U.S. Department of Commerce

Citizens' Report

FY 2009 Summary of Performance and Financial Results

THE DEPARTMENT AT A GLANCE

The FY 2009 Department of Commerce Citizens' Report provides a summary of the Department's budget, financial, and performance information. It is designed to assist Congress and the general public in understanding the Department and its role within American society by providing a short succinct picture of the Agency.

EMPLOYEES AND LOCATION

The Department is headquartered at the Herbert Clark Hoover Building in Washington, D.C. and employs more than 50,000 employees, expanding to more than 140,000 employees to accommodate the needs of the Census Bureau in FY 2010. The Department also has approximately 600 non-Census field offices in all states and maintains offices in more than 70 countries and territories worldwide. The following map shows the number of employees in each state.

STRATEGIC GOALS

Goal 1: Maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers

Goal 2: Promote U.S. innovation and industrial competitiveness

Goal 3: Promote environmental stewardship

Management Integration Goal: Achieve organizational and management excellence

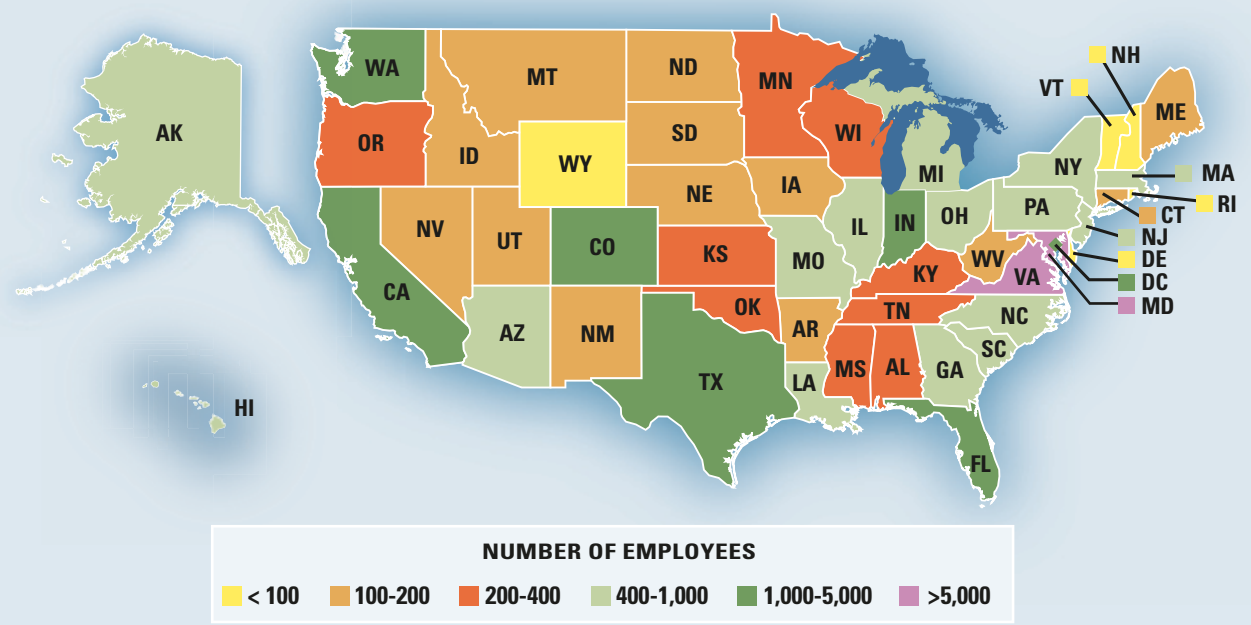
FINANCIAL RESOURCES

The Department's FY 2009 budget was slightly over $17 billion.

INTERNET

The Department's Internet address is *www.commerce.gov*.

DEPARTMENT OF COMMERCE EMPLOYEES



Statement from the Secretary

I am pleased to present the Department of Commerce's (Department) fiscal year (FY) 2009 Citizens' Report. The Citizens' Report summarizes our accomplishments and challenges in maximizing U.S. competitiveness, enabling economic growth, fostering U.S. leadership in science and technology, and promoting environmental stewardship, and our financial management and performance.

Trade, Competitiveness, and Economic Growth

The U.S. trade deficit in goods and services for January through August 2009 was less than half of the deficit during those same months in 2008. Not only did U.S. exports fall more slowly than imports as the global recession worsened early in the year, but U.S. exports recovered more quickly than imports as worldwide demand began to grow. One in five U.S. manufacturing jobs is supported by trade.

The Department, through its International Trade Administration (ITA), has made strong progress toward improving trade, particularly in the areas of ensuring a level playing field and in increasing exports by small and medium-sized firms. During FY 2009, 56 percent of market access and compliance cases—totaling over $25 billion in value—were successfully resolved, compared with 39 percent in FY 2008. Similarly, 30 percent of industry-specific trade barriers addressed by ITA during FY 2009 were removed or prevented. The number of U.S. small and medium-sized firms that export increased by 4.7 percent in FY 2009. ITA assisted 15 percent of the small and medium-sized firms that began exporting in FY 2009, compared with 12 percent of such firms during FY 2008. We remain focused on achieving further progress in these and other critical trade areas for U.S. businesses and workers.

The Economics and Statistics Administration's (ESA) Bureau of Economic Analysis (BEA) and Census Bureau continued to upgrade the quality and availability of critical economic and demographic information for policymakers, business leaders, and the public. The Census Bureau began field operations for the 2010 Decennial Census, the largest non-military activity undertaken by the U.S. government. Population data from the census, which is mandated by the Constitution, support the reapportionment of Congress as well as state and local legislative bodies, and are also used to allocate over $400 billion in annual federal program funds. The Decennial program completed the opening of early local census offices as well as the Address Canvassing operation, verifying over 140 million household addresses across the country. The Census Bureau received $1 billion in American Recovery and Reinvestment Act (Recovery Act) funding to hire new personnel for partnership and outreach efforts to minority communities and hard-to-reach populations, increase targeted media purchases, and ensure proper management of operational and programmatic risks. We will focus on effectively managing these risks as census operations proceed.

BEA further developed a health satellite account that will enable better assessment of the returns of various medical treatments as well as the sources of changes in health care costs. BEA also resumed development of statistics for its research and development satellite account to support their integration into the gross domestic product, highlighting the link between innovation and growth. Additionally, BEA further integrated its accounts with other federal economic statistics.

The Department, through the Economic Development Administration (EDA), assists U.S. industries, communities, and workers through investments in public infrastructure and technology, which in turn attract private capital investment and create new jobs. As of FY 2009, EDA investments of $268 million made in FY 2000 had generated $2.2 billion in private investment and nearly 46,000 jobs. In addition, EDA funded 68 Recovery Act grants through its existing program structure in FY 2009. Consistent with the intent of the act, EDA's Recovery Act investments focused on infrastructure projects that will promote immediate job growth and retention.

The Minority Business Development Agency (MBDA) promotes the ability of minority businesses to succeed in the local, national, and global economies. In FY 2009, MBDA supported clients who obtained $2.9 billion in contract and financial awards, compared with $2.1 billion in FY 2008.

The Bureau of Industry and Security (BIS) administers and enforces the dual-use export control system, which regulates exports of sensitive goods and technology that have legitimate civilian uses, but could also have military or terrorism-related uses. During FY 2009, General Electric India became the first Indian company to qualify as a Validated End-User (VEU), allowing it to more expeditiously receive such exports. The number of VEUs in the People's Republic of China increased to six. We are determined to make exports of dual-use items to foreign customers more efficient, while ensuring requisite U.S. security.

Finally, the National Institute of Standards and Technology's (NIST) Hollings Manufacturing Extension Partnership (MEP) supported its clients—primarily small manufacturers—in generating an estimated $3.3 billion in increased sales, an estimated $1.4 billion in capital investment, and an estimated $1.2 billion in cost savings during FY 2008 (MEP results have a one-year time lag).

In October 2009, I was pleased to open CommerceConnect near Detroit, MI. This office is a "one-stop shop" that is designed to help local businesses to access multiple federal programs from one location.

Innovation and Intellectual Property Protection

A vigorous, flexible, and efficient intellectual property (IP) protection system is critical to encouraging investments that build our industries, businesses, and jobs. The Department is committed to ensuring that the United States has a first-class IP protection system to support innovation throughout the 21st century.

The U.S. Patent and Trademark Office (USPTO) maintained a strong focus on quality in FY 2009, with an allowance compliance rate near 97 percent. However, many challenges remain to achieve significant sustainable reductions in patent pendency—now over 25 months for first action and 34 months for total pendency—to levels that fully enable and reward entrepreneurship and innovation. We are committed to effectively meeting these challenges in the shortest possible time frame, through both internal reforms as well as through ongoing engagement with our customers, Congress, and other stakeholders.

A slowdown in filings this year allowed the Patent Office to make some headway on its backlog. However, the slowdown posed some additional challenges due to the commensurate reduction in fees, on which USPTO depends for operations. Congress authorized the use of trademark fees to fund patent operations in limited circumstances. However, USPTO implemented cost savings that avoided use of this authority in FY 2009. For the longer-term, we will work to ensure that USPTO has an adequately stable and sustainable financial structure.

The Trademark Office continued to streamline processes, reduce costs, and lower pendency. Trademark first-action pendency improved from 3.0 months in FY 2008 to 2.7 months in FY 2009, and total pendency improved from 11.8 months in FY 2008 to 11.2 months in FY 2009.

NIST programs support the Nation's innovative capacity and promote markets for new technological applications through its sound, science-based measurements and standards. For example, NIST is coordinating the development of interoperability standards for the Smart Grid. In FY 2009, NIST appointed a senior executive to serve as National Coordinator for Smart Grid Interoperability. NIST recently released its Smart Grid Interoperability Standards Framework after significant stakeholder engagement. In the area of cyber security, NIST, in partnership with the Department of Defense (DOD) and the United States Intelligence Community, issued Publication 800-53, Revision 3, the most state-of-the-art set of safeguards and countermeasures ever developed to protect federal information systems. NIST also continued to conduct innovative scientific measurement research as part of the President's Plan for Science and Innovation.

The NIST Technology Innovation Program (TIP) supports high-risk, high-reward research in areas of critical national need at U.S. businesses, universities, national laboratories, and nonprofit research institutions. In January 2009, TIP announced its first set of awards, totaling $42.5 million to promote innovative advanced sensing technologies in the area of civil infrastructure monitoring.

NIST received $580 million in Recovery Act funds during FY 2009 to encourage innovation through research grants, contracts, and fellowships, as well as through procurement of advanced measurement equipment and improved information technology (IT) infrastructure; to support key upgrades to NIST research facilities; and to provide competitive construction grants for research science buildings. The Recovery Act also provided $20 million to support Health Information Technology and $10 million for Smart Grid standards.

The National Telecommunications and Information Administration (NTIA) continued its key activities in radio spectrum management and in implementing programs under the Digital Television Transition and Public Safety Fund, such as the Digital-to-Analog Converter Box Coupon Program. The digital television (DTV) transition occurred with minimal disruption and maximum preparedness due to the DTV Delay Act and additional funding in the Recovery Act. As of July 2009, NTIA distributed 63.2 million coupons to more than 34 million households, over 33 million of which were redeemed. The last coupons expired November 9, 2009. We are gratified by the high level of participation and cooperation by converter box manufacturers and consumer electronics retailers. Finally, NTIA received $4.7 billion in Recovery Act funding for the Broadband Technology Opportunities Program (BTOP), to provide grants enabling consumers in unserved and underserved areas of the United States to better access broadband services. NTIA will make an initial series of grants in December 2009, with the remainder completed by the end of FY 2010. Ensuring the efficient and effective administration of BTOP is one of the Department's highest priorities.

Environmental Stewardship

The National Oceanic and Atmospheric Administration (NOAA) continued to improve the fish stock sustainability index (FSSI), its comprehensive measure for sustainability of 230 U.S. fish stocks selected for their importance to commercial and recreational fisheries. In FY 2009, four stocks—Atlantic bluefish, Gulf of Mexico king mackerel, and two stocks of monkfish in the Atlantic—were declared rebuilt, the largest number in a single year since NOAA declared the first stock successfully rebuilt in 2001. NOAA continues to work with the eight Fishery Management Councils to implement statutory annual catch limits.

NOAA is also working with the New England Fishery Management Council to develop a new groundfish management regime that will implement fishing sectors—a group of vessel permit holders who agree to fishing restrictions and procedures in exchange for a share of the total catch allocated to the industry. For those vessels that opt to join a sector, this catch share system will provide operational efficiencies over the current method of modifying fishing effort through days at sea.

