidated Financial Statements for FY 2002. This is the fourth straight year the Department received an unqualified opinion on its financial statements. In addition, all bureaus subject to individual audits maintained unqualified opinions on their principal statements. During the fiscal year, the Department submitted the required FY 2002 semi-annual financial statements to the Office of Management and Budget by the prescribed deadline and continued to resolve internal control weaknesses by monitoring corrective actions and working closely with bureau managers on implementation.

Commerce Administrative Management System

During FY 2002, significant progress was made in implementing CAMS, which includes the Core Financial System (CFS). Full deployment of CAMS, the Department-wide integrated financial management system, will allow Commerce to meet, for the first time, the requirements of the Chief Financial Officers' Act and OMB Circular A-127. In addition, CAMS will enable the Department to produce accurate, timely, and flexible reports to support management. Commerce is on schedule for complete deployment of CAMS in FY 2003.

Honors and Awards

Census Celebrates a Centennial

The Bureau of the Census commemorated its 100th birthday with a ceremony in early March. Congress created a permanent Census office in 1902, which became the Bureau of the Census a year later, when the Department of Commerce and Labor was created. Census remained with the Department of Commerce when Labor split off as a separate agency in 1913.

President Recognizes 20 Commerce Employees

In October 2002, President Bush presented awards to 20 Department of Commerce Senior Executives for outstanding leadership and public service. The awards, marking exceptional service to the American public over an extended period of time, recognized both domestic and international contributions. Employees were recognized for improving the quality of scientific data, strengthening economic and statistical information, increasing lead time on warnings of severe weather, facilitating electronic access to Commerce services, and supporting American companies' success in international trade.

Service to America Awards

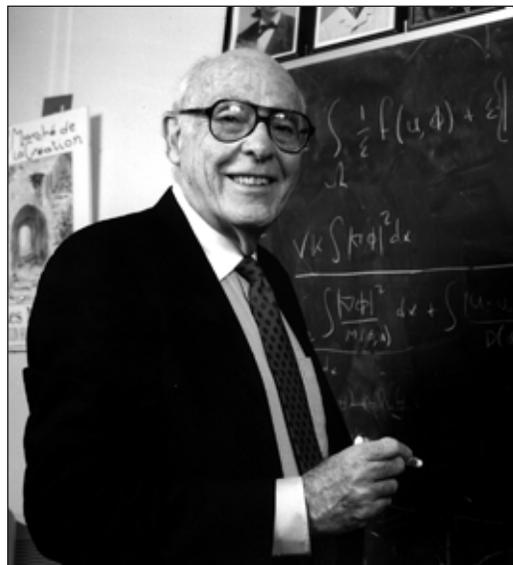
Two Commerce employees were among the nine recipients of the first Service to America awards. Dr. Katherine Gebbie, Director of NIST's Physics Laboratory, was recognized for her work in establishing the lab and fostering a culture of excellence, in which two Nobel Prizes were awarded to lab staff. Mr. Daniel Weinberg, Chief of the Department's Housing and Household Economic Statistics Division was recognized for developing an improved measure of poverty. White House Chief of Staff Andrew Card presented the awards, which are sponsored by The Partnership for Public Service and the Atlantic Media Group. Dr. Gebbie received the Career Achievement Medal and Mr. Weinberg received the Social Services Medal.

President Recognizes Commerce for Energy Management

President Bush recognized the exemplary achievements of the Department of Commerce with the 2002 Presidential Award for Leadership in Energy Management in the category of "Institutionalization." The Department is leading in energy conservation by institutionalizing the goals of Executive Order 13123, *Greening the Government through Efficient Energy Management*, with the development of its *Strategic Plan for Energy Management*. In FY 2002, the Department reduced energy consumption by 35 percent relative to the baseline year of 1985.

Franklin Institute Awards Commerce Employee for Theories

John Cahn, one of the Department's materials scientists, received the 2002 Bower Award and Prize for Achievement in Science. The Benjamin Franklin Institute of Philadelphia gave Cahn the award in April in recognition of his life-long contributions to the understanding of materials and their properties, and for inspiring young scientists and engineers to enter the materials field. Cahn contributed to the discovery of 'quasi crystals' and the subsequent development of non-scratch, non-stick cookware coatings.



NIST materials scientist John Cahn received the prestigious 2002 Bower Award and Prize. Cahn is considered to be among the most influential theorists in his field over the past half century.

Flemming Award Bestowed on Five Employees

Five NIST employees received the Arthur S. Flemming Award for their extraordinary contributions to the Federal Government. The honorees included Kathleen Higgins for serving the needs of law enforcement and emergency responders, Leonard Hanssen for advances in measuring infrared optical properties of materials, Stanley Snouffer for advances in cryptographic systems, Steven Rolston for his work with lasers in cooling and trapping atoms, and John Burnett for advances in measuring optical properties of materials. The awards were presented in June in Washington, D.C.

'Top 100' Award Won by Commerce Physicist

Commerce physicist Jun Ye was selected as one of the world's 100 Top Young Innovators by Technology Review, a monthly magazine published by the Massachusetts Institute of Technology. The "TR 100" recipients are individuals under the age of 35 whose work and ideas will change the world. Ye received the award for advancing the application of nanotechnology in several fields, including ultra sensitive high-resolution laser spectroscopy, cold atoms, continuous-wave and ultra fast-pulse laser stabilization, and optical frequency. Ye synchronized and phase-tracked two pulsating beams of different colors so closely that they melded into one coherent beam — a feat that physicists had thought impossible.

National Medal Aims to Inspire Young Americans

Commerce awarded the National Medal of Technology, America's highest recognition for technological innovation, to five individuals from Catalyst Research Corporation (Houston, Texas), Lucent Technologies (Bell Labs, Murray Hill, New Jersey), University of Medicine and Dentistry of New Jersey (Piscataway, New Jersey), Yale University (New Haven, Connecticut), and Dow Chemical Company (Midland, Michigan) for life-changing innovations and discoveries, and chemical and engineering breakthroughs. The awards serve as inspiration for our Nation's young people by showing what can be done when they apply their science and math knowledge.

Presentation of the 2002 Baldrige Award

President Bush and Commerce Secretary Evans announced three winners of the 2002 Malcolm Baldrige National Quality Award. The awards were presented in the manufacturing category to Motorola Commercial, Government and Industrial Solutions Sector (Schaumburg, Illinois), in the small business category to Branch-Smith Printing Division (Fort Worth, Texas), and in the health care category to SSM Health Care (St. Louis, Missouri).

Commerce Honors 16 Businesses for Export Achievements

The Department presented 16 businesses with the "E" Award for Excellence in Exporting, to recognize outstanding growth and innovation in exports and export services. The awards demonstrate how sales can improve and high-paying jobs can be created through public-private sector cooperation. The recipients included: Da Vinci Gourmet of Seattle, WA; Kingsbury, Inc. of Philadelphia, PA; JQ American Corporation of Hayward, CA; Duhn Tool Oil, Inc. (Wellhead) of Bakersfield, CA; Roberts Irrigation Products, Inc. of San Diego, CA; Nature Plus, Inc. of Stratford, CT; Black Hawk College, Int. Trade Center of Moline, IL; Environmental Dynamics, Inc. of Columbia, MO; Zoni Language Centers of New York City; New York University of New York, NY; Taylor Lumber of McDermott, OH; Melton Truck Lines, Inc. of Tulsa, OK; ALHU International, Inc. of El Paso, TX; Miox Corporation of Albuquerque, NM; Fresno City College Export Center of Fresno, CA; and the Greater Cincinnati Chamber of Commerce of Cincinnati, OH.

MISSION AND STRATEGIC PLANNING



DEPARTMENT OF COMMERCE



UNITED

STATES OF

AMERICA



Mission and Strategic Planning

Mission Statement

The Department of Commerce promotes job creation and improved living standards for all Americans by creating infrastructure that supports economic growth, technological competitiveness, and sustainable development.

Vision

For almost 100 years the Department has partnered with U.S. businesses to maintain a prosperous, productive America that is committed to consumer safety, protective of natural resources, and militarily strong. Together, they have a record of innovation in manufacturing, transportation, communications, measurement, and materials that has helped to sustain U.S. leadership of the international marketplace.

To maintain that leadership, the Department must continue to innovate. In bureaus throughout the Department, development programs will see the Department probe deeper into the ocean and higher into the sky and will see it bring world markets closer together in the years ahead.

A product of the industrial revolution that propelled the United States into the twentieth century, the Department is now at the forefront of the revolution in electronic commerce. By assisting the private sector, its goal is to ensure that the U.S. continues to lead the world in this new marketplace.

Strategic Planning Process

The Department undertakes its strategic planning and goal setting within the framework of the Government Performance and Results Act. In FY 2000, the Department published its strategic plan for FY 2000-FY 2005 (an electronic version of this report is available online at <http://www.doc.gov/bmi/budget/>). In addition, the Department published a combined FY 2000 Annual Program Performance Report and FY 2002 Annual Performance Plan for the first time in FY 2001 (an electronic version of this report is also available online at <http://www.doc.gov/bmi/budget/>).

As described in the strategic plan, the Department has three strategic goals and a department-wide management integration goal. Each bureau pursues its own specific performance goals in support of departmental strategic goals. The Department's strategic goals are as follows:

Goal 1: Provide the information and the framework to enable the economy to operate efficiently and equitably

Goal 2: Provide infrastructure for innovation to enhance American competitiveness

Goal 3: Observe and manage the Earth's environment to promote sustainable growth

The Department has established a Management Integration Goal, which is equally important to all bureaus: Strengthen management at all levels.

Just as the first three goals are in line with the forces that will drive the U.S. economy of the future, the fourth goal is in line with the driving trend toward more effective organizational management in both public and private settings. For the Department, this trend is most importantly manifested in the Government Performance and Results Act and the President's Management Agenda.

The Department's Annual Program Performance Report and Annual Performance Plan describes in greater detail the bureau performance goals employed to achieve its strategic goals and provides an analysis of the resources required to meet these goals. The Department assesses its progress toward the three strategic goals through the use of specific performance measures for each bureau performance goal.

Strategic Goals and Objectives

Fulfillment of the Department's mission and supporting strategic goals is accomplished through its bureaus. Each bureau has a broad range of responsibilities and functions, described briefly in the following section.

Strategic Goal 1

Provide the Information and the Framework to Enable the Economy to Operate Efficiently and Equitably

The Department's first goal is to encourage and support economic expansion and to increase the prosperity of all Americans, regardless of their geographical location or ethnic origin.