In June 2009, the U.S. Global Change Research Program released the NOAA-led study, "Global Climate Change Impacts in the United States," a state-of-the-knowledge report about the observed and projected consequences of climate change for our Nation. The report is an authoritative scientific assessment of national and regional impacts written to better inform public and private decision-making at all levels.

During the spring of 2009, NOAA coordinated the largest and most ambitious study of tornadoes in history, with the support of more than 50 scientists and 40 research vehicles. Scientists sampled supercell thunderstorms, which are capable of producing damaging winds, large hail, and tornadoes.

NOAA satellites provided key support in the rescues of 184 persons throughout and near the United States during FY 2009, providing their locations to first responders. In December 2008, NOAA and the National Aeronautics and Space Administration (NASA) selected Lockheed Martin Space Systems to build two spacecraft to launch the next generation Geostationary Operational Environmental Satellite-R series (GOES-R) weather satellites, beginning in 2015. GOES-R will incorporate advanced capabilities

to support more timely and accurate forecasts of hurricanes, tornadoes, air quality, and geomagnetic storms. In February 2009, NOAA-19 was launched to provide a range of weather, climate, fire, and vegetation data, and to further support search and rescue operations. In June 2009, GOES-14 was launched to provide critical severe and tropical weather data. Ensuring future timely and cost-effective satellite data is of great importance to the Nation. We are mindful of the management challenges that have resulted in overruns and delays in the National Polar-orbiting Operational Environmental Satellite System (NPOESS), the next-generation polar satellite program. While significant steps to mitigate risk have been taken, the Department is committed to making further improvements to optimally manage environmental satellite acquisitions over the next decade.

NOAA received $830 million from Recovery Act to assist key sectors of the U.S. economy. Examples include: (1) reducing the hydrographic survey backlog to facilitate shipping transportation; (2) habitat restoration projects that benefit marine fisheries and endangered species; (3) supporting critical development activities of the NPOESS program, to provide essential data for weather prediction and climate monitoring; and (4) completing construction work on various facilities and vessels to meet mission needs and provide jobs.

Program Data, Department-wide Management, and Financial Performance

The Department's financial data and performance results for FY 2009 are provided together in this report in response to the Reports Consolidation Act of 2000. This information is crucial in helping us to effectively administer our programs, determine their success, and make adjustments that may be necessary to improve the quality of program operation and service delivery.

For the eleventh year in a row, the independent auditors tasked with reviewing our financial statements have provided an unqualified opinion. Our financial management systems have been found to be in substantial compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996, and, in accordance with Office of Management and Budget (OMB) Circulars A-136 and A-11, the financial and performance data published in this report are substantially complete and reliable.

The Federal Managers' Financial Integrity Act (FMFIA) of 1982 and OMB Circular A-123 provide the framework within which Departmental and operating unit managers may determine whether adequate internal controls are in place and are operating as they should. We rely on a wide range of studies conducted by programmatic and administrative managers, the Office of Inspector General (OIG), the Government Accountability Office (GAO), and others to assist in this effort. Based on activities undertaken during FY 2009, the Department's system of internal controls, taken as a whole, are consistent with FMFIA, with the exception of one material weakness. Since it was initially identified as a material weakness, the need to strengthen IT security has been an area of considerable focus across the Department. While significant progress has been made, we believe that additional enhancements are needed before this material weakness may be considered fully resolved. Further information on actions being taken to address this critical area may be found in the Performance and Accountability Report (PAR) under Management's Discussion and Analysis.

In Conclusion

Again, I am proud to submit this report on the FY 2009 performance of the Department of Commerce, and I hope that it provides a useful summary of the results of the Department and its 54,000 employees.

Gary Locke
Secretary of Commerce
February 1, 2010

BUDGET, PERFORMANCE, AND FINANCIAL SNAPSHOT

Mission: The Department of Commerce creates the conditions for economic growth and opportunity by promoting innovation, entrepreneurship, competitiveness, and stewardship.

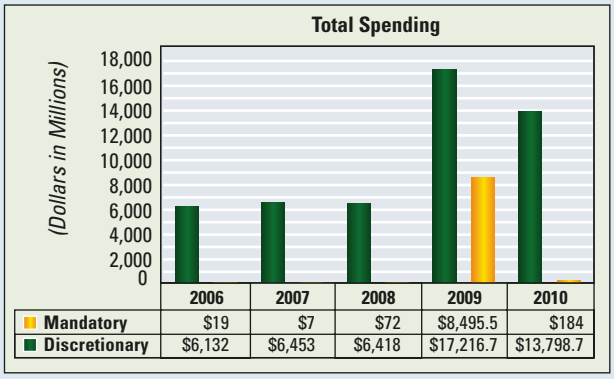
Organization: The Department consists of 13 bureaus ranging in size from 100 employees to over 12,000, with the Census Bureau expanding to over 140,000 in 2010. A list of all the bureaus appears on page 10.

Personnel: The Department is an agency with currently over 50,000 employees, expanding to over 170,000 employees during a Decennial year.

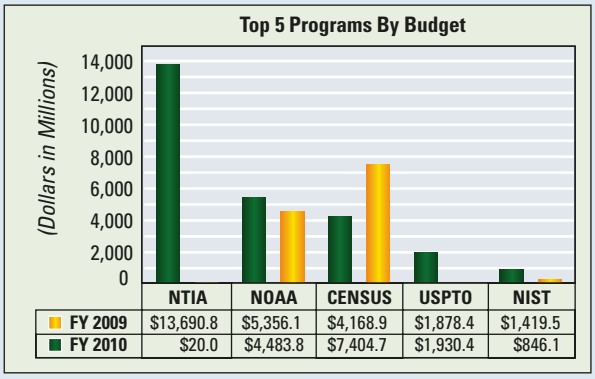
FULL-TIME EQUIVALENTS BY STRATEGIC GOAL	Percentage Change	FY 2009	FY 2008
Strategic Goal 1: Maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers1	+141.8%	29,266	12,103
Strategic Goal 2: Promote U.S. innovation and industrial competitiveness	+5.8%	12,798	12,096
Strategic Goal 3: Promote environmental stewardship	-4.8%	12,031	12,637
Management Integration Goal: Achieve organizational and management excellence	+2.1%	297	291
TOTAL FTEs	+46.5%	54,392	37,127

[1]For Strategic Goal 1, the full-time equivalent (FTE) rose significantly in FY 2009 as a result of the Census Bureau's ramp up for the Decennial Census in 2010. It will continue to climb in FY 2010 then ramp down to pre-2009 levels by 2012.

Budgetary Resources[1]***:*** The FY 2009 discretionary budget was slightly more than $17 billion with a substantial portion occurring as a result of the American Recovery and Reinvestment Act (ARRA) of 2009. While ARRA budget authority will drop out in FY 2010, that will be offset to a degree by a $4 billion increase in funding for the Decennial Census resulting in a FY 2010 discretionary budget of approximately $14.0 billion. This does not include $1.85 billion in obligations for USPTO which is fee funded.



	2006	2007	2008	2009	2010
Mandatory	$19	$7	$72	$8,495.5	$184
Discretionary	$6,132	$6,453	$6,418	$17,216.7	$13,798.7



	NTIA	NOAA	CENSUS	USPTO	NIST
FY 2009	$13,690.8	$5,356.1	$4,168.9	$1,878.4	$1,419.5
FY 2010	$20.0	$4,483.8	$7,404.7	$1,930.4	$846.1

1 *The budget (or budget authority) refers to the amount that Congress provides. Obligations refers to the actual amount spent (or obligated) and can include additional amounts such as fees, etc. Therefore, obligations are often greater than budget authority. Because USPTO is fee funded, its funding is not included in Discretionary Budget Authority.*

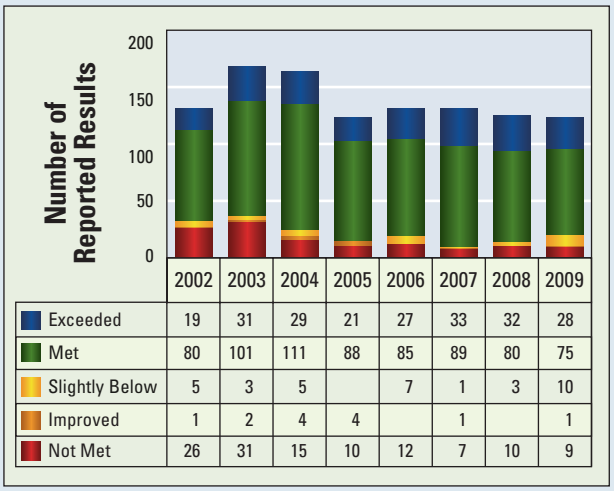
OBLIGATIONS BY STRATEGIC GOAL[1]			
(Dollars in Millions)	Percentage Change	FY 2009	FY 2008
Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers	+72.4%	$4,555.2	$2,642.4
Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness	+3.8%	3,840.9	3,701.2
Strategic Goal 3: Promote Environmental Stewardship	+20.3%	5,094.1	4,234.4
Management Integration Goal: Achieve organizational and management excellence	+ 17.1%	79.3	67.7
TOTAL OBLIGATIONS	+27.4%	$13,569.5	$10,645.7

[1] *Obligations differ from budget authority (as noted above) in that budget authority refers to the amount that Congress provides as opposed to obligations which are actual amount spent (or obligated) and can include additional amounts such as fees, etc.*

PERFORMANCE SNAPSHOT

Accomplishments: In FY 2009, the Department continued to improve its weather prediction capability, especially of severe storms such as tornadoes and hurricanes, thus both saving lives and minimizing property loss. During the spring of 2009, NOAA coordinated the largest and most ambitious study of tornadoes in history. ITA successfully resolved over $25 billion worth of market access compliance cases. By FY 2009, EDA investments of $268 million made in FY 2000 had generated $2.2 billion in private investment and nearly 46,000 jobs. Census completed key preparatory activities for the 2010 Decennial Census. NTIA successfully administered the Digital-to-Analog Converter Box Program which subsidized consumer purchases of over 33 million boxes. The Department encouraged research and innovation by selling more than 29,000 units of Standard Reference Materials (SRM) and conducting more than 18,000 calibration tests.

PERFORMANCE RESULTS



	2002	2003	2004	2005	2006	2007	2008	2009
Exceeded	19	31	29	21	27	33	32	28
Met	80	101	111	88	85	89	80	75
Slightly Below	5	3	5		7	1	3	10
Improved	1	2	4	4		1		1
Not Met	26	31	15	10	12	7	10	9

Challenges: The Decennial Census continues to pose a major challenge for the Department with the Department seeking to achieve the most accurate Decennial Census ever. In order to encourage innovation, reducing the patent processing time is also a major Departmental priority. The OIG identified four other major challenges and three other issues which are described (along with actions taken as a result of those challenges) at *http://www.osec.doc.gov/bmi/budget/FY09PAR.html*.

FINANCIAL SNAPSHOT

Clean Opinion on Financial Statements	Yes
Timely Financial Reporting	Yes
Material Weaknesses	1
Improper Payment Rate	N/A

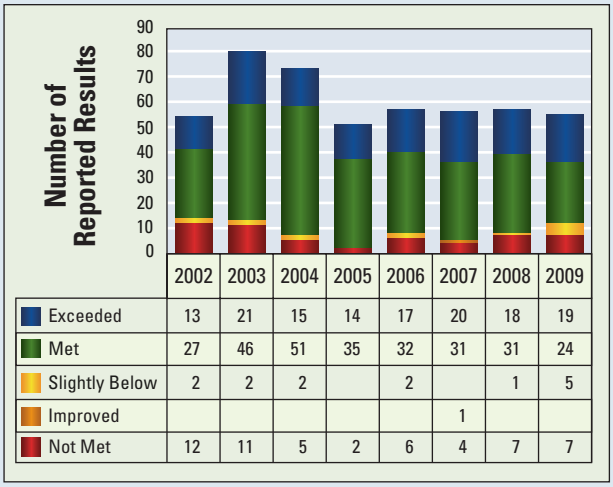
Total Assets	$34.0B
Total Liabilities	$4.6B
Net Cost of Operations	$9.8B

SUMMARY OF COMMERCE PERFORMANCE RATINGS FOR FY 2009

STRATEGIC GOAL 1: *Maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers*

The Department promotes growth by developing partnerships with state, local, private, and non-profit enterprise so as to encourage economic growth and development. The Department also encourages trade by promoting U.S. exports while at the same time monitoring those exports to prevent any export of goods that could be used for any activities against the United States. The Department also develops and publishes the economic statistics and indicators (e.g., gross domestic product [GDP]) that are essential to U.S. business. Finally, the Department encourages growth by assisting manufacturers.

STRATEGIC GOAL 1 PERFORMANCE RESULTS



	2002	2003	2004	2005	2006	2007	2008	2009
Exceeded	13	21	15	14	17	20	18	19
Met	27	46	51	35	32	31	31	24
Slightly Below	2	2	2		2		1	5
Improved						1		
Not Met	12	11	5	2	6	4	7	7

Exceeded = > 125% of target; Met = 100-124%; Slightly below = 95-99%; Not met = Below 95%

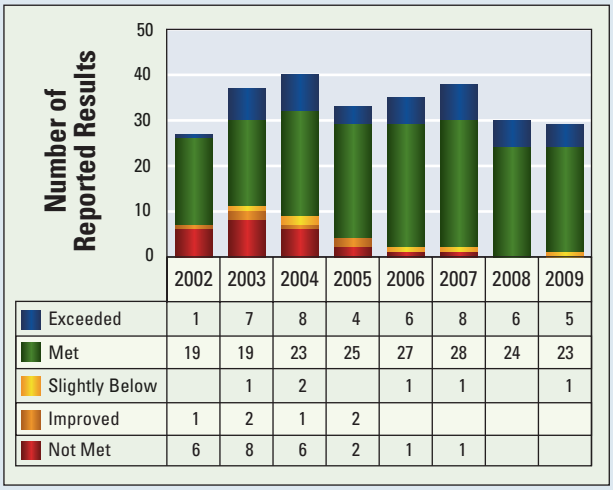
KEY PERFORMANCE MEASURES	2007 Results	2008 Results	2009 Target	2009 Results	2009 Rating	2010 Target
Jobs created/retained – 9 year results (EDA)	73,559	57,701	56,500	45,866	Not Met	31,667
Investment leveraged – 9 year results (EDA)	$1.9B	$4.2B	$2.0B	$2.2B	Met	$1.3B
Commercial diplomacy successes (annual) (ITA)	N/A	181	162	196	Met	166
Annual savings from adoption of MAS recommendations (ITA)	$0.41B	$0.35B	$0.35B	$0.55B	Exceeded	$0.35B
Dollar value of contract awards obtained (MBDA)	$1.20B	$1.03B	$0.90B	$2.11B	Exceeded	$1.0B
Dollar value of financial awards obtained (MBDA)	$0.55B	$1.09B	$0.5B	$0.81B	Exceeded	$0.6B
Value of MAC cases resolved successfully (ITA)	N/A	$12.3B	$2.0B	$25.4B	Exceeded	$2.5B
Actions resulting in a deterrence/prevention of an export violation (BIS)	930	881	850	876	Met	912
Percent of GDP estimates correct (ESA/BEA)	93%	94%	> 85%	88%	Met	>85%
Increased sales attributed to MEP centers (NIST)[1]	$3.1B	$5.6B	$0.6B	$3.3B est	Exceeded	$2.5B
Cost savings attributed to MEP centers (NIST)[1]	$1.1B	$1.4B	$0.3B	$1.2B est	Exceeded	$1.0B

[1] *MEP results have a one-year time lag*

STRATEGIC GOAL 2: *Promote U.S. innovation and industrial competitiveness*

The Department promotes innovation by providing the infrastructure to apply advances in research and development (R&D) to the benefit of the private sector. The Department also encourages the development of new technology and the protection of intellectual property (IP) through the issuance of patents and trademarks. Finally, the Department advances the telecommunications sector by making certain that the allocation of the radio spectrum provides the greatest benefit to all people as well as by promoting new sources of advanced telecommunications.

STRATEGIC GOAL 2 PERFORMANCE RESULTS



	2002	2003	2004	2005	2006	2007	2008	2009
Exceeded	1	7	8	4	6	8	6	5
Met	19	19	23	25	27	28	24	23
Slightly Below		1	2		1	1		1
Improved	1	2	1	2				
Not Met	6	8	6	2	1	1		

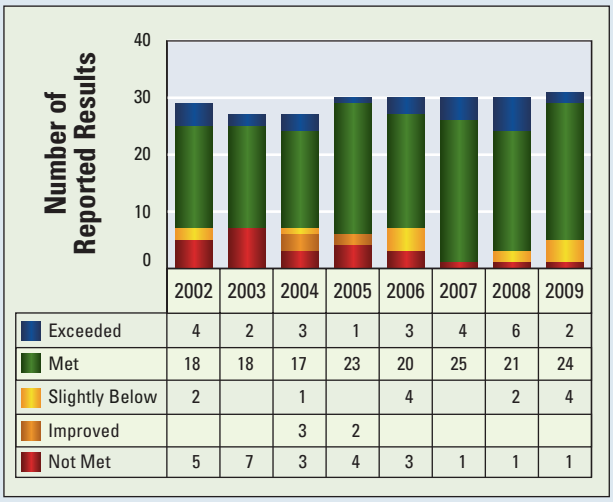
Exceeded = > 125% of target; Met = 100-124%; Slightly below = 95-99%; Not met = Below 95%

KEY PERFORMANCE MEASURES	2007 Results	2008 Results	2009 Target	2009 Results	2009 Rating	2010 Target
Calibration tests performed (NIST)	27,489	25,944	15,000	18,609	Exceeded	18,000
Cumulative number of TIP projects funded (NIST)	N/A	N/A	9	9	Met	25
Patent allowance compliance rate (USPTO)	96.5%	96.3%	96.5%	96.9%	Met	96.5%
Patent average total pendency (months)(USPTO)	31.9	32.2	37.9	34.6	Met	37.3
Trademark average total pendency (months)(USPTO)	13.4	11.8	13.0	11.2	Met	11.0

STRATEGIC GOAL 3: *Promote environmental stewardship*

The Department promotes the use of the environment to assist the American people while maintaining U.S. natural resources. The Department regulates and monitors the fishing industry and U.S. marine habitats to prevent overfishing and preserve U.S. natural marine habitats. The Department also researches long-term effects of climate change. In addition, the Department provides daily weather reports and warnings, and tracks the progress of severe storms such as hurricanes and tornadoes. The Department also encourages trade and shipping by providing essential navigation maps to the private sector.

STRATEGIC GOAL 3 PERFORMANCE RESULTS



	2002	2003	2004	2005	2006	2007	2008	2009
Exceeded	4	2	3	1	3	4	6	2
Met	18	18	17	23	20	25	21	24
Slightly Below	2		1		4		2	4
Improved			3	2				
Not Met	5	7	3	4	3	1	1	1

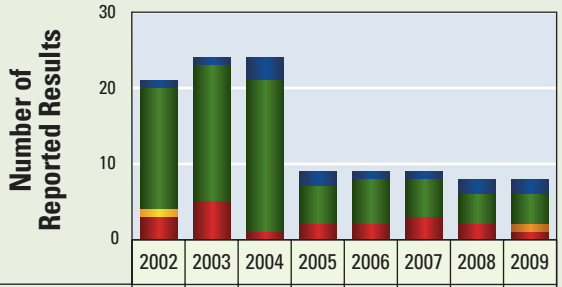
Exceeded = > 125% of target; Met = 100-124%; Slightly below = 95-99%; Not met = Below 95%

KEY PERFORMANCE MEASURES	2007 Results	2008 Results	2009 Target	2009 Results	2009 Rating	2010 Target
Fish stock sustainability index (FSSI) (NOAA)	524	535	548.5	565.5	Met	568.0
Number of annual habitat acres restored (NOAA)	5,974	11,254	9,000	9,232	Met	7,000
Tornado lead time (minutes) (NOAA)	14	14	12	12	Met	12
Hurricane forecast track error (nautical miles) (NOAA)	97	86	108	86	Met	107
Hurricane forecast intensity error (difference in knots) (NOAA)	N/A	N/A	13	14	Slightly Below	13
Reduce the hydrographic survey backlog (square nautical miles surveyed per year) (NOAA)	3,198	2,127	3,000	3,219	Met	3,200

MANAGEMENT INTEGRATION GOAL:
Achieve organizational and management excellence

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

MANAGEMENT INTEGRATION GOAL PERFORMANCE RESULTS

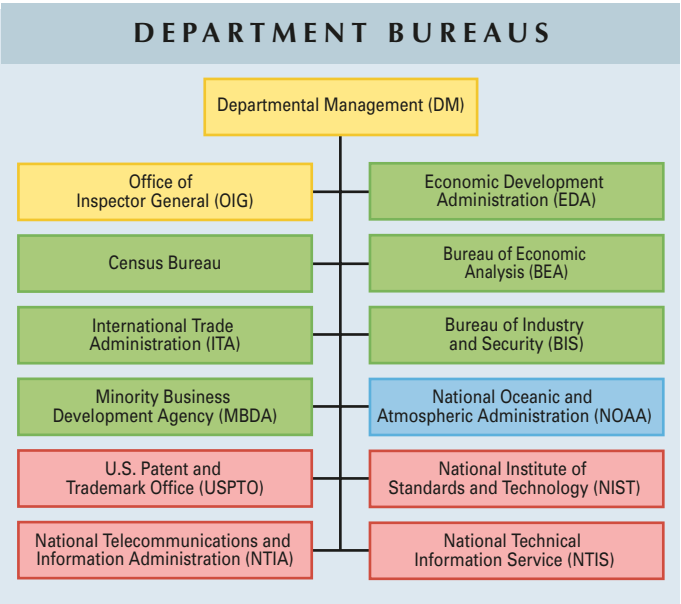


	2002	2003	2004	2005	2006	2007	2008	2009
Exceeded	1	1	3	2	1	1	2	2
Met	16	18	20	5	6	5	4	4
Slightly Below	1							
Improved								1
Not Met	3	5	1	2	2	3	2	1

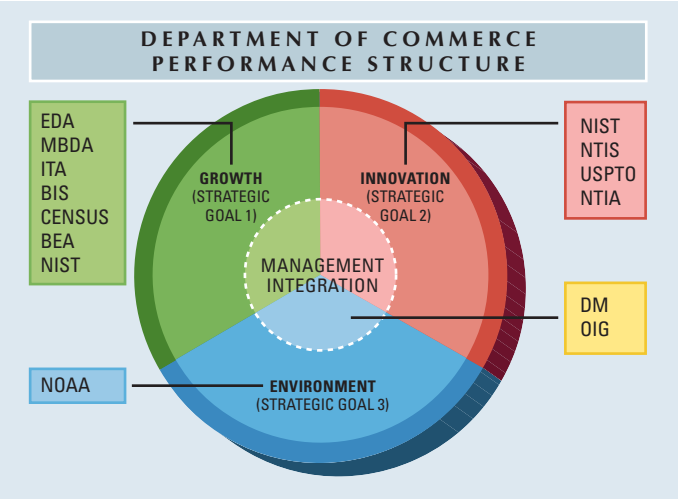
Exceeded = > 125% of target; Met = 100-124%; Slightly below = 95-99%; Not met = Below 95%

ORGANIZATION

The Department has 13 bureaus, with each of these bureaus supporting one strategic goal (with the exception of NIST which crosses Strategic Goals 1 and 2). The colors in the chart to the right correspond to the strategic goals: Green = Strategic Goal 1; Red = Strategic Goal 2; Blue = Strategic Goal 3; and Yellow = Management Integration Goal.



The Department focuses on three different, yet interrelated aspects of economic health and opportunity—growth, innovation, and environment—with each aspect highlighted in one of the Department's strategic goals. A fourth goal—management integration—is linked to all three goals, focusing on various aspects of improving the management of the Department. This structure is shown to the right.



The Department promotes growth by developing partnerships with state, local, private, and nonprofit enterprise to encourage economic growth and development (objective 1.1). The Department also encourages trade by promoting U.S. exports (objective 1.1) while at the same time monitoring those exports to prevent any export of goods that could be used for any activities against the United States (objective 1.2). The Department also develops and publishes the economic statistics and indicators (e.g., GDP) that are essential to U.S. business (objective 1.3). Finally, the Department encourages growth by assisting manufacturers (objective 1.4).

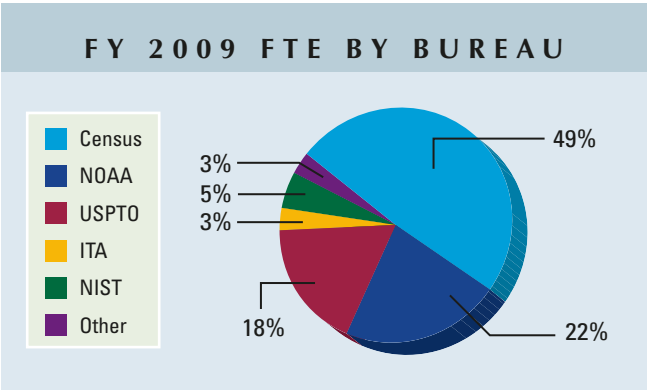
The Department promotes innovation by providing the infrastructure to apply advances in R&D to the benefit of the private sector (objective 2.1). The Department also encourages the development of new technology and the protection of intellectual property (IP) through the issuance of patents and trademarks (objective 2.2). Finally, the Department advances the telecommunications sector by making certain that the allocation of the radio spectrum provides the greatest benefit to all people as well as by promoting new sources of advanced telecommunications (objective 2.3).