The Economics and Statistics Administration (ESA) monitors and measures socioeconomic and macroeconomic trends. The Bureau of Economic Analysis (BEA) measures gross domestic product, accurate assessment of which is vital to decision-making in the areas of monetary policy, projections of federal budget surpluses, and allocation of federal funds to the states. The Census Bureau supports BEA by collecting statistical information about the economy. The Census Bureau also provides demographic information about U.S. society by conducting regular surveys that are used by federal, state, and local officials and by private stakeholders to make important policy decisions. In the past, the baseline for this information has been gathered primarily through a decennial nationwide census; full implementation of the American Community Survey will in the future provide additional annual data, revolutionizing the survey methodology of the federal statistical system. The Census Bureau also plans to develop official measures of e-commerce activity and to evaluate how e-commerce affects existing measures of economic activity.

The International Trade Administration (ITA) is responsible for assisting the growth of small export businesses, enforcing U.S. trade laws and trade agreements, maintaining U.S. trade with established markets and promoting new business with emerging markets such as China, and improving access to overseas markets by identifying and pressing for the removal of tariff and nontariff barriers. ITA is also responsible for improving access to foreign markets by enforcing compliance with U.S. trade laws and agreements.

The Bureau of Industry and Security (BIS) seeks to advance U.S. national security, foreign policy, and economic interests. BIS' activities include regulating the export of sensitive goods and technologies in an effective and efficient manner; enforcing export control, antiboycott, and public safety laws; cooperating with and assisting other countries with export control and strategic trade issues; assisting U.S. industry to comply with international arms control agreements; monitoring the viability of the U.S. defense industrial base; and promoting federal initiatives and public-private partnerships across industry sectors to protect the nation's critical infrastructures.

The Economic Development Administration (EDA) assists economically distressed communities by promoting a favorable business environment through its strategic investments in public infrastructure and technology. These investments help attract private capital investment and jobs that address problems of high unemployment, low per capita income, and severe economic challenges. EDA supports effective decision-making by local officials through its capacity-building programs.

The Minority Business Development Agency (MBDA) helps minority-owned businesses obtain access to public and private debt and equity financing, market opportunities, and management and business information to increase business growth in the minority business community.

The National Telecommunications and Information Administration (NTIA) is responsible for determining the policies and conducting the technical research that support delivery to all Americans of the latest telecommunications technology and services. NTIA manages federal use of the radio spectrum, promoting the use of spectrum that most efficiently serves all Americans and maintains readiness to respond to crises.

Strategic Goal 2

Provide Infrastructure for Innovation to Enhance American Competitiveness

The Department's second strategic goal is to provide the infrastructure that will enable U.S. businesses to maintain their technological advantage in world markets. Globalization and recent technology-driven productivity gains are providing new challenges. Continued partnership, collaboration, and cooperation between the Department and industry will enhance and promote the U.S.'s technological edge.

Intellectual property is a key issue in the competitive free-enterprise system. By continuing to protect intellectual endeavors and encouraging technological progress, the U.S. Patent and Trademark Office (USPTO) seeks to preserve the U.S.'s technological edge, which is a key to its current and future competitiveness.

The Technology Administration (TA) serves as the focal point for leadership on civilian technology policy in the federal government and conducts various programs to support government and industry through the provision of comprehensive technical services (measurements and standards) and the development and application of new technology. The National Institute of Standards and Technology (NIST) is the nation's ultimate authority for measurements and standards to support industry, science, technology, health care, safety, and the environment (NIST laboratories). NIST also co-funds research and development partnerships with private industry to stimulate the development of high-risk technologies with broad benefits (Advanced Technology Program); supports a nationwide network of locally managed extension centers that raise the competitiveness and productivity of small manufacturing establishments by providing technical assistance and best business practices (Manufacturing Extension Partnership); and promotes quality and performance excellence in business, health care, and educational organizations throughout the U.S. (Baldrige National Quality Program). The National Technical Information Service (NTIS) continues to meet the challenge of permanent preservation of and ready access to the taxpayers' investment in research and development through the acquisition, organization, and preservation of the titles added annually to the permanent collection. NTIS also promotes the development and application of science and technology by providing technologically advanced global e-commerce channels for dissemination of specialized information to business, industry, government, and the public; makes public access to the bibliographic database available to all users; and is implementing an initiative that will enable users to locate and download information directly from agency Internet sites.

NTIA supports innovative telecommunications and information technologies through a grant program and through basic research performed at its laboratory, the Institute for Telecommunication Sciences (ITS). ITS performs extensive basic research on the quality of digital speech, audio, and video compression and transmission characteristics. This research has the potential to improve both the performance of telecommunications networks and the availability of digital content on the Internet.

Strategic Goal 3***Observe and Manage the Earth's Environment to Promote Sustainable Growth***

The National Oceanic and Atmospheric Administration (NOAA) envisions a twenty-first century in which environmental stewardship, assessment, and prediction serve as keystones to the enhancement of economic prosperity and quality of life and to the improved protection of lives and property.

NOAA is responsible for promoting global environmental stewardship, with the goal of conserving and wisely managing U.S. marine and coastal resources. NOAA's goal is that by 2005, U.S. ocean and coastal regions will be healthy ecosystems. This goal includes:

- Adding to the U.S.'s wealth and to the quality of life of millions of Americans by improving the use of fishery resources
- Leading in the preservation of marine biodiversity by balancing the exploitation of natural resources with the management of protected species
- Ensuring that coastal ecosystems are managed to maintain biodiversity and long-term productivity for sustained use.

NOAA also monitors and predicts changes in the Earth's environment to ensure and enhance sustainable economic opportunities. Its vision is that by 2005, the U.S. will have an integrated and reliable environmental observation, assessment, and forecasting service that will enable it to make informed decisions regarding public safety, economic development, and environmental quality. This vision will require:

- Improved short-term warning and forecast services
- Reliable seasonal-to-interannual climate forecasts
- Better understanding of decadal-to-centennial environmental changes
- Modernization of navigation and positioning services through the application of new positioning and bathymetric sensing technologies.

Management Integration Goal***Strengthen Management at All Levels***

The Department's management integration goal — to strengthen management at all levels — is equally important to all bureaus.

All Departmental bureaus will seek to achieve more efficient and more effective management by:

- Acquiring and managing the fiscal and related resources necessary to support program goals
- Acquiring, managing, and developing a diverse, skilled, and flexible staff, using information technology as an essential tool
- Acquiring and managing the technology and related resources to support program goals.

The Department is moving aggressively toward implementing the President's Management Agenda. The five government-wide management improvement initiatives include strategic human capital management, expanding e-government, competitive sourcing, strengthening financial management, and more effectively integrating budget and performance management.

FISCAL YEAR 2002 PERFORMANCE RESULTS



DEPARTMENT OF COMMERCE



★ UNITED STATES OF AMERICA ★

Fiscal Year 2002 Performance Results

Bureau	Number of Goals	Number of Measures	Measures Met	Measures Not Met
ESA-BEA	1	5	5	0
ESA-Census	3	7	7	0
ITA	4	13	5	8
BIS	5	10	9	1
EDA	2	7	7	0
MBDA	3	9	9	0
USPTO	4	8	3	5
TA	6	13	13	0
NTIA	2	2	1	1
NOAA	7	24	17	7
DM	3	22	16	6
Totals:	40	120	92	28
% Met			77%	

The Department improved upon its performance from FY 2001 where seventy-seven measures were met and thirty-four measures were unmet resulting in a success rate of 69 percent. Its efforts as a department in FY 2002 are reflected in improved successes against its performance targets. In FY 2002 the Department met 92 of its 120 measures for a success rate of 77 percent. Management at all levels has recognized the value of performance management efforts and has all worked to achieve the Department's combined level of success. As the Department proceeds with further implementing the President's Management Agenda, it hopes to see continued success and improvement next fiscal year.

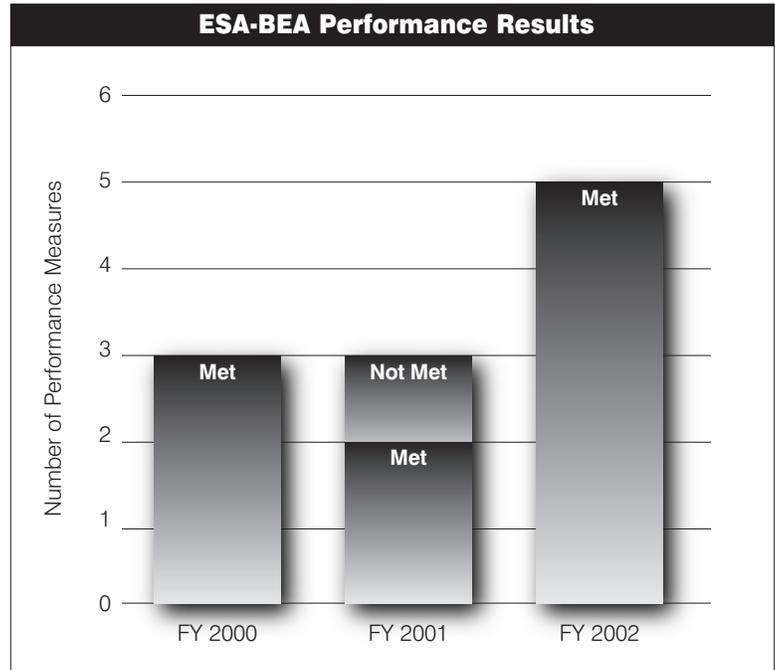
Highlights of the Department's performance are provided by strategic goal and specific bureaus that contribute to the efforts and successes under each strategic goal.

Goal 1: Provide the information and the framework to enable the economy to operate efficiently and equitably

The Department's first goal is to encourage and support economic expansion and to increase the prosperity of all Americans, regardless of their geographical location or ethnic origin.

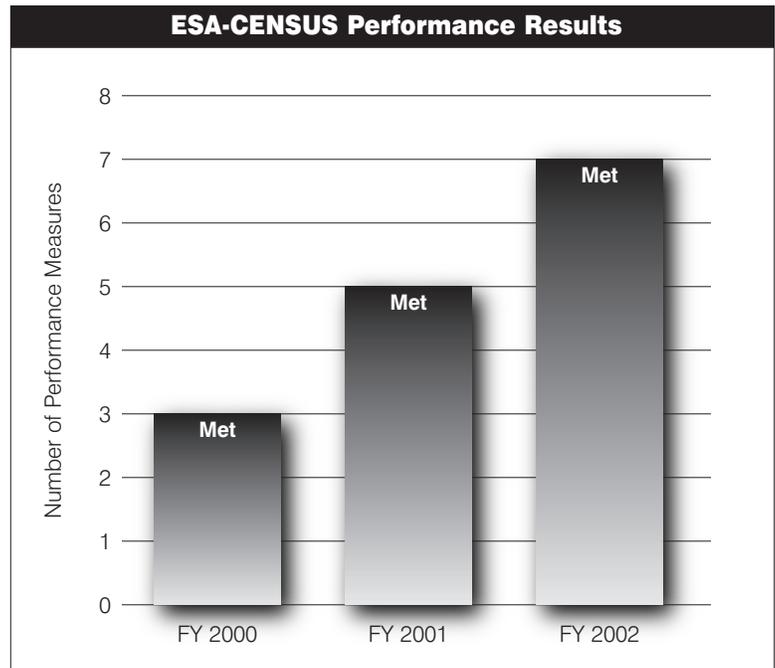
Economics and Statistics Administration — *Bureau of Economic Analysis (BEA)*

In FY 2002, BEA had one goal and five measures. BEA met all of its FY 2002 measures. BEA performance measures focused on timeliness and reliability of its data releases, customer satisfaction with BEA's products and services, improving Gross Domestic Product (GDP) and the economic accounts, and upgrading information technology systems. BEA's major successes included improving the measurement of GDP by developing new ways to address data gaps in BEA's accounts. This enhances BEA's coverage of key areas of the economy which enables BEA to provide public and private policymakers with the best possible economic information.