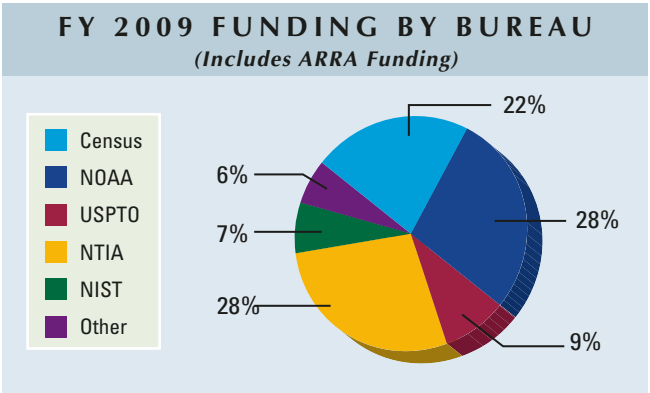
The Department promotes the use of the environment that both assists the American people while maintaining U.S. natural resources. The Department monitors the fishing industry and U.S. marine habitats to prevent overfishing and maintain and preserve U.S. natural marine habitats (objective 3.1). The Department also researches long-term effects of climate change (objective 3.2) while providing daily weather reports and warnings (objective 3.3). Finally, the Department encourages trade and shipping by providing essential navigation maps to the private sector (objective 3.4). The Department also provides mission support activities (e.g., satellites) that support the other four objectives within Strategic Goal 3.

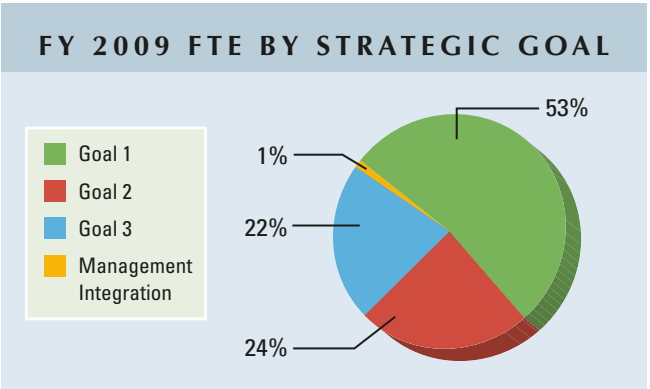
Management Integration promotes greater efficiency within all three strategic goals of the Department through various information technology (IT) activities, financial management oversight and administration, and periodic reviews of programs.

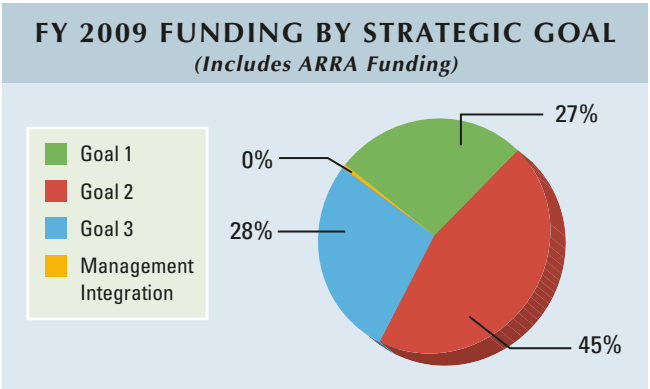
In terms of funding and full-time equivalent (FTE) employment, no strategic goal dominates another, though occasional fluctuations occur which reflect current priorities and change the respective percentages. For example, in 2007, NTIA received an authorization of $2.136 billion for digital conversion. Likewise in 2010, Census Bureau funding is increasing to approximately half the Department's entire budget.

The following charts reflect the distribution of obligations and FTEs by bureau and by strategic goal for FY 2009.

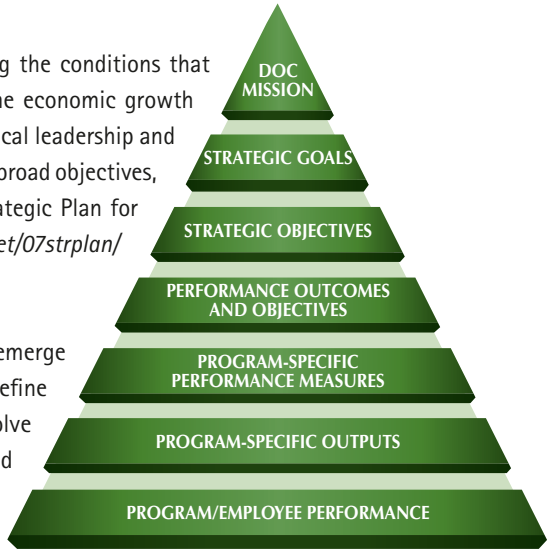








PROCESS FOR STRATEGIC PLANNING AND PERFORMANCE GOALS



The Department's Strategic Plan provides a comprehensive vision for fostering the conditions that create jobs; increasing the productivity of the U.S. economy; encouraging the economic growth that benefits all U.S. industries, workers, and consumers; enhancing technological leadership and environmental stewardship; and supporting market growth strategies. The plan puts forth broad objectives, targets specific outcomes, and identifies key challenges. The Department issued its Strategic Plan for FY 2007 – FY 2012 in June 2007. It can be found at *http://www.osec.doc.gov/bmi/budget/07strplan/DOC07strplan.pdf*.

The Department's goal structure has three levels. Strategic goals describe outcomes that emerge from the Department's mission. Each of these goals in turn has outcome objectives that define the results that the bureaus aim to achieve. These are long-term objectives that often involve more than one Department bureau. Within each objective are performance outcomes tied to specific bureaus that support each strategic objective goal and provide program-level clarity of purpose. Each has associated indicators and targets to continuously measure the Department's impact. Because Strategic Goal 3 relates entirely to one bureau (NOAA), and doesn't cross bureaus, only performance objectives (and not outcomes) appear. Likewise, because the Management Integration Goal is so small (representing one percent of the budget), and refers only to DM and the OIG, only objectives appear.

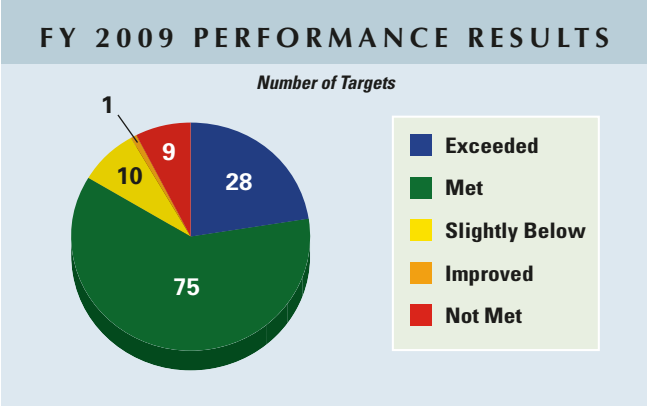
GOAL	OBJECTIVES
1	1.1 Foster domestic economic development as well as export opportunities (EDA, ITA, MBDA)
	1.2 Advance responsible economic growth and trade while protecting American security (ITA, BIS)
	1.3 Advance key economic and demographic data to support effective decision-making of policymakers, businesses, and the American public (ESA/Census, ESA/BEA)
	1.4 Position manufacturers to compete in a global economy (NIST)
2	2.1 Advance measurement science and standards that drive technological change (NIST, NTIS)
	2.2 Protect intellectual property and improve the patent and trademark system (USPTO)
	2.3 Advance global e-commerce as well as telecommunications and information services (NTIA)
3	3.1 Protect, restore, and manage the use of coastal and ocean resources (NOAA)
	3.2 Advance understanding of climate variability and change (NOAA)
	3.3 Provide accurate and timely weather and water information (NOAA)
	3.4 Support safe, efficient, and environmentally sound commercial navigation (NOAA)

The Strategic Plan and bureau Annual Performance Plans (APP) provide the Department's bureau-specific performance goals and measures that align with the Department's strategic goals and objectives. These performance goals are linked with the resource requirements for the past, current, and upcoming fiscal years. Each plan is integrated with the President's budget submission to Congress, at the bureau level. Bureau FY 2010 APPs can be found at *http://www.osec.doc.gov/bmi/budget/*.

The Performance and Accountability Report (PAR) provides a public accounting of the Department's FY 2009 performance results and completes the Department's performance management process. The Web address of the FY 2009 PAR is *http://www.osec.doc.gov/bmi/budget/*. Appendix A of the FY 2009 PAR provides details of the Department's performance and explanatory materials supporting the program results while additional links at this Web site provides details of changes between the FY 2008 and FY 2009 PARs and definitions of measures.

FY 2009 PERFORMANCE

In FY 2009, the Department met or exceeded 84 percent of its 123 performance targets. The Department has maintained a steady rate of performance from FY 2002 onward ranging from a low of 79 percent in FY 2003 to a high of 93 percent in FY 2007. Achieving results in each of the strategic goals furthers the Department's mission. This summary provides a snapshot of the targeted achievements. Further discussions and highlights of successes along with an eight-year history of performance appears in the FY 2009 PAR and is available on the Department's Web site at *http://www.osec.doc.gov/bmi/budget/FY09PAR.html*.



STRATEGIC GOAL 1

Maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers

In FY 2009, the Department met or exceeded 78 percent of the targets it had set for the year. Some of the significant accomplishments that the Department had on the U.S. public include the following:

- As a result of approximately $268 million in investments made in FY 2000, EDA programs generated approximately $2.2 billion in private investment and 45,900 jobs, a 8-to-1 benefit-to-cost ratio.
- EDA investments made in FY 2006, FY 2003, and FY 2000 (three, six, and nine years prior to FY 2009) generated $3.5 billion in private investment and created or retained 79,500 jobs.
- EDA anticipates that FY 2009 investments of approximately $178 million will generate $437 million by 2012, and then continue to increase to $1,093 million by FY 2015, and $2,186 million by FY 2018. EDA expects that those same investments will create or retain 11,183 jobs by 2012, 27,958 jobs by FY 2015, and 55,915 jobs by FY 2018.
- MBDA-funded operations supported clients who obtained $2.92 billion in contract and financial awards.
- ITA played a leading role in U.S. trade, including efforts to strengthen trade promotion by leveraging strategic partnerships, helping U.S. firms make sales in the face of a recession in many key markets, and advancing transformational commercial diplomacy. ITA continued to expand its outreach to strategic partners, including U.S. cities and states, corporate partners, and trade associations. ITA increased the number of corporate partners from six in 2007 to 19 in 2009.
- ITA, along with other trade policy agencies, has continued to lower trade barriers through free trade agreements (FTA) during FY 2009. Although countries that the United States has FTAs with only represent 9.4 percent of world GDP, they represent 41 percent of U.S. trade. ITA has also maintained a concerted effort to open up large developing markets like China and India. ITA has measured itself by "export successes" tied to specific export transactions of client companies. Overseas posts also devote time and resources to

"commercial diplomacy," i.e., working behind the scenes to resolve problems, reduce trade barriers, and cut red tape. Commercial diplomacy benefits not only current ITA clients, but also all U.S. exporters by opening doors and creating paths to success for other exporters to follow. In 2009, the Commercial Service had almost $600 million in commercial diplomacy successes.

- While the Department seeks to encourage trade, this desire is balanced by the need to control exports, specifically those dual-use exports which have both civilian and military applications. This need for balance is evident in the strategic partnership between the United States and India. General Electric India (GE India) has been tapped as the first Indian company to qualify as a Validated End-User (VEU) in India. The VEU designation will allow GE India to receive certain controlled items from the United States, including civilian aircraft technology and explosive detection equipment without an individual license, cutting red tape and making the flow of trade more efficient between the countries. That the VEU program was opened for India is an indication of the increased importance of the U.S.-India bilateral and commercial relationship.
- The Census Bureau and BEA provide vital statistical information on the economy and the demographics of the Nation. Statistics affect all aspects of public and private sectors, including the distribution of funds to various geographic districts. The Decennial Census, mandated by the Constitution, affects the political makeup of every state in the union and reflects the shifting political power among the states. In FY 2009, the Census Bureau began field operations for the 2010 Decennial Census, the largest non-military activity undertaken by the U.S. government.
- In 2009, BEA continued to produce its critical statistics, including GDP personal income and outlays, corporate profits, GDP by state and by metropolitan area, balance of payments, and GDP by industry. These statistics are used by federal, state, and local governments for budget development and projections; by the Federal Reserve for monetary policy; by the business sector for planning and investment; and by the U.S. public to follow and understand the performance of the Nation's economy.
- NIST's Manufacturing Extension Partnership (MEP) works one-on-one with thousands of U.S. manufacturers to implement the best combination of process improvements and growth services for each individual company. MEP supported its clients in generating an estimated $3.3 billion in increased sales, an estimated $1.4 billion in capital investment, and an estimated $1.2 billion in cost savings during FY 2008 (MEP results have a one-year time lag).

PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
Promote private investment and job creation in economically distressed communities (EDA)	5 of 6
Improve community capacity to achieve and sustain economic growth (EDA)	2 of 6
Strengthen U.S. competitiveness in domestic and international markets (ITA)	3 of 4
Broaden and deepen U.S. exporter base (ITA)	4 of 5
Increase access to the marketplace and financing for minority-owned businesses (MBDA)	4 of 5
Identify and resolve unfair trade practices (ITA)	4 of 5
Maintain and strengthen an adaptable and effective U.S. export control and treaty compliance system (BIS)	7 of 7
Integrate non-U.S. actors to create a more effective global export control and treaty compliance system (BIS)	0 of 1
Ensure continued U.S. technology leadership in industries that are essential to national security (BIS)	1 of 1
Provide benchmark measures of the U.S. population, economy, and governments (ESA/CENSUS)	2 of 3
Provide current measures of the U.S. population, economy, and governments (ESA/CENSUS)	2 of 2
Provide timely, relevant, and accurate economic statistics (ESA/BEA)	5 of 6
Increase the productivity, profitability, and competitiveness of manufacturers (NIST)	4 of 4
Total	**43 of 55**

Blue = Met 100% of targets. Green = Met 75% of Targets. Yellow = Met 50% of targets. Red = Met < 50% of targets.

STRATEGIC GOAL 2

Promote U.S. innovation and industrial competitiveness

In FY 2009, the Department met or exceeded 97 percent of the targets it had set for the year. Some of the significant accomplishments that the Department had on the U.S. public include the following:

- NIST Standard Reference Materials (SRM) are among the most widely distributed and used products from NIST. The Agency prepares, analyzes, and distributes more than 1,000 different materials that are used throughout the world to check the accuracy of instruments and test procedures used in manufacturing, clinical chemistry, environmental monitoring, electronics, criminal forensics, and dozens of other fields.
- Each year the National Research Council (NRC) evaluates approximately half of the NIST laboratory programs, including making recommendations for improvements while citing excellent performance. Typically, NIST laboratory programs have consistently done well in these reports. In FY 2009, NRC focused on the following five areas: Chemical Science and Technology, Electronics and Electrical Engineering, IT, Nanoscale Science and Technology, and Neutron Research.
- NIST's Technology Innovation Program (TIP) funded nine new high-risk, innovative projects in FY 2009 in the critical national need area of civil infrastructure with a focus on advanced sensing technologies. The unique multi-disciplinary approaches and teaming efforts of the 35 research participants involved in these projects will help to achieve a transformative impact for infrastructural monitoring and inspection.
- USPTO maintained a strong focus on quality in FY 2009, with an allowance compliance rate near 97 percent. However, many challenges remain to achieve significant sustainable reductions in patent pendency—now over 25 months for first action and 34 months for total pendency—to levels that fully enable and reward entrepreneurship and innovation. A slowdown in filings this year allowed the Patent Office to make some headway on its backlog. However, the slowdown posed some additional challenges due to the commensurate reduction in fees, on which USPTO depends for operations. Congress authorized the use of trademark fees to fund patent operations in limited circumstances. However, USPTO implemented cost savings that avoided use of this authority in FY 2009. For the longer-term, the Department will work to ensure that USPTO has an adequately stable and sustainable financial structure. The Trademark Office continued to streamline processes, reduce costs, and lower pendency. Trademark first-action pendency improved from 3.0 months in FY 2008 to 2.7 months in FY 2009, and total pendency improved from 11.8 months in FY 2008 to 11.2 months in FY 2009.
- Telecommunications plays a key role in U.S. society as the economy expands into the digital age. NTIA is at the forefront of this expansion. NTIA's work promotes the development of an advanced communication and information infrastructure that efficiently meets the needs of consumers, creates jobs, and enhances the Nation's competitiveness in the global marketplace.
- In FY 2009, the digital television (DTV) transition occurred with minimal disruption and maximum preparedness. Efforts by the White House, NTIA, the Federal Communications Commission (FCC), and numerous private sector stakeholders made a critical difference in decreasing the number of households unprepared for the final transition when June 12 arrived. Nielsen data after

the June 12 transition indicated that the number of unready households was reduced to less than 2.9 million. Since then, it has dropped even further to less than 1.5 million unready households.

- The ARRA allocated $4.7 billion to NTIA to administer the Broadband Technology Opportunities Program (BTOP) for the general purpose of accelerating the deployment and adoption of broadband services in the United States. NTIA will award the bulk of the dollars to projects to deploy broadband infrastructure in unserved and underserved areas in rural and urban areas of the United States. In addition, NTIA will provide at least $250 million to projects that encourage sustainable adoption of broadband services, and at least $200 million to expand public computer center capacity, including at community colleges and public libraries. In implementing the ARRA's broadband provisions, NTIA has coordinated closely with other federal agencies and stakeholders, including the U.S. Department of Agriculture's (USDA) Rural Utilities Service (RUS) and the FCC, which was directed to establish a National Broadband Plan.
- NTIA manages the radio communications spectrum used by the federal government. Wireless technologies and services support the missions of 69 federal departments and agencies, which use over 40 radio services for national and homeland security, critical infrastructure protection, transportation, and law enforcement. NTIA has been working with the FCC to improve the efficient use of spectrum. For example, the joint Spectrum Sharing Innovation Test Bed is examining various technical issues involved in the sharing of spectrum between federal and non-federal users. This initiative is providing an important opportunity for federal agencies to work cooperatively with industry, researchers, and academia to evaluate objectively new technologies to manage the Nation's airwaves. NTIA recognizes the potential widespread benefits of more widely expanded wireless broadband, and it is committed to doing its part to help turn that potential into reality.
- In advance of the September 30, 2009 expiration of the Joint Project Agreement with the Internet Corporation for Assigned Names and Numbers (ICANN), NTIA conducted an inquiry in which it sought public comments regarding the progress of the transition of the technical coordination and management of the Internet DNS to the private sector, as well as the model of private sector leadership and bottom-up policy development which ICANN represents. On September 30, 2009, NTIA and ICANN co-signed an Affirmation of Commitments that completes the transition of the technical management of the DNS to a multi-stakeholder, private-sector-led model. The affirmation ensures accountability and transparency in ICANN's decision-making with the goal of protecting the interests of global Internet users. The affirmation also establishes mechanisms to address the security, stability, and resiliency of the Internet DNS as well as promote competition, consumer trust, and consumer choice.

PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
Promote innovation, facilitate trade, and ensure public safety and security by strengthening the Nation's measurements and standards infrastructure (NIST)	5 of 6
Promote U.S. competitiveness by directing federal investment and R&D into areas of critical national need that support, promote, and accelerate high-risk, high-reward research and innovation in the United States (NIST)	1 of 1
Increase public access to worldwide scientific and technical information through improved acquisition and dissemination activities (NTIS)	3 of 3
Optimize patent quality and timeliness (USPTO)	5 of 5
Optimize trademark quality and timeliness (USPTO)	5 of 5
Improve intellectual property and enforcement domestically and abroad (USPTO)	2 of 2
Ensure that the allocation of radio spectrum provides the greatest benefit to all people (NTIA)	5 of 5
Promote the availability, and support new sources, of advanced telecommunications and information services (NTIA)	2 of 2
Total	**28 of 29**

Blue = Met 100% of targets. Green = Met 75% of Targets. Yellow = Met 50% of targets. Red = Met < 50% of targets.

STRATEGIC GOAL 3

Promote environmental stewardship

In FY 2009, the Department met or exceeded 84 percent of the targets it had set for the year. Through NOAA, the Department impacts the entire Nation. From the management of fisheries to the prediction of severe storms such as hurricanes and tornadoes, all of the United States depends on NOAA programs. Some of the significant accomplishments that NOAA had on the U.S. public include the following:

- NOAA continued its efforts to eliminate overfishing and rebuild stocks important to commercial, recreational, and subsistence fisheries. In FY 2009, four stocks—Atlantic bluefish, Gulf of Mexico king mackerel, and two stocks of monkfish in the Atlantic—were declared rebuilt, the largest number in a single year since NOAA declared the first stock successfully rebuilt in 2001. NOAA also made significant progress toward ending overfishing through the implementation of annual catch limits and accountability measures by publishing guidelines for the eight Fishery Management Councils to use in implementing this mandate. NOAA is working with the councils to amend fishery management plans, and successfully worked with the Gulf of Mexico Council to define annual catch limits and accountability measures for all stocks classified as subject to overfishing in the Gulf of Mexico one year in advance of the 2010 deadline. NOAA is also working with the New England Fishery Management Council to develop new groundfish management measures that will implement fishing sectors—a group of vessel permit holders who voluntarily agree to fishing restrictions and procedures in exchange for a share of the total catch allocated to the industry. This system based on catch shares will replace the current method of limiting fishing through days at sea for those vessels that join a sector.

- A multi-agency report, "Climate Change and Water Resources Management: A Federal Perspective," was released to the public on February 2, 2009. The study presents the best available science to help water managers prepare for, adapt to, and mitigate the effects of climate change on the Nation's water resources. NOAA and the U.S. Geological Survey collaborated with the U.S. Army Corps of Engineers and the Bureau of Reclamation to explore strategies for improved water management. The report suggests processes that will improve tracking, anticipation, and response to climate change effects. A critical goal of this report is to develop effective coordinated, cross-agency early warning systems in support of adaptation as the climate changes. One such example is the National Integrated Drought Information System (NIDIS). The report serves as an important document for guiding the development of NOAA climate services and informing its role as a partner with resource management and environmental science agencies.

- A guide is now available to help individuals of all ages understand how climate influences them and how they influence climate. "Climate Literacy: The Essential Principles of Climate Science" is a product of the U.S. Global Change Research Program (USGCRP) and was compiled by an interagency group led by NOAA; multiple science agencies, several nongovernmental organizations, and numerous individuals contributed to this guide. The 13-page guide suggests how people can help reduce climate change and its impacts; and defines important climate terms and concepts used regarding climate science, adaptation, and mitigation. The Climate Literacy guide supports the development of formal and informal educational materials about climate science as well as professional development opportunities for educators. The intent is to integrate the framework into national and state education standards, and to support teacher workshops to ensure that educators are proficient in the concepts of climate and related sciences. The release of the guide was announced at the National Science Teachers Association's 2009 National Conference in New Orleans, LA.

- In FY 2009, the Search and Rescue Satellite-Aided Tracking System (SARSAT) has led to the rescue of 184 people. Over the years, NOAA's satellites have helped to save people from potentially life-jeopardizing emergencies throughout the United States and its surrounding waters. NOAA currently has over 250,000 406 MHz emergency beacons in their registration database and is currently registering record numbers each month.
- Further, new ocean observing data are feeding into U.S. Coast Guard servers to improve environmental observations for the Agency's operational Search and Rescue Optimal Planning System. The data enhance the ability to track the probable paths of those lost at sea and are expected to improve search and rescue efforts along the Mid-Atlantic U.S. coastline. The data come from an Integrated Ocean Observing System (IOOS) and are part of a joint effort among NOAA, the Mid-Atlantic Coastal Ocean Observing Regional Association, the U.S. Coast Guard, and the Department of Homeland Security (DHS). The new data sets include surface current maps from high frequency radar systems, technology that measures speed and direction of ocean surface currents in near real time. The U.S. Coast Guard can then use the maps to guide its search and rescue operations with greater accuracy. The maps can also be used to support other scientific work, such as oil spill response, harmful algal bloom monitoring, and water quality assessments. A short-term predictive system that allows 24-hour forecasts for sea surface currents based on the most recent ocean observations is also now available in the Mid-Atlantic region. Surface current data is one of seven IOOS variables that are now interoperable as a result of IOOS data interoperability efforts.
- The Integrated Ocean and Coastal Observation System Act of 2009 authorized a national IOOS and governance structure designating NOAA as the lead federal agency for implementation and administration of the system in consultation with interagency and regional partners. In FY 2009, NOAA IOOS awarded $21 million to Regional Coastal Ocean Observing Systems (RCOOS) partners and their managing entities called Regional Associations. IOOS expanded the network of ocean-related observations, data, and products available; improved regional implementation of NOAA and other federal missions; and met needs for coastal and ocean information. Regional Associations improved capabilities and ocean monitoring such as the Caribbean Regional Association that deployed the region's first buoy in June that collects real-time data on winds, waves, currents, temperature, salinity, and pressure for tsunami predictions. The Pacific Islands Ocean Observing System (PacIOOS) enhanced ocean observing capabilities by adding their first High Frequency Radio system, launching water quality sensors and coastal carbon buoys in partnership between the University of Hawaii and NOAA's Pacific Marine Environmental Laboratory, and developing ocean education programs for elementary school children. Collectively, IOOS regional partners continued to build on, and expand these capabilities to more closely serve their local and regional stakeholders' needs while contributing to U.S. IOOS. Observation information will be utilized in support of ocean understanding and conservation.