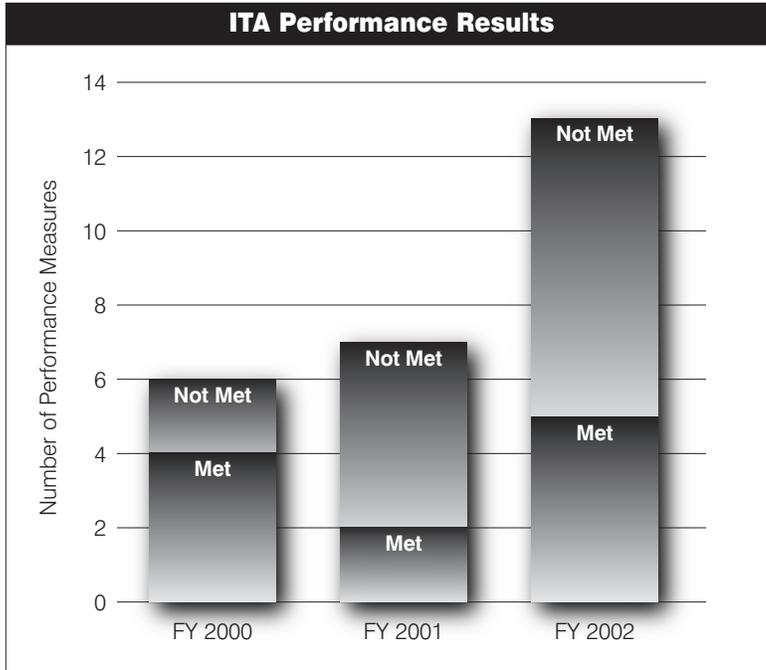
Economics and Statistics Administration — *Bureau of the Census*

In FY 2002, the Bureau of the Census had three goals and seven measures. The Census Bureau met all of its FY 2002 measures. Census Bureau performance measures focused on providing and improving current measures of the U.S. population, economy, and governments; timely release of Decennial Census products; and the implementation of the 2010 Decennial Census. Census Bureau performance in FY 2002 included meeting the target for the percentage completion of its housing unit address list. Having a complete housing unit address list is critical for conducting an accurate 2010 Decennial Census. The Bureau has also successfully released 2001 data from the long form transitional database, which is important for the implementation of the American Community Survey (ACS). The ACS will provide for the collection of annual demographic data vs. the once-a-decade data collection via the long-form. This effort will help ensure an accurate 2010 Decennial Census and provide more accurate and timely demographic data of our population.



International Trade Administration (ITA)

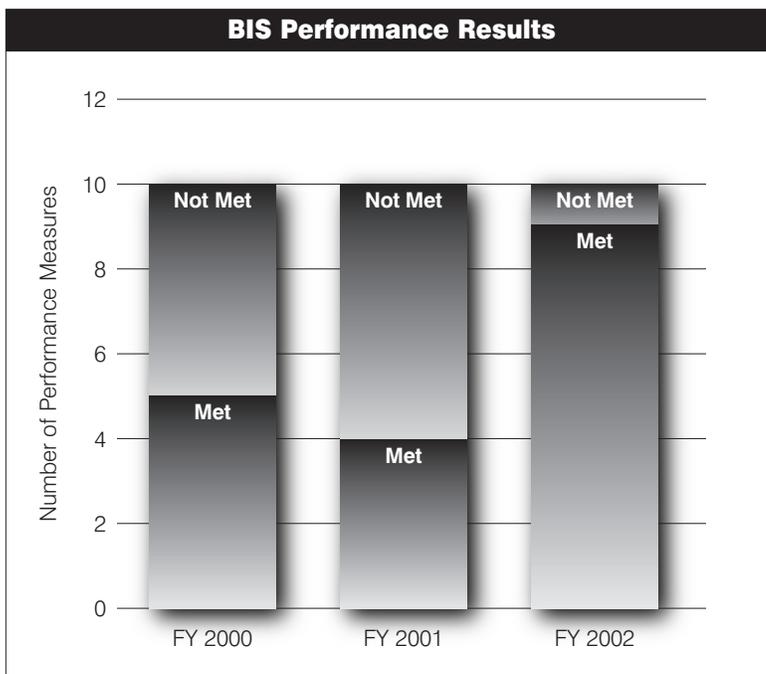
In FY 2002, ITA had four goals and thirteen measures. ITA met five out of thirteen measures. ITA performance measures focused on the areas of strengthening compliance and export promotion efforts and vigorous enforcement of the rules of trade to ensure fair competition. The estimated value of U.S. export content associated with the sixty-six advocacy successes reported by the Advocacy Center amounted to \$8.79 billion. The success of the United States' export community depends upon ITA addressing the challenges in the international trade environment and meeting the expectations and needs of its customers. Targets for measures dealing with ITA's efforts in helping U.S. companies export were not met because during this past year, both the U.S. and the global economy experienced dramatic downward shifts.



Several key economic indicators, employment figures and trade volume demonstrated a challenging economic environment for U.S. firms exporting. To ensure that ITA reaches its target in future years, ITA aims to increase the number of U.S. exporters by addressing customer demand for export products and services and ensuring that Small and Medium-sized Enterprises continue to perform well in today's uncertain economy.

Bureau of Industry and Security (BIS)

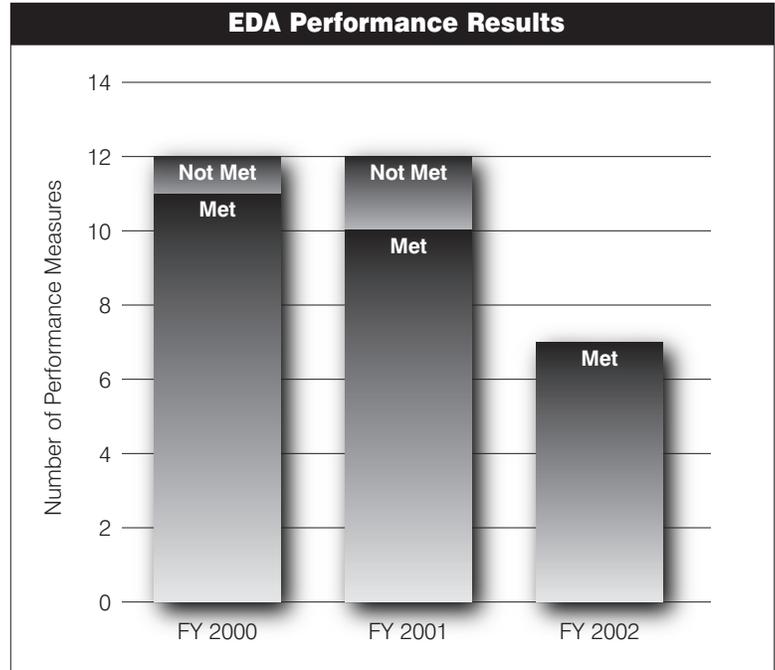
In FY 2002, BIS had five goals and ten measures. Of those measures, BIS met nine of them. BIS performance measures focused on decreasing processing times on license applications, conducting industry site assistance visits to help prepare specific facilities for international inspections, conducting post-shipment verifications to ensure that exported items are used in accordance with the terms of the export license, and working with key countries to develop and strengthen their export control systems. BIS's successes included meeting its target for the number of investigations accepted for administrative or criminal remedies. These investigations are important because they have the highest probability of leading to prosecution of export violators. BIS also successfully met its target for the number of nonproliferation and export control international cooperative exchange activities conducted.



This measure reflects BIS's efforts to assist key nations to establish effective export control programs so that sensitive materials and technologies from other nations do not reach terrorists or countries of concern.

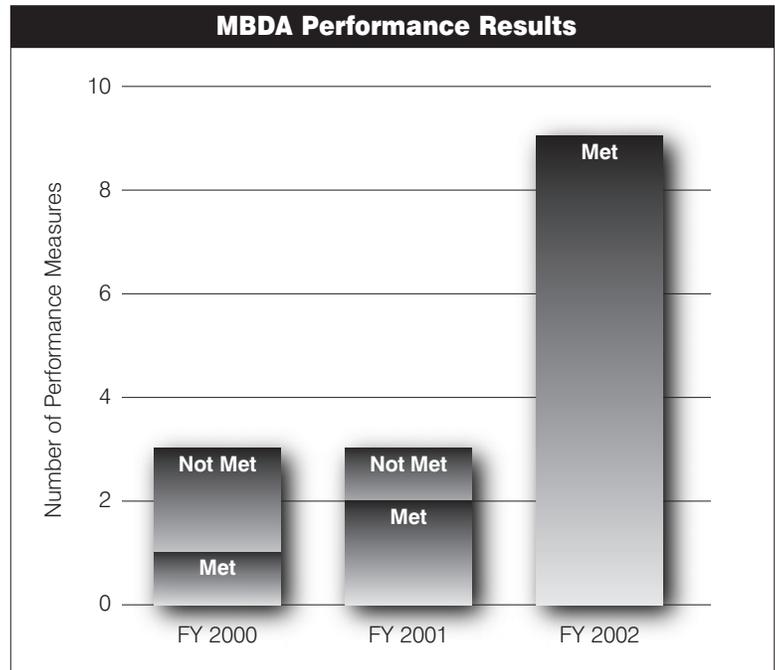
Economic Development Administration (EDA)

In FY 2002, EDA had two goals and seven measures. Of those seven measures, EDA met all of them. This reflected an improvement from FY 2001 when EDA met ten of twelve measures. EDA has two significant measures: “Private Sector dollars invested” and “Jobs created or retained.” Both of these measures reflect the results of EDA investments — EDA’s Public Works and Economic Adjustment program. Results for these two measures are reported at three-year intervals after the initial award, i.e., FY 2002 actuals are a result from FY 1999 funding. EDA exceeded the FY 2002 targets for both of these measures reflecting a continuing trend of strong performance and prudent investments in regional and community development projects. These efforts help the U.S.’s distressed communities have the opportunity for economic growth.



Minority Business Development Agency (MBDA)

In FY 2002, MBDA had three goals and nine measures. MBDA met all of its performance measures in FY 2002. The President’s Management Agenda was the benchmark for MBDA’s re-engineered performance goals and measurements. MBDA’s investments in human capital development, establishment of strategic partnerships, use of e-commerce, and its technological accomplishments have resulted in achieving a level of high performance in FY 2002. The measure, “Dollar Value of Contracts Awarded to Assisted Minority-owned Business,” is a factor in measuring the success of MBDA’s services to Minority Business Enterprises (MBEs). The goal of the measure is to provide contract opportunities to the minority business community. The focus is on increasing



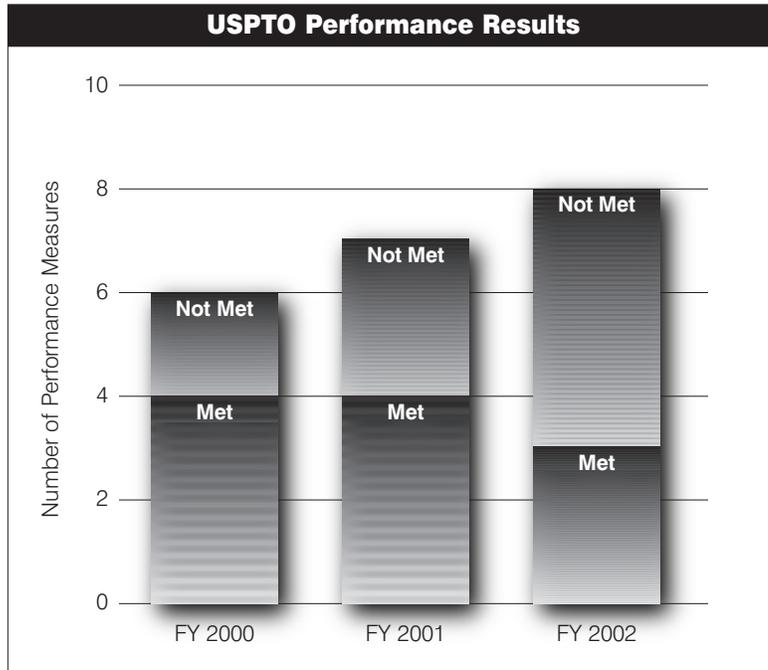
the size of firms, employment, and gross receipts through the implementation of a strategy of entrepreneurial parity. This will bridge the gap for procurement and market opportunities between the public and private sector organizations and MBEs.

Goal 2: Provide infrastructure for innovation to enhance American competitiveness

The Department's second strategic goal is to provide the infrastructure that will enable U.S. businesses to maintain their technological advantage in world markets.

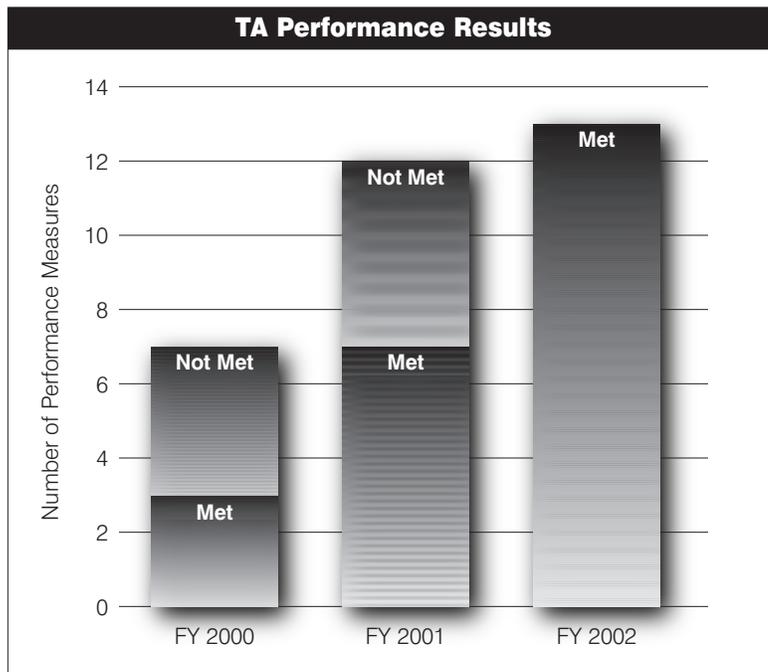
U.S. Patent and Trademark Office (USPTO)

In FY 2002, USPTO had four goals and eight measures. Of those measures USPTO met three of them. USPTO performance measures focused on quality of products and services and application processing times in both the Patent and Trademark organizations. USPTO's successes included reducing the error rates for patent applications and trademark registrations. Reducing the error rate is an important factor in achieving high customer satisfaction with USPTO's products and services. Several measures dealing with customer satisfaction and pendency were not met. The initiatives identified in the USPTO 21st Century Strategic Plan will address these issues and likely result in improved performance in future years.



Technology Administration (TA)

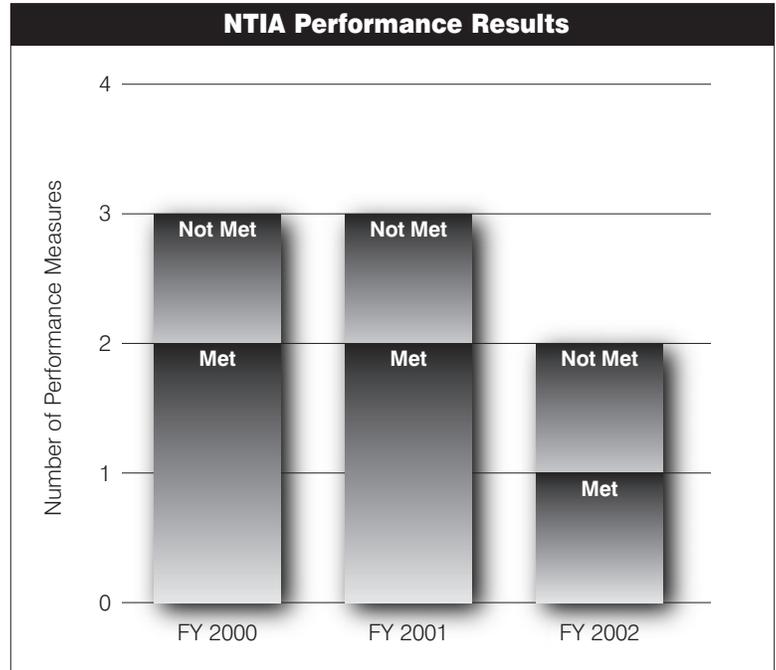
In FY 2002, TA had six goals and thirteen measures. The National Institute of Standards and Technology (NIST) had seven measures, while the Office of Technology Policy (OTP) and the National Technical Information Service (NTIS) each had three. Of the thirteen measures, TA met all of the performance targets. This reflected an improvement from FY 2001 when TA met seven of twelve measures. Because much of NIST's work is research and therefore difficult to quantify, NIST relies on peer reviews and economic impact studies along with a small number of quantifiable metrics to determine its performance. All the planned peer reviews and economic impact analyses were completed in FY 2002, with the peer reviews reporting that NIST continues to be a strong leader in the area of research and development. NIST also exceeded all of its FY 2002 targets in the area of the quantitative metrics it measures (such as number of items calibrated). In FY 2002 OTP outlined a new approach to better evaluate its performance, focusing on activities it intended to (and subsequently



did) complete. NTIS also met its three measures, which were revised in FY 2002 to reflect its commitment to customer satisfaction and to reflect more accurately the variety of methods used for information dissemination. Continued excellent performance on the part of OTP, NIST and NTIS leads to greater advancement in the areas of science, research, and development.

National Telecommunications and Information Administration (NTIA)

In FY 2002, NTIA had two goals and two measures. NTIA met one of two measures. NTIA spectrum management operations processed 104,830 frequency assignment actions, reflecting increased levels of operation to support federal, state and local public safety. The availability of the radio frequency spectrum is critical to the development and implementation of innovative telecommunications technologies such as Ultra wideband (UWB) and Third Generation (3G) wireless services.

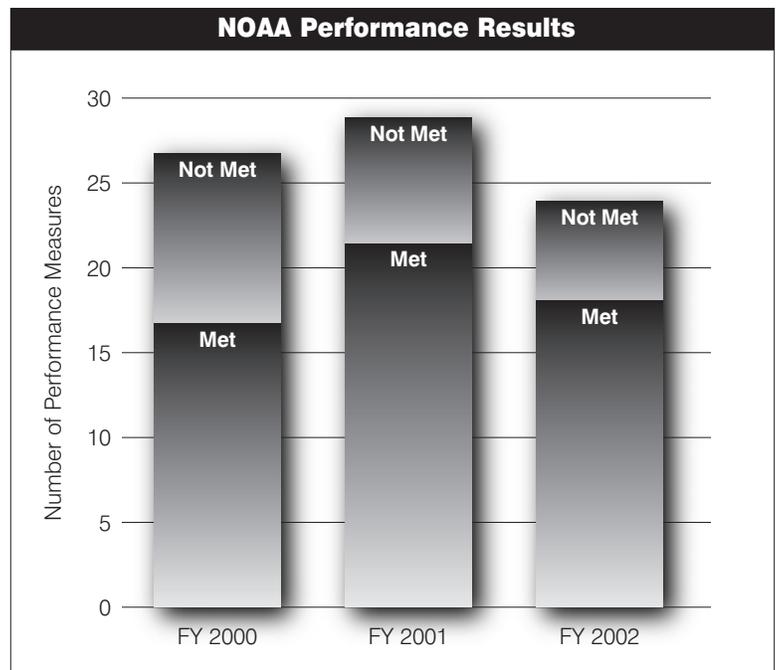


Goal 3: Observe and manage the Earth’s environment to promote sustainable growth

The Department’s third goal envisions a twenty-first century in which environmental stewardship, assessment, and prediction serve as keystones to the enhancement of economic prosperity and quality of life, and to the improved protection of lives and property.

National Oceanic and Atmospheric Administration (NOAA)

In FY 2002, NOAA had seven goals and twenty-four measures. Of those, NOAA met seventeen of the targets. NOAA strives to describe and predict changes in the Earth’s environment both in the short and long-term, and conserve and manage wisely the U.S.’s coastal and marine resources. NOAA also works to ensure the safety of our waterways. In FY 2002, three National Weather Service measures stand out: Lead time and accuracy of severe weather warnings for flash floods, and accuracy of hurricane track forecasts. The improved FY 2002 performance for flood weather warnings can be attributed, in part, to implementation of new software that provides improved decision-making tools for forecasters



during flash flood events. Achieving these results associated with weather warnings saves lives and avoids significant losses to the economy. Several measures were not met in FY 2002 under the current performance goal and measure structure. The recommendations made by the NOAA Performance Review Team will address these issues and likely result in improved performance in future years. Details are discussed in the NOAA performance report chapter and the NOAA chapter of the FY 2004 Annual Performance Plan.