STRATEGIC OBJECTIVE	TARGETS MET OR EXCEEDED
Promote, restore, and manage the use of coastal and ocean resources (NOAA)	8 of 8
Advance understanding of climate variability and change (NOAA)	6 of 6
Provide accurate and timely weather and water information (NOAA)	7 of 11
Support safe, efficient, and environmentally sound commercial navigation (NOAA)	5 of 6
Total	**26 of 31**

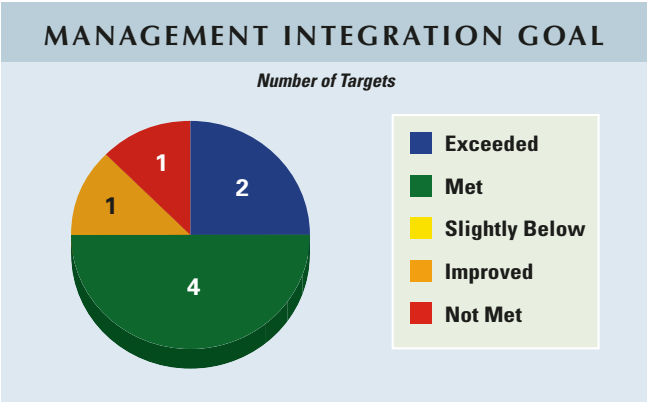
Blue = Met 100% of targets. Green = Met 75% of Targets. Yellow = Met 50% of targets. Red = Met < 50% of targets.

MANAGEMENT INTEGRATION GOAL

Achieve organizational and management excellence

Two organizations support the Management Integration goal: Departmental Management (DM) and the OIG. In FY 2009, the Department met 75 percent of the Management Integration targets it had set for the year.

The Department received an unqualified audit opinion for the11th consecutive year. In the field of human resources, the Department developed and implemented new competency models for use in applicant selections and training in three different mission-critical occupations, while exceeding the 45-day hiring goals mandated by the Office of Personnel Management (OPM), with an average fill time of 31 days for non-senior executive service (SES) vacancies.



PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
Ensure effective resource stewardship in support of the Department's programs (DM)	1 of 3
Ensure retention of highly qualified staff in mission-critical positions (DM)	1 of 1
Acquire and manage the technology resources to support program goals (DM)	1 of 1
Promote improvements to Department programs and operations by identifying and completing work that (1) promotes integrity, efficiency, and effectiveness; and (2) prevents and detects fraud, waste and abuse (OIG)	3 of 3
Total	**6 of 8**

Blue = Met 100% of targets. Green = Met 75% of Targets. Yellow = Met 50% of targets. Red = Met < 50% of targets.

AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

In FY 2009, Congress passed ARRA, providing funds for several agencies including the following within the Department: OIG, EDA, Census Bureau, NOAA, NIST, and NTIA. The following section provides a table showing the agencies that received funds, the funding amount, and a brief description of what the funds are provided for.

BUREAU	OFFICE OF INSPECTOR GENERAL (OIG)
PROGRAM	OFFICE OF INSPECTOR GENERAL
Amount	$6 million
Description	These funds are for general oversight of the Department's ARRA activity. Early OIG uses include emphasis on training of grants and contract officers to alert them to the signs of potentially fraudulent or wasteful activity by grantees or contractors. Other activities include review of various grant pre-award operations, and an audit of the bureaus' review of grant and contract recipient reporting.
BUREAU	ECONOMIC DEVELOPMENT ADMINISTRATION (EDA)
PROGRAM	ECONOMIC DEVELOPMENT ASSISTANCE PROGRAMS
Amount	$150 million
Description	EDA funded 68 ARRA grants through its existing program structure in FY 2009. Consistent with the intent of the act, EDA's ARRA investments are primarily focused on infrastructure projects that will promote immediate job growth and retention.
BUREAU	CENSUS BUREAU
PROGRAM	PERIODIC CENSUSES AND PROGRAMS
Amount	$1,000 million
Description	To ensure a successful 2010 Decennial Census, the Census Bureau received $1 billion to hire new personnel for partnership and outreach efforts to minority communities and hard-to-reach populations, increase targeted media purchases, and ensure proper management of other operational and programmatic risks.
BUREAU	NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA)
PROGRAM	OPERATIONS, RESEARCH, AND FACILITIES
Amount	$230 million
Description	• $40 million to reduce the critical hydrographic survey backlog by approximately 1,940 square nautical miles. • $167 million for mid and large-scale restoration projects addressing coral reef conservation, restoring fish habitats, and helping endangered species such as salmon and sea turtles. • $3 million to conduct any required environmental consultations associated with projects funded by the ARRA and to address the current backlog of Endangered Species Act. • $20 million for critical repairs and replacements to NOAA's fleet of research and exploration vessels.

BUREAU	NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA) *(continued)*
PROGRAM	**PROCUREMENT, ACQUISITION, AND CONSTRUCTION**
Amount	$600 million
Description	• $170 million to accelerate and enhance NOAA's High Performance Computing capabilities to directly improve capabilities for weather and climate modeling and climate change research. • $7.4 million to accelerate the Dual Polarization effort of the next generation Doppler weather radar system that will allow signals to be transmitted and received in two dimensions, resulting in a significant improvement in precipitation estimation; improved ability to discriminate rain, snow, and hail; and a general improvement in data quality. • $74 million to accelerate development of the National Polar-orbiting Operational Environmental Satellite System (NPOESS) and climate sensors for these satellites. • $9 million to upgrade the NOAA Weather Forecast Offices in Barrow and Nome, AK, and repair a number of other local weather offices around the country. • $142 million to complete construction of NOAA's consolidated Pacific Regional Center on Ford Island in Honolulu. • $102 million to complete the design, construction, and occupancy of the replacement NOAA Southwest Fisheries Science Center in La Jolla, CA. • $9 million to continue the replacement of the at-risk Fairbanks Operations Building in Fairbanks, AK. • $8.6 million to fund necessary facility maintenance and repairs to ensure the health and safety of NOAA employees and to protect NOAA's facility investments. • $78 million to complete the construction of the sixth Fisheries Survey vessel that will support fisheries survey and related research along the West Coast and Eastern Tropical Pacific Ocean.
BUREAU	**NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY (NIST)**
PROGRAM	**SCIENTIFIC AND TECHNICAL RESEARCH AND SERVICES**
Amount	$220 million
Description	$220 million for research, competitive grants, additional research fellowships, and advanced research and measurement equipment and supplies. The ARRA also provides for NIST $20 million from the Department of Health and Human Services (HHS) for Health Information Technology and $10 million from the Department of Energy (DOE) for Smart Grid.

BUREAU	NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY (NIST) *(continued)*
PROGRAM	**CONSTRUCTION OF RESEARCH FACILITIES**
Amount	$360 million
Description	• $180 million to complete the funding of the Precision Measurement Laboratory (PML); enhance the performance of the PML; carry out energy-efficient Safety, Capacity, Maintenance, and Major Repairs Program projects; high-efficiency cooling system, associated support infrastructure for the cooling system, and other support infrastructure for the NIST Center for Neutron Research; fund the design and construction of: (1) a National Structural Fire Resistance Laboratory; (2) new time-code radio broadcast stations in separate locations around the country; (3) an Emergency Services Consolidated Facility in Gaithersburg; (4) a Net-Zero-Energy Residential Test Facility at NIST Gaithersburg; and, (5) an in-house oversight and construction management support of NIST construction projects; relocation and consolidation of advanced robotics and logistics operations from a decommissioned NIKE missile site to the NIST Gaithersburg site ($9.0 million); and fund the construction of Liquid Helium Recovery Systems for the Gaithersburg and Boulder sites • $180 million to provide competitively awarded grants to U.S. universities, colleges, and not-for-profit research organizations for research science buildings through the construction of new buildings or expansion of existing buildings.
BUREAU	**NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION (NTIA)**
PROGRAM	**BROADBAND TECHNOLOGIES OPPORTUNITY PROGRAM (BTOP)**
Amount	$4,700 million
Description	Provide grant support to enable consumers in unserved and underserved areas of the United States to access broadband services; provide grants to support the deployment of broadband infrastructure in unserved and underserved areas, to enhance broadband capacity at public computer centers, and to encourage sustainable adoption of broadband service.
PROGRAM	**DIGITAL-TO-ANALOG CONVERTER BOX PROGRAM**
Amount	$650 million
Description	The Digital-to-Analog Converter Box Coupon Program provides up to two coupons valued at $40 each for requesting households to purchase converter boxes to continue receiving over-the-air broadcasts. Enactment of the DTV Delay Act and the ARRA provided NTIA with the time and funds needed to meet the high demand for coupons experienced in late 2008 and early 2009, as well as to implement other important programmatic reforms.

MANAGEMENT CHALLENGES

The Inspector General (IG) identified the top five management challenges facing the Department along with four other issues requiring significant management attention in a November 2008 report entitled *Top Management Challenges Facing the Department of Commerce*. The following is the Department's summary of these challenges and issues. The IG's complete text of the challenges and issues may be found on the OIG Web site at *http://www.oig.doc.gov/oig/reports/2008/OIG-19384.pdf*.

Challenge 1: Control the Cost and Improve the Accuracy of the Decennial Census

The ability of the Census Bureau to successfully conduct its decennial count of U.S. residents in 2010 is at serious risk. After spending eight years developing a completely new approach to census-taking—one that was to automate major field operations—the Bureau scrapped plans for using handheld computer technology for the largest and most expensive of these operations—nonresponse follow-up—because of significant performance problems and the Bureau's loss of confidence in the Field Data Collection Automation (FDCA) contractor. It will now conduct this operation using paper and pencil, as it has done in previous censuses. The inability to produce a handheld computer, combined with major flaws in the Bureau's cost estimating methods, added an estimated $2.2 billion to $3 billion to the original $11.5 billion life-cycle cost estimate for the 2010 Decennial Census. Despite changes made by the Department and the Census Bureau, significant risks remain for the 2010 Decennial Census. An inaccurate population count will have unacceptable consequences for the Nation: at stake is apportionment of the 435 seats in the House of Representatives and equitable distribution of billions of dollars in federal and state aid. Both the Government Accountability Office (GAO) and OMB have designated the 2010 Decennial Census as a high-risk program and it is under intense scrutiny by Congress.

The overarching explanation for the significant problems is the failure of senior Census Bureau managers to anticipate the complex IT requirements involved in automating the census. The Bureau had intended to develop handheld devices in-house and tested prototypes in both 2004 and 2006. The devices had serious problems in both tests. The Bureau decided too late in the decade to contract for automation of field operations to meet ambitious fixed deadlines for the dress rehearsal tests starting in 2007 and decennial operations starting in 2009. As late as January 2008—nearly two years after contract award—the Bureau finally delivered a first draft of a set of requirements for the handhelds and supporting infrastructure. It had no contingency plan in the event the handhelds proved unusable. Tremendous setbacks occurred for several operations in addition to nonresponse follow-up such as plans for testing and enhancing the handhelds for address canvassing—the only operation that will still use the devices. Because of the inordinate attention and resources necessary to address field automation problems, the Bureau has not addressed the ability to enumerate traditionally difficult groups and settings, such as the homeless, military bases, and group quarters. Furthermore, the Bureau eschews open dialog with outside parties and even its own regional operations. As decennial census planning proceeded, the Bureau minimized the significance of its problems, withheld information, and was not forthcoming with the Department, Congress, the OIG, and other oversight agencies about the problems it was experiencing, allowing them to persist to the point of crisis. Because Bureau staff view the decennial as so unique that there is little to be learned from newcomers or external sources, this vision has left the Bureau unreceptive to new ways of doing business. It has not kept pace with private sector advances in business process improvement and lacks insight into how advances can benefit census operations. Leadership with private sector expertise is vital not only for improving decennial management but also for reappraising the Bureau's other programs and administrative operations. Although the Bureau made personnel changes after the FDCA crisis became public, it has not yet brought in external management with expertise in successfully running complex programs and system acquisitions or in implementing contemporary private sector management methods.

Challenge 2: Strengthen Department-wide Information Security

The Federal Information Security Management Act (FISMA) requires agencies to certify that their systems and data are protected with adequate, functioning security controls before authorizing (accrediting) a system to operate. The reason for the material weakness at the Department has been consistently inadequate certification and accreditation (C&A): year after year the OIG's FISMA reviews have found ineffective C&A processes that do not adequately identify and assess needed controls and ultimately fail to assure that systems and data are protected. Despite additional expenditures to mitigate the problem, the Department has reported information security as a material weakness every year since FY 2001.

Securing systems from cyber threats is clearly the most difficult piece of the challenge, because these threats represent a moving target: they increase in number and sophistication almost daily. And as agencies incorporate wireless and other technologies to support their operations and workplace flexibilities, they invite new risks that must be anticipated and mitigated.

To be effective in this environment, the Department's IT security program must be proactive and fluid, staffed by IT security professionals who have the appropriate skills and experience to implement required security controls, assess their effectiveness, and anticipate and respond to emerging threats. They also need appropriate security clearances to effectively deal with potential cyber attacks by hackers, terrorist groups, organized crime, and nation-states. The OIG has found IT security personnel lack adequate understanding of the Department's IT security policy, the NIST standards and guidance, and security technology, and therefore cannot appropriately apply them. The Department cites lack of resources as a major impediment to improving IT security.

Challenge 3: Effectively Manage the Development and Acquisition of Environmental Satellites

NOAA is modernizing its environmental monitoring capabilities, spending billions of dollars on two satellite systems that provide critical data: the National Polar-Orbiting Operational Environmental Satellite System (NPOESS) and Geostationary Operational Environmental Satellite-R series (GOES-R). Acquisitions like NPOESS and GOES-R are highly technical and complex and have a history of cost overruns, schedule delays, and performance failures. The costs and schedules of both of these systems have significantly increased since the projects commenced, requiring careful oversight to minimize any further disruption and to prevent any gaps in satellite coverage—a situation that could have serious consequences for the safety and security of the Nation.

The $12.5 billion NPOESS project will provide continuous weather and environmental data for longer term weather forecasting and climate monitoring through the coming two decades. The initial project plan called for the purchase of six satellites at a cost of $6.5 billion, with a first launch in 2008. But problems with a key sensor—the Visible/Infrared Imager Radiometer Suite (VIIRS)—were a major contributor to the increase in estimated cost, even as the number of satellites was reduced to four and the first launch pushed back to 2013. Recent analysis indicates that the $12.5 billion estimate could substantially increase in the near future. Despite scaling back the program in 2007, NOAA reported continuing problems with VIIRS development the primary contractor for NPOESS has been unable to correct these problems. If these problems are not resolved with some expediency, it could mean further delay for the launch of a pilot mission to test the new VIIRS instrument and may result in gaps in data coverage. Because NPOESS is the only source of critical weather and environmental data, it is especially important that VIIRS problems be resolved. Reining in additional costs and delays in both programs requires very specific action and vigilant oversight. For NPOESS, NOAA, the National Aeronautics and Space Administration (NASA), and the Department of Defense (DOD) must control and resolve the continuing problems with VIIRS, and improve tri-agency decision-making.

The $7.7 billion GOES-R system will offer an uninterrupted flow of high-quality data for short-range weather forecasting and warning, and climate research through 2028. An inadequate acquisition and management process contributed to underestimated

costs for GOES-R and planned satellite capabilities that were too ambitious. As a result, the projected cost of GOES-R has increased from $6.2 billion to $7.7 billion, a major sensor has been removed, and the number of satellites to be purchased has decreased from four to two. For GOES-R, NOAA needs to work closely with the Department to ensure it follows best practices in overseeing the acquisition while awaiting development of formal Department oversight polices and procedures, and work with Congress to update the baseline life-cycle cost estimate used in its annual reporting on the satellite system. The OIG evaluation in 2007 found that significant weaknesses in oversight during earlier phases of the program led to the cost increases and schedule delays. Because GOES-R was not using an accepted life cycle process, oversight officials were left without sufficient decision-making information.

Challenge 4: Establish a Safety Culture at NIST

A June 2008 plutonium spill at NIST's Boulder, CO, laboratory raised serious concerns about NIST's ability to perform state-of-the-art research with radioactive and other dangerous materials while protecting the safety of workers and the community at large. The plutonium spill was one of several incidents reported at NIST labs in the past few years that have revealed management flaws and a lax safety culture at the Agency. But it was by far the most serious in terms of the potential for widespread harm.

The spill exposed weaknesses in NIST's safety management that must be corrected. A review by the Department of Energy (DOE) found that NIST had not established a safety management system or protocols. Safety roles and responsibilities were poorly defined, and the labs did not have the staff expertise to understand and analyze exposures to hazardous materials. An independent reviewer noted that Boulder management does not consider safety to be its responsibility, but rather that of internal health and safety staff. In addition, the circumstances under which the spill occurred are evidence that safety is not a core value: a guest researcher was allowed to work alone with the plutonium after normal business hours even though he had no training in handling radioactive materials.

The plutonium spill and the subsequent revelations regarding NIST's lax safety culture are particularly disturbing in light of the Agency's international reputation as a world-class scientific organization. Yet rather than modeling best practices, NIST's lax approach to safety increases risks to NIST and the greater community.

NIST must make safety a primary concern at all organizational levels and strictly comply with all federal requirements and industry standards. It must establish and enforce stringent policies and procedures for handling hazardous materials and strict lines of accountability for implementing them.

Challenge 5: Ensure NTIA Effectively Carries Out Its Responsibilities under the Digital Television Transition and Public Safety Act

The Digital Television Transition and Public Safety Act of 2005 assigned NTIA responsibility for implementing a $2.5 billion initiative for the conversion to digital television (DTV) and improvements to public safety communications. The act authorizes NTIA to use $1.5 billion to support the Nation's June 2009 switch to all-digital broadcasting by offering coupons toward the purchase price of converter boxes that will enable analog television viewers to receive digital programming.

A primary purpose of the switch to DTV is to free up radio frequencies for advanced wireless emergency communications at state and local levels, thus improving the ability of first responders to communicate with one another during emergencies. The act authorizes NTIA to provide approximately $1 billion in grants for Public Safety Interoperable Communications (PSIC) projects in all 50 states, the District of Columbia, and the U.S. territories—a total of 56 entities. The Converter Box Coupon Program is progressing with few problems, but close oversight must be maintained NTIA has made substantial progress in helping prepare

television viewers for the switch to digital broadcasting: in August 2007 it contracted with IBM to provide certain services to implement the $1.5 billion Converter Box Coupon Program. Maintaining strict accountability for funds in a program of this type and size requires careful oversight and strong internal controls to guard against fraud, waste, and abuse among retailers and to ensure the program is properly closed out by September 2009, as required by the act.

The act also authorizes NTIA to use up to $5 million for outreach and education concerning the DTV transition and the coupons. NTIA has targeted geographic areas and demographic groups that have the highest percentage of analog-only households. The outreach strategy provides for intensified publicity at critical points in the conversion.

Also of concern is the OIG's finding that PSIC grantees may not be able to complete projects within the legislation's short funding time frame. The PSIC program is a one-time grant opportunity to target specific funds and resources toward improving the interoperability of local and state voice and data communications. But grantees are moving slowly, and whether they can complete their projects by the statutory deadline of September 30, 2010, is questionable. As of September 2008, grantees had spent less than 1.5 percent of the available $1 billion, which leaves them only two years to complete their projects or lose funding. But many of the projects involve activities that could take much longer. Given all that must follow the purchase of equipment—installation, operational testing, and training, at a minimum—grantees who are still in the acquisition stage as late as FY 2010 face the very real possibility of arriving at the program's September 30 deadline with partially completed projects but without funding to finish them out. Part of the reason for the grantees' slow start is the way the PSIC awards process worked. Because of the September 30, 2007 award deadline, PSIC awards preceded approval of individual project plans and release of funds. As a result, many recipients spent the first year of the three-year grant period developing plans, obtaining their approval, and awaiting availability of funds.

NTIA should expeditiously identify grantees that are at high risk of not meeting the statutory deadline for completing their projects, give them the technical assistance they need to accelerate the process, carefully monitor their progress, and keep Congress informed of the PSIC program's status toward achieving its objectives. If any entities seem still unlikely to meet the deadline, NTIA should work with Congress to extend it.

OTHER ISSUES REQUIRING SIGNIFICANT MANAGEMENT ATTENTION

Weaknesses in the Department's Acquisition Oversight and Acquisition Workforce

Acquisition and contract management has been a consistent watch list item for federal inspectors general and GAO, as related government spending has ballooned in recent years. Spending on contracts government-wide, for example, has more than doubled since 2000—from $208 billion to $538 billion in FY 2008—while the federal acquisition workforce has remained fairly constant: roughly the same number of skilled professionals now oversee more than twice as many federal contract dollars as they did eight years ago, and the projects they support have greatly increased in complexity and risk. Shortfalls and failures in major systems acquisitions are all too common in federal programs. And contracts of all sizes and complexity are at risk for fraud and waste because of poor oversight and lax controls.

The Department does not have coherent policies to guide systems acquisition or effective oversight mechanisms, and these failings were major contributors to the problems it identified with NOAA's GOES-R satellite program and the Census Bureau's FDCA contract. It also lacks a sufficient amount of skilled contracting and project management expertise—a problem with which all federal agencies are grappling. Hiring and retaining a skilled acquisition workforce has been difficult, and the competition is

stiff. The Department has a limited number of contracting specialists to meet its multibillion-dollar workload. It has no reliable count of its program/project managers or contracting officer's technical representatives (COTR), although skilled professionals in these positions are also at a premium.

The Department is working to address these problems, but the process is slow and in its early stages. The Department is strengthening acquisition and contracting by updating its antiquated policies and procedures to promote more effective planning, implementation, and oversight. It is also taking steps to make better use of its oversight bodies—the Acquisition Review Board and the Commerce Information Technology Review Board—and to integrate their activities, ensure acquisition plans are appropriate, and that programs and contracts are reviewed at key decision points in their life cycle.

But success in these efforts will not be enough to improve the Department's overall acquisition operations without commensurate success in hiring and retaining a qualified acquisition workforce. The pool of applicants for these jobs is not large, and the looming retirement of some 50 percent of the current federal acquisition workforce over the next 10 years may well push shortages beyond the critical point. The Department needs a comprehensive human capital strategy that (1) taps into such recruiting initiatives, (2) explicitly defines what acquisition skills and competencies it needs and how they will evolve over the short and long term, and (3) offers professional development and other incentives to attract and keep qualified candidates.

USPTO's Long and Growing Patent Processing Times, and Its Financing Vulnerabilities

The efficiency with which USPTO processes patent applications has a direct bearing on how well it achieves its mission of promoting U.S. competitiveness. Meeting the demand for new patents in a timely manner has been a long-standing challenge for USPTO. Increases in both the volume and complexity of patent applications have lengthened application processing times and backlogs dramatically. In 2004, USPTO had a patent backlog of nearly a half million applications and average processing times of 27 months. By 2007, processing times averaged nearly 32 months, with wait times for communications-related patents as long as 43 months. As of September 30, 2008, USPTO reported a backlog of 750,596 applications and estimated that the backlog will exceed 860,000 by September 2011. The 2010 President's Budget reflects a backlog of 740,000 applications by the end of FY 2009, which is a decrease of approximately 10,000 applications over end of FY 2008 numbers. USPTO needs to further decrease the backlog by continuing to implement measures discussed in its 2007-2012 strategic plan that have a significant impact on reducing the backlog, such as shortening application review times; improving examiner error rates; and continue its initiatives to improve the hiring, training, and retaining of skilled examiners.

USPTO's unique financing structure also presents challenges. There is a complex relationship between the number of patent applications filed, the size of the application backlog, the number of patents issued, and the fees USPTO collects in connection with the patent process. The Agency uses fees collected today to pay for patent applications filed and examined in prior years. With the backlog growing, processing times increasing, and the number of patents issued flattening, this method of financing could become increasingly risky. The current model for financing USPTO's critical mission warrants attention to ensure that it will continue to provide sufficient funding to process all backlogged applications as well as any newly filed.

NOAA's Ability to Conserve the Nation's Fragile Oceans and Living Marine Resources While Ensuring a Vital U.S. Commercial Fishing Industry

According to NOAA, 3.5 million square miles of the Nation's coastal and deep ocean waters and the Great Lakes support over 28 million jobs in the United States, and the value of the U.S. ocean economy tops $115 billion. But these economic benefits come at great cost as the health of the oceans and coastal ecosystems continues to decline in the face of increasing coastal development, pollution, overfishing, and the destructive impact of invasive species.