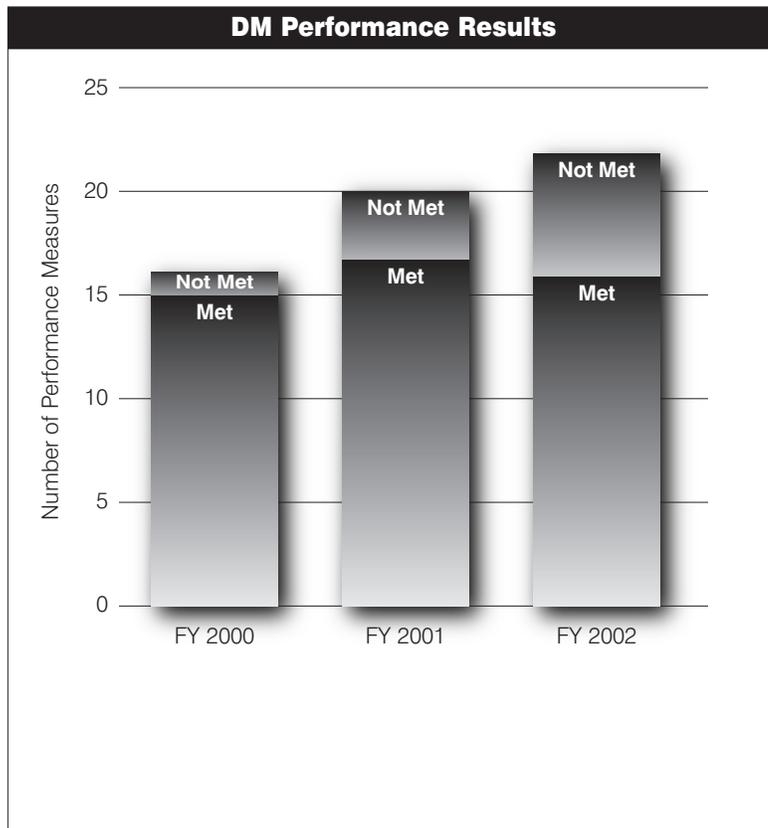
Management Integration Goal: Strengthen management at all levels

The Department achieves more efficient and more effective management by:

- Acquiring and managing the fiscal and related resources necessary to support program goals
- Acquiring, managing, and developing a diverse, skilled, and flexible staff, using information technology as an essential tool
- Acquiring and managing the technology and related resources to support program goals.

Departmental Management (DM)

In FY 2002, DM had three goals and twenty-two measures, which principally focused on strengthening administrative functions. Of these, DM met targets for sixteen measures or approximately 73 percent of the total. DM’s successes included achieving an unqualified opinion on the Department’s consolidated financial statements for the fourth consecutive year. Also, as part of its effort to expand e-government under the Government Paperwork Elimination Act, thirty-nine additional transactions were made available online. This brings the total number of transactions converted to electronic format since FY 2000 to sixty-seven. These examples are representative of DM’s efforts to implement management reforms throughout the Department, particularly as they relate to the government-wide initiatives established in the President’s Management Agenda. In the six instances in which targets were not met, DM has examined the causes and identified appropriate action. Details are discussed under each Performance Goal in the DM performance report chapter.



MANAGEMENT CONTROLS FISCAL YEAR 2002



DEPARTMENT OF COMMERCE



UNITED STATES OF AMERICA

Management Controls Fiscal Year 2002

Secretary of Commerce Statement on Management and Financial Controls

For the programs, organizations, and functions covered by the Federal Managers' Financial Integrity Act (FMFIA), I am pleased to report that, with the exception of two material weaknesses identified below, the Department of Commerce's systems of management controls, taken as a whole, provide reasonable assurance that the objectives of the FMFIA have been achieved.



Donald L. Evans
Secretary of Commerce

Federal Managers' Financial Integrity Act (FMFIA) of 1982

During FY 2002, in accordance with the requirements of FMFIA and using the Office of Management and Budget (OMB) and Departmental guidelines, the Department reviewed its management control system. The objectives of its management control system are to provide reasonable assurance that:

- Its obligations and costs are in compliance with applicable laws
- Its assets are safeguarded against waste, loss, unauthorized use or misappropriation
- The revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over assets
- All programs are efficiently and effectively carried out in accordance with applicable laws and management policy.

The efficiency of the Department's operations is continually evaluated by using information obtained from reviews conducted by the General Accounting Office (GAO), the Office of the Inspector General (OIG), and/or specifically requested studies. These reviews ensure that its systems and controls comply with the standards established by the FMFIA. This year, the focus of many GAO reviews was homeland security which affect several Commerce bureaus and offices including the Bureau of Industry and Security (BIS), International Trade Administration (ITA), Technology Administration (TA), the National Institute of Standards and Technology (NIST), and the Office of the Chief Information Officer (CIO).

In FY 2002, the Department of Commerce took action that removed one of its material weaknesses — the implementation of the Continuity of Operations Plans. However, two outstanding material weaknesses remain:

- Inadequate controls in information technology (IT) security
- Non-compliance with federal principles and requirements for a single, integrated financial system.

The Department Implemented a Continuity of Operations Plan (COOP). Presidential Decision Directive 67, issued October 21, 1998, relates to enduring constitutional government, continuity of operations planning (COOP), and continuity of government. The purpose of this directive is to ensure survival of a constitutional form of government and the continuity of essential federal functions. By April 2002, the Department had completed its COOP and set in place a process to review and revise the Departmental and bureau COOPs on a routine basis. With this new system in place, COOP was removed as a material weakness for the Department.

The Department Has Inadequate Controls in Information Technology (IT) Security. The Department of Commerce made great strides this year in addressing its IT security issues. However, the Department needs to continue to improve management of IT security, and as a result, IT security remains a material weakness for the Department.

During fiscal year 2002, the OIG and GAO issued reports on IT security reviews conducted within the Department. The OIG reviewed IT security controls over the Department's financial systems, the adequacy of IT security provisions in IT service contracts, as well as the effectiveness of IT security programs at NIST and the United States Patent and Trademarks Office (USPTO).

In January 2002, GAO issued its report on its detailed findings on IT security, which had been summarized in its report issued in August 2001. In addition, the CIO completed IT security compliance reviews of three operating units and inspected system self-assessments for 20 percent of the Department's systems. It also monitored on a monthly basis the status of operating unit corrective action plans in response to these reviews and provided quarterly status updates to OMB under the requirements of the Government Information Security Reform Act.

The independent audit of the Department's fiscal year 2001 financial statements included security reviews of the Department's financial management systems. The audit concluded that four operating units had weaknesses in six key IT security areas — entity-wide security program planning and management, access controls, application software development and change control, system software management, segregation of duties, and service continuity. The OIG concluded that these weaknesses and other weaknesses in IT security in other Commerce systems resulted in the OIG identifying IT security as a top management challenge for fiscal year 2002.

During the same period, the OIG also found that provisions for IT security in IT service contracts needed strengthening and that IT security programs at NIST and USPTO needed improvement, indicating a need for an increased focus by the Office of the CIO on IT security policy and oversight. The CIO undertook a number of corrective actions, including:

- Improving the compliance review program
- Updating the Department's IT Security Program Policy
- Providing assistance to operating units in their efforts to improve the effectiveness of their IT security programs.

In its report, *Information Security: Weaknesses Place Commerce Data and Operations at Serious Risk (GAO-02-164)*, GAO reported detailed deficiencies in Commerce IT system and program controls that needed strengthening. GAO examined seven of the smaller agencies of the Department. The resulting recommendations are being implemented for all applicable systems and programs across the Department. Each of the reviewed agencies developed corrective action plans and all corrective actions were completed by September 30, 2002. The CIO plans to include validation testing of the operating units' implementation of corrective actions as part of its fiscal year 2003 compliance review program.

During fiscal year 2002, Commerce took the following actions to strengthen its Department-wide IT Security Program:

- The Departmental CIO has been actively involved with the Deputy Secretary in his reviews with the agency heads regarding proposed budget initiatives to ensure IT security is adequately addressed and fully funded, and to further ensure that departmental and bureau plans for continuity of operations addressed IT security issues.
- The Departmental CIO has provided input to the rating official of the agencies' CIOs (agency head or principal deputy) on the bureaus' CIOs' annual performance rating, a significant portion of which relates to IT security.
- The Commerce IT Review Board (comprised of the Department's Chief Financial Officer, Budget Officer, Procurement Executive, Human Resource Executive, and CIO) continued to examine existing IT systems and proposals for new ones to make sure that IT security protection, adequate funding, and appropriate management attention to IT security are addressed by the program officials, as appropriate.
- Two new GS-15 positions were established within the Office of the CIO and two individuals were hired to manage (a) the IT security program, addressing policy and its implementation, and (b) the infrastructure protection program, addressing the operational aspects of IT security. These positions and additional staff members for these offices were realigned using existing CIO resources.
- The Department's computer incident response capability, which had previously existed at the National Oceanic and Atmospheric Administration (NOAA), Bureau of the Census (Census), NIST and USPTO, was extended by the establishment of a Computer Incident Response Team (CIRT) within the Office of the CIO to cover the smaller agencies as well. At this time, all agencies and assets of the Department are covered by the incident alert and response-handling capabilities of a CIRT.
- The Department's compliance review program for IT security was initiated to assess the extent to which policy and guidance are implemented within the agencies and to assess the adequacy of agency-level IT security programs. The fiscal year 2002 compliance reviews, which included penetration testing of network and system controls at the Bureau of Economic Analysis (BEA), Census, and NOAA, resulted in identification of IT security weaknesses at Census and at NOAA. The compliance review program was also beneficial in that it served to identify IT security best practices in place at these agencies, now shared Department-wide, and validated the adequacy of IT security program and system controls at BEA.
- As the new digital infrastructure to support both voice and data requirements of the Commerce agencies in the Herbert C. Hoover Building have been implemented, IT security has been at the forefront of the design and implementation. In addition to acquiring the requisite hardware and software, detailed analysis of IT security risks and mitigation strategies has been completed. Additionally, the physical security and personnel security actions required to protect the network assets are being put into place.

Notwithstanding the achievements this year to establish a strong foundation for the Department's IT security program, the Department still has significant work to perform to implement a solid framework of effective IT security practices. Foremost among the requisite activities are, (1) ensuring the certification and accreditation of all classified and mission-critical systems, and (2) assessing the quality of IT security-planning documentation such as system security plans, system certification and accreditation packages, and contingency plans. In addition, the Department will be taking the following actions in fiscal year 2003:

- Establishing a Federation of Commerce Incident Response Teams, composed of the CIRTs at the four large agencies and the CIO CIRT, to serve the smaller bureaus. This federation will be interconnected, operated cooperatively and will share information and solutions on IT security vulnerabilities and incidents.
- Completing IT security plans for 100 percent of Commerce IT systems.
- Fully updating and issuing Departmental IT Security Program Policy.
- Achieving a minimum of Level 2 IT security maturity rating within 100 percent of Commerce agencies, and Level 3 or higher within 50 percent of Commerce agencies.

Because these important actions have not been taken, the Department determined that this material weakness has not been fully corrected. Therefore, IT security remains a Departmental material weakness.

The Department is not in Compliance with Federal Principles and Requirements for a Single, Integrated Financial System. Taken as a whole, the financial systems in the Department are not compliant with GAO principles and standards, nor with the requirements of the CFO Act, the Joint Financial Management Improvement Program (JFMIP), nor OMB. A Department-wide integrated financial management system is currently being implemented. Once completed, it will allow the Department to dramatically improve its overall financial management. Until the Commerce Administrative Management System (CAMS) implementation is completed throughout the Department, it will continue to be exposed to those risks centered on operating multiple, outdated accounting systems. Therefore, this continues to be a material weakness for the Department.

The Department has made significant progress in implementing CAMS. In October 2002, CAMS was fully implemented at NOAA and BIS. NIST, TA, and the National Telecommunications and Information Administration are scheduled for completion during 2003. Thus, full implementation of CAMS within the Department is on schedule for completion in 2003.

To meet external financial reporting requirements, the Department implemented a corporate database that integrates financial data from each of its reporting units to permit the preparation of consolidated statements and reports from a number of separate accounting systems. The consolidated financial statements for FY 2002 were produced from that database.

Though these two material weaknesses exist, the Department is vigorously addressing these challenges and anticipates resolving them within the next year. In order to improve its overall management, the Department will continue to review its operations to ensure that it functions as an effective and efficient steward of the resources entrusted to it on behalf of the American people and in furtherance of the U.S.'s global competitiveness.

Federal Financial Management Improvement Act (FFMIA)

Under the Federal Financial Management Improvement Act (FFMIA) of 1996, the Department is required to have financial management systems that comply with federal financial management system requirements, federal accounting standards, and the U.S. Government Standard General Ledger (SGL) at the transaction level. In FY 1998, the Office of Inspector General found the Department did not substantially comply with these three requirements, mainly due to the inadequacy of its financial systems. The Department developed a remediation plan to resolve these material deficiencies and subsequently made significant progress with implementation of the plan.

In FY 2002, the only outstanding FFMIA issue is compliance with federal financial management systems. As described in the preceding section (Federal Managers Financial Integrity Act, FMFIA), the Department's financial systems are not compliant with GAO principles and standards, nor with the requirements of the CFO Act, the Joint Financial Management Improvement Program (JFMIP), nor the Office of Management and Budget (OMB). As with its FMFIA non-conformance problems, the Department's noncompliance under FFMIA should be corrected with the implementation of the Core Financial System, Commerce Administrative Management System (CAMS), and the Corporate Database. The Corporate Database produces financial statements from all reporting entities. CAMS has been designed to meet the cost accounting system criteria of Statement of Federal Financial Accounting Standard (SFFAS) No. 4, as well as to be compliant with the financial system requirements of the JFMIP and the SGL.

Significant progress was made with the implementation of CAMS at the Department's largest bureau, the National Oceanic and Atmospheric Administration, in October 2002. Full implementation of the CAMS will be completed by October 2003. An updated remediation plan was forwarded to the OMB in September 2002. The plan will be closely monitored until the Department has achieved full compliance.

Report On Audit Follow-Up

The Inspector General Act, as amended, requires that the Secretary report to Congress on the final action taken for Inspector General audits. With this Performance and Accountability Report, the Department of Commerce is reporting on audit follow-up activities for the period October 1, 2001, through September 30, 2002.

Audit Follow-Up Activities Within The Department

Considerable progress has been made in the effort to upgrade the automated tracking system that is used to follow the implementation of audit recommendations. A team of representatives from each of the offices that use the system conducted a benchmarking study of audit tracking systems in other federal agencies in order to determine the most cost efficient method for revamping the existing system. The purpose of the study was to ascertain whether any other federal agencies utilized compatible tracking systems which appear to have the necessary enhancements and features needed to upgrade the audit tracking system in the Department. Study results indicate that three federal agencies appear to have compatible systems. A report of findings and information was prepared to document the study and its results, and will be used as the basis for proceeding with this system upgrade initiative.

Report Summary And Highlights

At the start of this reporting period, the number of OIG reports with disallowed costs totaled 61, and contains \$17.5 million in disallowed costs. (Disallowed costs are questioned costs that management has sustained or agreed should not be charged to the government.) A total of 36 reports were added during the period, with disallowed costs of \$5.1 million; and final action was taken on 35 reports with disallowed costs of \$3.9 million. The balance at the end of the period was 62 reports, containing \$18.7 million in disallowed costs.

In the summary table that follows, “funds to be put to better use” refers to any actions made by management to implement recommendations that funds be applied to a more efficient use. Actions taken on these reports are shown in the summary table, which has a beginning balance of 23 reports and funds of \$47.6 million. Twenty-four new reports with funds totaling \$11.2 million were added during the reporting period and final actions were taken to implement 13 reports with funds of \$5.5 million. The closing balance was 34 reports, representing \$53.3 million in funds to be put to better use.

Performance, contract, grant, loan, and financial statement audit reports with non-monetary recommendations are also indicated in the table. The start of the period shows a balance of 59 audit reports with management decisions on which final action had not been taken. Twenty-nine new audits were added where management decisions were made; and final action was taken to close 31 audits, for an ending balance of 57 audit reports needing final action.

Summary of Activity on Audit Reports October 1, 2001 — September 30, 2002

	Disallowed Costs		Funds to be Put to Better Use		Nonmonetary Reports	Total
	Reports	Dollars	Reports	Dollars	Number of Reports	Reports
Beginning Balance	61	\$17,546,540	23	\$47,562,475	59	143
New Reports	36	5,072,321	24	11,241,922	29	89
Total Reports	97	22,618,861	47	58,804,397	88	232
Reports Closed	(35)	(3,917,443)	(13)	(5,466,219)	(31)	(79)
Ending Balance	62	\$18,701,418	34	\$53,338,178	57	153

The bureaus are continuing their efforts to implement audit recommendations that are more than one year old. At the end of the reporting period, recommendations included in a total of 86 audits were reported as being unimplemented for more than one year. Although some audits share associated reasons for not having recommendations fully implemented, the reasons for final actions not being taken vary with each audit. For example, if collections for payments are annualized over several years, the audit will remain open until the final collection is made or a debt is paid. Some performance audits have recommendations that mandate construction projects, the completion of which can take several years.

In addition, because audits involve the reporting of funds to be put to better use, these audits will remain open until all work has been completed and the savings can be calculated. This is to ensure accurate reporting of the funds to be put to better use. Program development, implementation of new information systems, appeal of audit determinations, and technological enhancements of existing systems can all cause audits to remain open beyond one year. Staff within Departmental Management and the bureaus will continue to monitor these audits and assist, as much as possible, in the implementation process.

Biennial Review of Fees

The Chief Financial Officers Act of 1990 requires the biennial review of agency fees, rents, and charges imposed for services, and other things of value provided to specific beneficiaries as opposed to the American public in general. The objective of these reviews is to identify such activities and, where permitted by law, to begin charging fees. The reviews also support the periodic adjustment of existing fees to reflect current costs or market value, in order to minimize the general taxpayer subsidization of specialized services or things of value, such as rights or privileges, provided directly to identifiable non-federal beneficiaries.

The Department conducts a review of its fee programs biennially, with some bureaus conducting annual reviews. In the current review, the Department noted that most bureaus adjusted their fees to be consistent with the program and with the legislative requirement to recover the full cost of goods or services provided to the public. As reported in the prior year, one bureau's program was not in full compliance with the full costing requirements of Office of Management and Budget (OMB) Circular A-25, and was working with OMB on obtaining a waiver for the program.

LOOKING AHEAD



DEPARTMENT OF COMMERCE



UNITED STATES OF AMERICA

Looking Ahead

Challenges and Priorities

The Department of Commerce faces a number of key challenges. The following are viewed as among the most significant as a result of their importance to our mission, or their complexity, cost, or urgency.

Ensuring a Fair Avenue for Trade

Many of the world's countries are developing increasingly sophisticated techniques to protect their home markets from foreign sales and to provide unwarranted subsidies or other benefits to their own firms. Such actions negatively affect the ability of American firms to sell overseas — and the 10 percent of American jobs that depend on our Nation's international trade. To effectively deal with those foreign behaviors, we face three specific challenges. First, we must ensure that our staff has the appropriate skills and training. Secondly, we must effectively engage in bilateral and multilateral negotiations. Finally, we must find and employ more effective ways of encouraging American companies to share with us the necessary data to allow Commerce to successfully protect U.S. interests.

Enhancing Information Security Throughout the Department

The Department will be broadening the protection afforded to its information systems and data. Every system throughout the Department and its bureaus is subject to well-managed risk assessments, which include documenting successful testing or a specific plan for taking remedial action. We will be revising our information technology and security policies and requirements to ensure that they reflect federal standards, best practices, and state-of-the-art advances in controls, evaluation, accreditation, and contingency planning.

Strengthening Our Stewardship of Marine Resources

Many of our Nation's fisheries and marine wildlife face potential depletion of resources either due to over-fishing or from past actions, which contributed to the deterioration of the environment. The consequences include degradation of our natural resources, loss of jobs, and difficulty in our prospective ability to meet international agreements supporting the protection of these resources. We intend to aggressively pursue our recently established plan for restoring salmon runs in the Pacific Northwest. We will be working as well to improve our collection of data that allow for accurate assessments of the state of specific fisheries and other marine resources. We will be using these data in formulating the most appropriate plans for ensuring the future health of our Nation's marine resources, while also seeking to conserve jobs.

Emergency Preparedness within the Department

We continue to face significant vulnerabilities in our ability to respond to emergencies. The Department developed a complete, viable Continuity of Operations Plan (COOP) this fiscal year, although testing and aspects of implementation are still in progress. Similarly, COOPs for certain of the bureaus and specific field locations are undergoing testing and further refinement. We are currently working to complete all appropriate testing and implementation of these plans, which address all requirements for maintaining essential activities and re-establishing normal operations in the event of an emergency, e.g., human resources, facilities and infrastructure, and information technology systems.

Occupant emergency plans and emergency response structures have been reviewed, revised where necessary, and are in place for most sites that our inspectors visited. We are continuing to assist the bureaus in developing enhanced response capabilities for all types of emergencies, recognizing that it is a massive task to ensure our preparedness for many different types of emergencies at approximately 500 facilities across the country. All resources charged with these responsibilities throughout the Department will continue to emphasize the importance of effective preparation, to work cooperatively with other federal agencies, to seek the advice of experts, and to allocate resources in the most productive manner possible.

EDA Reauthorization

The Department's Economic Development Administration was reauthorized in 1998 for five years. We require reauthorization in 2003 so that we may continue providing economic assistance to areas experiencing economic distress. The continuity of these programs helps our Nation create high-skill, high-wage jobs and promote private sector investment.



NIST's Advanced Measurement Laboratory, now under construction, will be one of the most advanced research buildings in the world when occupied in 2004.

Planning for Facilities Construction and Renovation

During this decade, we will spend several billion dollars on 38 construction and renovation projects that are currently in planning or early development stages. To ensure optimal use of funds, we are monitoring the progress, schedule, costs, and plans of each project so that we can identify and correct potential problems as early as possible. Construction projects include a \$1.2 billion facility for relocating the US Patent and Trademark Office within a single campus, a \$235 million advanced measurement laboratory to ensure adequate capability to measure increasingly sophisticated and miniaturized products, and \$340 million for two new buildings for our Census Bureau.

Meeting Users' Needs for Quality Economic Measures

The ever-changing U.S. and world economies require our constant diligence to develop new measures and methods to accurately and reliably measure the U.S. economy and its interactions abroad. To meet this challenge, the Department and the experts at the Bureau of Economic Analysis (BEA) are seeking to develop new estimation methods, improve data sources, increase access to real-time data, and generate more timely measures. These improvements will support our ability to provide high-quality, timely, and relevant economic measures that are increasingly required by our Nation's business leaders and policy makers.

Being a Catalyst for Minority Business Growth

We will continue to help strengthen America's minority businesses in two areas: access to capital and competing on-line. Minority-owned businesses are concentrated in industries with low rates of capital investment and historical trends show that the rates of minority ownership drop sharply as firm size and need for capital increases. Our experts will design and implement programs to reduce this barrier. In addition, electronic commerce has become a vehicle for contract bundling and on-line auctions. Bundling, which is increasingly used for global sourcing, has introduced additional competitors to America's minority firms. Also, being unfamiliar with reverse auctions, minority firms have tended to bid below costs and place themselves at risk of bankruptcy. Commerce experts will seek to reduce these barriers to minority business survival and growth.

Processing of Patent and Trademark Applications

Over the past decade, the US Patent and Trademark Office (USPTO) has faced an increasing workload, particularly in the filing of patent and trademark applications. Over the last two years, patent filings increased by 14.5 percent, and further increases are projected through FY 2003. Although trademark application filings decreased in FY 2002 by 12.7 percent, consistent with a declining economy, the number of applications filed was the fourth highest level ever recorded. Based on projections, the economy is expected to improve, which would result in trademark applications returning to a growth position.

In recent years, the greatest growth in patent filings has been in the more complex areas of electrical/computer engineering and biotechnology/ bioinformatics technologies. To better manage its workload, the USPTO must focus on full electronic application processing, a radical redesign of the entire patent search and examination system, and restructuring the agency's fee schedule to provide incentives to its customers.

The USPTO is committed to achieving a steady 18-month pendency for patent applications, and a 12-month pendency for trademark applications, while improving the quality of its products. To achieve this, the USPTO has begun implementing an aggressive strategic plan to transform the agency from a one-size-fits-all government bureaucracy into a quality-focused, responsive, market-driven intellectual property system. The USPTO's *21st Century Strategic Plan* emphasizes quality in every initiative and will boost productivity and substantially cut the size of the USPTO's inventory while transforming the agency into an information age, e-commerce style, paperless agency that reflects the values of the President's Management Agenda. The plan emphasizes excellence in examiner recruiting, hiring and training; greater use of electronic initiatives and outside resources to process patents and trademarks; and a faster, less costly alternative to the courts for challenging patents.

Strengthening Our Homeland Security

Commerce is participating in the government-wide effort to establish the Department of Homeland Security. We are assisting with transition planning and helping to ensure the smooth transfer of our resources — including the Critical Infrastructure Assurance Office and our Integrated Hazard Information System — to the new Department.

Through approximately 120 projects, our standards experts will help law enforcement, military, science, emergency services, information technology, airport and building security, and other areas protect the American public from terrorist threats. Examples of our contributions include making buildings and occupants safer from disasters and more effectively detecting dirty bombs.

We will seek to balance the promotion of U.S. trade and the need to restrict the export of commodities and technical information that could prove injurious to our Nation's best interests. Our trade security experts will work cooperatively with counterparts in other federal agencies and the intelligence community to improve coordination in the collective efforts of the Federal Government. We will streamline our procedures so as to facilitate exports and the identification of risks. The Department will support enactment of a new Export Administration Act, which has not been comprehensively updated since 1979. A revised EAA that seeks to provide a balanced framework for administering and enforcing export controls in the 21st century would enhance both U.S. national security and U.S. economic interests.

Census 2010 Re-engineering

Our Census experts will continue to re-engineer plans and processes so as to improve coverage, reduce risk and contain costs for the 2010 Census. We will be exploring options adopting numerous technological and methodological innovations. In addition, the Federal Government and others throughout the country will be more widely using the American Community Survey (ACS), which we tested in FY 2001 and FY 2002. We expect to establish the survey as a regular, annual data collection instrument to provide yearly information updates on subjects that have been covered by the decennial census “long form.” Success with the ACS would substantially simplify the 2010 Census. Using only short forms would enable us to focus resources on improving coverage and efficiency, thereby containing costs.

Future Workforce Requirements

Similarly to other agencies, the Department of Commerce faces significant challenges in ensuring an appropriately sized and competent workforce. During the next five years, approximately one-half of the Commerce workforce will become eligible for retirement, leading to the potential for significant loss of experience and institutional memory. During the coming decade, we will also face requirements that our workforce become increasingly specialized and expert in several fields in which prospective hires will be in high demand. At the same time, we must ensure that our employees are representative of the Nation’s population. To meet these diverse challenges, the Department will examine and modify its hiring practices, explore options for more effectively competing with private sector employers, and seek any appropriate changes in laws and regulations needed to allow the Department to enhance its appeal to America’s workforce.

Inspector General’s Statement Summarizing the Major Management and Performance Challenges Facing the Department of Commerce

The Honorable Donald L. Evans
Secretary of Commerce
Washington, D.C.

We herewith submit, in accordance with the Reports Consolidation Act of 2000, summaries of issues we have determined to be the most crucial management and performance challenges facing the Department of Commerce, to be included in the Department’s Performance and Accountability Report for FY 2002.

The challenges listed reflect what the Office of Inspector General considers to be significant impediments to the Department’s efforts to promote economy, efficiency, and effectiveness in its agencies’ management and operations. We view these issues as Commerce’s top challenges because they meet one or more of the following criteria: they are important to the Department’s mission or the nation’s well-being; they are complex; they involve sizable expenditures; or they require significant management improvements. Given the diverse nature of Commerce activities, many of these issues cut across bureau and program lines. We believe that by addressing these challenges the Department can enhance program efficiency and effectiveness; prevent or eliminate serious operational problems; decrease fraud, waste, and abuse; and achieve substantial savings. Our recent work in these areas is described in our recent Semiannual Reports to Congress.

① Strengthen Financial Management Controls and Systems

A number of statutes mandate that federal agencies prepare financial information that enables Congress, agency executives, and the public to assess the agency’s performance and stewardship. Required information includes audit reports of financial statements. The Department has received unqualified (clean) opinions on its consolidated financial statements for four consecutive years despite continuing obstacles, including the absence of a single, integrated financial management system.

Maintaining a clean audit opinion remains a major challenge, especially under the accelerated financial reporting dates mandated by the Office of Management and Budget (OMB). Additional improvements in financial management systems and operations will better enable the Department and its entities to correct material weaknesses and provide reliable financial and performance information that complies with federal laws and regulations. Therefore Commerce continues to focus on strengthening financial management systems by implementing the Department-wide Commerce Administrative Management System (CAMS). The Department expects to have CAMS replace its outdated and fragmented financial systems by October 2003. Most operating units will use CAMS; however, three—International Trade Administration, U.S. Patent and Trademark Office (USPTO), and National Technical Information Service (NTIS)—will not, but will submit data along with all other units into a Commerce-wide financial database that will serve as the source for the Department’s consolidated financial reports. The Department expects that CAMS, in conjunction with the database, will bring Commerce into compliance with federal financial systems requirements, including that for a single, integrated financial management system.

We will continue to monitor the Department’s efforts in this regard and report our findings accordingly.

2 Strengthen Department-Wide Information Security

Some Commerce's information technology systems and the data they process and store are among the Department's and the nation's most critical assets. For example,

- the National Oceanic and Atmospheric Administration's satellite, radar, and other weather forecasting data and systems protect lives and property;
- Bureau of Industry and Security (BIS) export license data helps control the release of dual-use commodities to foreign lands;
- the National Institute of Standards and Technology's research and measurement methods, tools, and data operate technologies from automated teller machines to x-ray equipment to semiconductors;
- USPTO's patent and trademark information promotes industrial and technical progress and helps strengthen the national economy.

Loss of or serious damage to any one of Commerce's critical systems could have devastating effects; thus identifying information security weaknesses and recommending solutions remain top priorities for this office. The Department has made significant progress in establishing an effective information security program, yet our evaluations completed under the Government Information Security Reform Act (GISRA) revealed that weaknesses continue.

3 Enhance Export Controls for Dual-Use Commodities

The adequacy of U.S. export controls must be an ongoing concern, given their importance to national security. Five agencies participate in the licensing of dual-use commodities (goods and technologies that have both civilian and military uses)—the Departments of Defense, Energy, State, and the Treasury, and the Central Intelligence Agency. However, Commerce's Bureau of Industry and Security oversees the federal government's export licensing and enforcement system for dual-use commodities and directs Commerce's authority in this area. This year, in compliance with the National Defense Authorization Act, we conducted our annual follow-up on the status of recommendations we made in previous reports regarding dual-use export controls. We reviewed all three reports issued thus far (March 2000, March 2001, February 2002).

But dual-use export licensing also involves and depends on multiple automated systems owned and operated independently by the five licensing and review agencies. A joint review by the five IG offices calls for greater interagency cooperation on export license systems development. Progress has been made in modernizing the automated systems; however, systems limitations we found include (1) differing security standards among agencies, (2) cumbersome manual and paper-based processes, and (3) lack of a comprehensive export-information database that can be used to assess the cumulative effect of multiple exports.

The interagency OIG review team will continue its work under the National Defense Authorization Act until 2007, as mandated by the act, and this office will continue to conduct our assessments in conjunction with these agencies. We will also follow up on our previous work in this area, which includes assessment of license approvals, interagency cooperation, commodity classification and appeals, and export compliance with license conditions.

4 Effectively Manage Departmental and Bureau Acquisition Processes

Commerce annually spends more than \$1 billion on goods and services bought through contracts and other procurement instruments. Acquisition legislation in the 1990s, however, mandated sweeping changes to procurement procedures for federal agencies. With acquisition reform now well under way, Commerce must successfully manage the processes it has fostered. Problems with the implementation of some procurement practices have been reported by oversight organizations such as the General Accounting Office (GAO) and OMB's Office of Federal Procurement Policy (OFPP), along with the IG community. Problems include purchase card abuse, primarily through weak internal and administrative controls, as well as failure to obtain competitive quotes in awarding government-wide agency contracts and other multiple award instruments.

In past reports we identified Department-wide problems with performance-based service contracting, specifically the failure to use performance-based task orders where appropriate; insufficient planning for contract administration and monitoring; and the need for increased training of contracting officer's technical representatives (COTRs). In our review of IT service contracts throughout the Department, we found that provisions to safeguard sensitive but unclassified systems and information were either missing or inadequate. We have recommended that the Department develop policy, incorporate appropriate contract provisions, and require training to help ensure that contracts provide for adequate information security and that acquisition, program, and technical personnel know how to plan, implement, and manage such contracts. The Department concurred with our recommendations and is taking actions to address them.

Further, Commerce has continued to implement a variety of reform initiatives and improve acquisition management. The Department's Office of Acquisition Management (OAM) has focused its attention on automating the procurement process, strengthening overall management of the procurement function, and upgrading training for procurement staff. OAM has reportedly also launched an initiative to restructure the Department-wide certification program for COTRs that would include training to enhance COTR performance and a performance plan to improve their accountability. In addition, OAM has taken steps to provide oversight and performance measures for acquisition activities, completed a review of procedures used by operating units to issue task and delivery orders under GSA Federal Supply Schedules, and is working on reviews of interagency agreements, memorandums of understanding, and purchase card policy. Finally, OAM is collaborating with the Office of the Chief Information Officer and the Commerce budget office to integrate budget and planning for IT acquisitions.

Our office is reviewing purchase card activities on an ongoing basis. In addition, we will continue to assess the status of the Department's other acquisition efforts to ensure they meet the goals of acquisition reform and, when necessary, make recommendations for improvement.

5 Enhance Emergency Preparedness, Safety, and Security of Commerce Facilities and Personnel

As the threat of terrorism against U.S. interests continues, the need to strengthen security and emergency preparedness in both the public and private sectors has taken on new urgency. Homeland Security Presidential Directive-3 established a Homeland Security Advisory System for the nation and requires executive branch agencies to implement protective physical security measures to reduce vulnerability or increase response capability during periods of heightened alert. Effectively complying with this, and related, directives is an important, yet complex, resource-intensive undertaking for Commerce, given the size of its workforce, its diverse and important missions, and the geographical spread of its approximately 500 facilities across the 50 states and 160 offices overseas.

1 Risk designations reflect the potential damage an individual in a position of public trust could cause to the efficiency and integrity of government programs and operations. Sensitivity designations reflect the potential adverse impact on national security associated with a position.

Heightened security requires a variety of measures: infrastructure risk assessments, emergency backup sites, upgraded physical security, and employee awareness and training, to name a few. The Department has rededicated itself to ensuring the integrity of its operations and its ability to continue essential services and operations during a crisis, the protection of its people, and the suitability of risk and sensitivity designations¹ for personnel in positions of public trust. We believe that Commerce is making progress on many of these fronts, but the challenge is formidable.

Given the heightened awareness of U.S. vulnerability to acts of terrorism, the Department will have to regularly revisit its procedures for ensuring the safety and security of its employees and operations and modify them as needed. We will continue to monitor its efforts in this regard and report our findings accordingly.

6 Successfully Operate U.S. Patent and Trademark Office as a Performance-Based Organization

The American Inventors Protection Act of 1999 (AIPA) established USPTO as a performance-based organization, giving it broader responsibility for managing its operations and expanded control over its budget, personnel processes, and procurement operations. Despite this empowerment, USPTO's transformation remains a formidable challenge. The agency strives to keep pace with increasingly complex technology and customer demands while simultaneously trying to develop personnel, procurement, and administrative policies, performance-oriented processes, and cost-effectiveness evaluation standards, at the same time attempting to meet GPRa performance goals as well as AIPA timeliness standards. Major challenges for the bureau include the following:

Staffing. The number of patent application filings skyrocketed in recent years. In FY 2001 USPTO received more than 326,081 applications for patents—an 8.9 percent increase over the number received in FY 2000. To address the expanding workload, USPTO hired 789 patent examiners, but lost 700 through attrition during fiscal years 2000 and 2001, virtually negating its efforts to increase staffing. Trademark filings, on the other hand, peaked in 2000 at 375,000 applications, but declined by 21 percent (to 296,000) in FY 2001. Because this downward trend is expected to continue, the bureau has started to downsize its trademark staff.

New Facility Construction. When completed in 2005, USPTO's 5-building Alexandria, Virginia, complex will house all USPTO employees and operations currently scattered among 18 buildings in nearby Crystal City. We will be monitoring USPTO's efforts to contain project costs, supervise construction progress, and ensure on-time completion.

IT Capabilities. Although USPTO's information security policies and procedures were consistent with accepted practices, in too many instances requirements were not implemented and responsibilities were not carried out. The bureau's response to recommendations we made in March, however, indicates genuine concern about its IT systems security and a commitment to a stronger security program.

In June 2002 the bureau issued its *21st Century Strategic Plan*. USPTO believes that in moving to implement the plan, it will be better prepared to address and overcome many of the challenges it faces. It should be noted, however, that several of the initiatives envisioned in the plan—outsourcing preexamination reviews and changing fee structures, for example—require congressional approval.

We plan to continue to monitor USPTO's efforts to operate as a performance-based organization to aid in ensuring its success.

7 Increase International Compliance with Trade Agreements and Expand Market Access for American Exporters

Commerce, through various offices within the International Trade Administration (ITA), works with a number of federal agencies to monitor and enforce trade agreements, the number and complexity of which have escalated substantially in recent years. To help enforce compliance with export agreements, ITA created the Trade Compliance Center, which monitors U.S. trade agreements and reviews complaints from a variety of sources. When warranted, it forms a compliance team to bring a case to satisfactory conclusion. ITA's approach to trade compliance and market access is to try to solve problems at the lowest level possible—avoiding formal dispute settlement structures such as the World Trade Organization, which can take years to resolve trade disagreements.

On the import side, ITA's Import Administration (IA) works with the International Trade Commission, investigating complaints from U.S. industries about subsidization of or dumping foreign products on U.S. markets. If both agencies determine that injury has occurred, IA instructs the U.S. Customs Service to assess duties against imports of those products.

We intend to review aspects of TA's approach to market access and trade compliance, as well as its administration of the antidumping and countervailing duty regulations.

8 Increase the Effectiveness of Marine Resource Management

For nearly 30 years Commerce's National Marine Fisheries Service (NMFS) has had to balance competing interests: promoting commercial and recreational fishing as vital elements of our national economy and preserving populations of fish and other marine life. The Department has reported that overfishing and overcapitalization in commercial and recreational fisheries have resulted in estimated losses of billions of dollars in economic growth, thousands of jobs, and countless fishing opportunities. While certain fisheries appear to be well managed and produce positive benefits, others are severely depleted and must be restored and properly managed to realize their long-term potential. At the same time, threatened or endangered fish species need to be replenished. Among 52 distinct groups of Pacific salmon, for example, 26 are threatened or endangered. NMFS has recently taken steps to restore Pacific salmon runs through research at the Northwest Fisheries Science Center in the Columbia River Basin.

We are currently evaluating methods used to enforce fisheries management plans. We also intend to monitor NOAA's efforts to increase the effectiveness of its data collection and marine resource management.

9 Continue to Improve the Department's Strategic Planning and Performance Measurement in Accordance with the Government Performance and Results Act

Congress and agency managers require relevant performance measures and credible performance data to effectively fulfill their oversight responsibilities with respect to federal programs. The Government Performance and Results Act of 1993 (GPRA) was designed to ensure the availability of such data by mandating that agencies set goals for program performance and report outcomes measured against those goals. As the administration moves toward integrating budget and performance information and using performance data to make funding decisions, the credibility of reported performance results will be critical.

To ensure the collection and reporting of accurate, appropriate, reliable, and useful data to decision makers, this office has (1) provided implementation advice and assistance, (2) monitored reviews by certified public accounting firms of performance data contained in the annual financial statements, (3) made presentations to departmental officials on the importance of ensuring that performance-related information is reliable, (4) given informal comments to the Department on various GPRA-related documents, and (5) audited internal controls for selected data on bureau performance.

Although the Department has made progress toward determining how best to plan and measure its performance, significant opportunities for improvement remain. Our audits of several performance measures used by BIS, NIST, National Telecommunications and Information Administration, and USPTO indicate a widespread need for stronger internal controls to ensure accurate reporting of performance data and improved explanations and disclosures of results. For example, procedures should be established to ensure that reported information is reconciled against supporting data and only data from the appropriate time period is included in performance results.

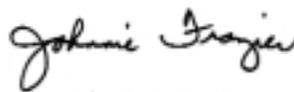
We will continue to evaluate performance measurement and reporting and, as warranted, make recommendations to the Department and its operating units regarding the accuracy, appropriateness, reliability, and usefulness of its performance data.

10 Effectively Manage Major Commerce Renovation and Construction Projects

Effective renovation and construction management is a critical challenge for the Department because of the numerous inherent risks involved in planning and managing large, costly, and complex capital improvement and construction projects. The Department has plans for numerous major² renovation and construction projects:

- NOAA has 27 projects scheduled or in process. These include modernization of the National Ocean Service's Marine and Environmental Health Research lab in South Carolina, and a National Marine Fisheries Service lab in Hawaii.
- NIST will continue its multimillion-dollar program to upgrade existing laboratories in Gaithersburg, Maryland, and Boulder, Colorado, and to complete construction of the Advanced Measurement Laboratory building, a state-of-the-art facility in Gaithersburg, Maryland.
- USPTO is implementing its billion-dollar plan to consolidate employees and operations in a new, five-building facility under construction in Alexandria, Virginia.
- The Census Bureau intends to construct two buildings at its headquarters in Suitland, Maryland, to provide employees with safe, modern facilities.
- Commerce plans to modernize its headquarters building in Washington, D.C.

Departmental leadership and OIG oversight are needed to maximize Commerce's return on its investment in these projects. Past OIG reviews of major renovation and construction ventures have demonstrated that up-front oversight—that is, close monitoring during planning and implementation—is essential. Detecting and addressing potential problems during the developmental stages rather than after a project is completed saves time and money. For this reason, we plan to actively monitor the progress of some of the Department's current and planned construction projects.



Johnnie E. Frazier
Inspector General
December 20, 2002

² Projects costing \$2 million or more are considered major.