Charged with maintaining and improving the viability of marine and coastal ecosystems while supporting global marine commerce and transportation, NOAA manages a significant portion of the federal government's investment in living marine resources. It faces difficult challenges in promoting the health of these resources while ensuring they sustain the vital economic benefits derived from them.

In January 2007, the President signed the reauthorized Magnuson-Stevens Fishery Conservation and Management Act, which requires annual catch limits, an end to overfishing by 2011, and better integration of fishery management planning with national environmental review procedures to ensure the environmental impacts of any significant ocean activity under consideration are thoroughly vetted. The challenge for NOAA will be to implement these new requirements in a manner that improves the status of U.S. marine resources without undermining the health of the U.S. fishing industry. To fulfill its mandates for living marine resources, NOAA also needs to take action to rebuild populations of protected species, conserve important habitats, and undertake the science programs necessary to improve its understanding of complex marine ecosystems.

BIS's Setbacks in Modernizing Its Obsolete IT Infrastructure to Strengthen the Dual-use Export Control System

In January 2007, GAO added BIS's dual-use export control system to its government-wide high-risk list. One of the key challenges facing BIS in ensuring that the dual-use export control system is properly equipped to advance U.S. national security, foreign policy, and economic interests is the replacement of its obsolete Export Control Automated Support System (ECASS). BIS's core export administration and enforcement business processes are directly supported by ECASS. Approximately 450 federal staff and 28,000 exporters currently use the system. However, the database structure—originally deployed in 1984—is complex and no longer supported by the technology industry. The effort to modernize ECASS began in 1996, but the project has been underfunded and beset by technical problems and schedule slips that current management has been attempting to address in a budget-constrained environment.

The current projected completion date for the ECASS modernization is FY 2014. Based on Department interviews, the total funding requirements for ECASS modernization are not clearly established. BIS must provide a comprehensive plan for what is required to modernize ECASS, including how much it will cost and how it will avoid the management and technical problems experienced in past modernization attempts. Enhancing the performance of ECASS and ensuring continued operation of an effective licensing information system are far too important to postpone any longer. BIS must demonstrate that it has a modernization strategy and plan in place to convincingly make the case for increased funding, or develop a plan to implement its ECASS modernization effort with existing resources (i.e., reallocate existing funding).

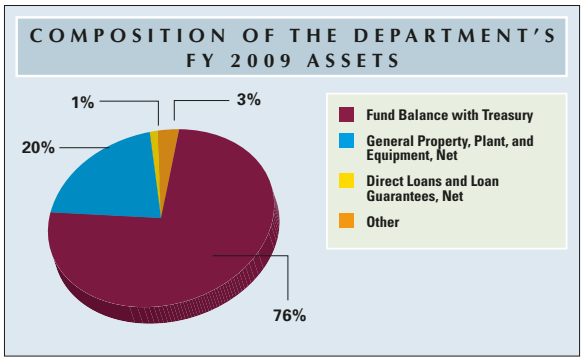
FINANCIAL HIGHLIGHTS

(Dollars in Thousands)	Percentage Change	FY 2009	FY 2008
As of September 30, 2009 and 2008			
Condensed Balance Sheets:			
ASSETS:			
Fund Balance with Treasury	-4%	$ 25,671,762	$ 26,633,414
General Property, Plant, and Equipment, Net	+9%	6,758,827	6,190,408
Direct Loans and Loan Guarantees, Net	0%	511,092	511,009
Other	+166%	1,015,104	381,974
TOTAL ASSETS	**+1%**	**$ 33,956,785**	**$33,716,805**
LIABILITIES:			
Unearned Revenue	-8%	$ 1,311,270	$ 1,418,367
Spectrum Auction Proceeds Liability to FCC	-98%	400,451	17,177,707
Federal Employee Benefits	+3%	687,434	666,563
Accounts Payable	+11%	505,944	455,146
Accrued Grants	+19%	446,207	373,525
Debt to Treasury	+2%	487,275	476,653
Accrued Payroll and Annual Leave	+19%	540,082	452,073
Other	-50%	242,102	480,934
TOTAL LIABILITIES	**-79%**	**$ 4,620,765**	**$ 21,500,968**
NET POSITION:			
Unexpended Appropriations	+154%	$ 13,136,522	$ 5,180,387
Cumulative Results of Operations	+130%	16,199,498	7,035,450
TOTAL NET POSITION	**+140%**	**$ 29,336,020**	**$ 12,215,837**
TOTAL LIABILITIES AND NET POSITION	**+1%**	**$ 33,956,785**	**$ 33,716,805**
For the Years Ended September 30, 2009 and 2008			
Condensed Statements of Net Cost:			
Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers	+73%	$ 3,794,414	$ 2,198,131
Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness	+32%	1,880,001	1,422,763
Strategic Goal 3: Promote Environmental Stewardship	+2%	4,152,324	4,077,919
TOTAL NET COST OF OPERATIONS	**+28%**	**$ 9,826,739**	**$ 7,698,813**
Total Gross Costs	+21%	$ 12,540,517	$ 10,330,098
Less: Total Earned Revenue	+3%	(2,713,778)	(2,631,285)
Total Net Cost of Operations		**$ 9,826,739**	**$ 7,698,813**

REVIEW OF FINANCIAL POSITION AND RESULTS

Assets

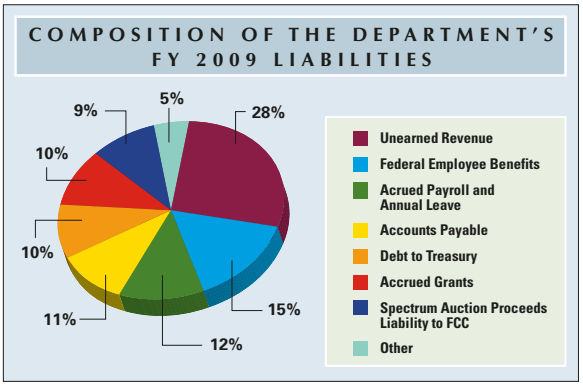
The Department had total assets of $34.0 billion as of September 30, 2009. This represents an increase of $240 million or 1 percent over total assets of $33.7 billion at September 30, 2008. Fund Balance with Treasury decreased $962 million or 4 percent, which primarily resulted from an increase in Advances and Prepayments of $583 million, and an increase in Construction-in-progress of $401 million, primarily related to satellites/weather systems personal property. General Property, Plant, and Equipment, Net increased $568 million or 9 percent, mainly due to the increase in Construction-in-progress. Other Assets increased $633 million, primarily due to a significant increase in Advances and Prepayments to other federal agencies NTIA's Public Safety Interoperable Communications (PSIC) grant program and for work on NOAA's Pacific Regional Center in Hawaii.



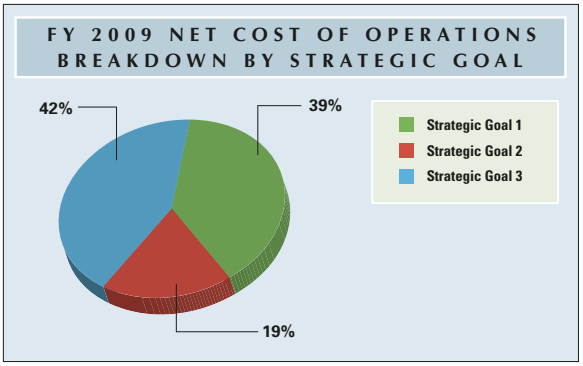
Liabilities

The Department had total liabilities of $4.6 billion as of September 30, 2009. This represents a decrease of $16.7 billion or 79 percent as compared to total liabilities of $21.5 billion at September 30, 2008. This decrease is mainly due to the large decrease of $16.9 billion in NTIA's Spectrum Auction Proceeds Liability to the Federal Communications Commission (FCC). This liability represents FCC auction proceeds for which licenses have not yet been granted by the FCC. During FY 2009, the liability was primarily reduced by net auction

proceeds for which licenses have been granted of $16.69 billion, and these net auction proceeds were recognized as a financing source on the FY 2009 Consolidated Statement of Changes in Net Position. Unearned Revenue decreased $107 million or 8 percent, mainly due to fewer patent filings and trademark applications received in FY 2009. Other Liabilities decreased $239 million or 50 percent, as a result of a large decrease of $141 million for accrued coupons for NTIA's Digital-to-Analog Converter Box Program, due to a significant decrease in the number of coupons issued during the third quarter of 2009 versus the third quarter of 2008.



Net Cost of Operations



In FY 2009, Net Cost of Operations amounted to $9.8 billion, which consists of Gross Costs of $12.5 billion less Earned Revenue of $2.7 billion. Strategic Goal 1 includes Gross Costs of $4.1 billion related to maximizing U.S. competitiveness and enabling economic growth for American industries, workers, and consumers. Strategic Goal 2 includes Gross Costs of $4.0 billion related to promoting U.S. innovation and industrial competitiveness. Strategic Goal 3 includes Gross Costs of $4.4 billion related to promoting environmental stewardship. The Strategic Goal 1 increase in FY 2009 Net Cost of Operations over FY 2008 of $1.6 billion or 73 percent is primarily due to an increase in Gross Costs of $1.4 billion for Census Bureau's Decennial and Periodic Censuses major program. The Strategic Goal 2 increase in FY 2009 Net Cost of Operations over FY 2008 of $457 million or 32 percent is primarily due an increase in Gross Costs of $100 million for NTIA's Digital Television and Transition Public Safety Fund, which reflects increased costs primarily for the Digital-to-Analog Converter Box Program, and increased Gross Costs of $351 million provided by additional American Recovery and Reinvestment Act (ARRA) of 2009 funding for the Digital-to-Analog Converter Box Program.

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Presented below is a summary of financial statement audit and management assurances for FY 2009. Table 1 relates to the Department's FY 2009 financial statement audit, which resulted in an unqualified opinion with no material weaknesses. Table 2 presents the number of material weaknesses reported by the Department under Section 2 of the Federal Managers' Financial Integrity Act (FMFIA)—either with regard to internal controls over operations or financial reporting—and Section 4, which relates to internal controls over financial management systems; as well as the Department's compliance with the Federal Financial Management Improvement Act (FFMIA). The Department had one recurring material weakness under FMFIA, Section 2 relating to IT certification and accreditation (C&A). Though significant progress has been made, work still remains on fully implementing corrective actions. Efforts to fully resolve this material weakness are being monitored by the Department's senior management.

Table 1. Summary of Financial Statement Audit

- **Audit Opinion:** Unqualified
- **Restatement:** No

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
No Material Weaknesses	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0

Table 2. Summary of Management Assurances

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA § 2)						
Statement of Assurance:	Unqualified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
No Material Weaknesses	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS (FMFIA § 2)						
Statement of Assurance:	Unqualified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
IT Certification and Accreditation	1	0	0	0	0	1
Total Material Weaknesses	1	0	0	0	0	1
CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS (FMFIA § 4)						
Statement of Assurance:	Systems conform with financial management system requirements					
Non-Conformances	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
No Non-Conformance Issues	0	0	0	0	0	0
Total Non-Conformances	0	0	0	0	0	0
COMPLIANCE WITH FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)						
	Agency			**Auditor**		
Overall Substantial Compliance	Yes			Yes		
1. System Requirements	Yes					
2. Accounting Standards	Yes					
3. USSGL at Transaction Level	Yes					

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. This report covers the Department's audit follow-up activities for the period June 1, 2008, through May 31, 2009.

SUMMARY OF ACTIVITY ON AUDIT REPORTS
JUNE 1, 2008 THROUGH MAY 31, 2009

	DISALLOWED COSTS[1]		FUNDS TO BE PUT TO BETTER USE[2]		NONMONETARY REPORTS[3]	TOTAL
	NUMBER OF REPORTS	DOLLARS	NUMBER OF REPORTS	DOLLARS	NUMBER OF REPORTS	REPORTS
Beginning Balance	40	$ 9,837,392	22	$ 40,643,667	12	74
New Reports	15	1,850,750	5	654,963	16	36
Total Reports	55	11,688,142	27	41,298,630	28	110
Reports Closed	(34)	(3,780,148)	(15)	(1,616,856)	(17)	(66)
Ending Balance	21	$ 7,907,994	12	$ 39,681,774	11	44

1. Disallowed costs are questioned costs that management has sustained or agreed should not be charged to the government.
2. "Funds to be put to better use" refers to any management action to implement recommendations where funds should be applied to a more efficient use.
3. Includes management, contract, grant, loan, and financial statement audits with nonmonetary recommendations.

INDEPENDENT AUDITORS' REPORT

Summary

In the Department's FY 2009 PAR, KPMG stated that:

"...the Department's consolidated financial statements as of and for the years ended September 30, 2009 and 2008, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

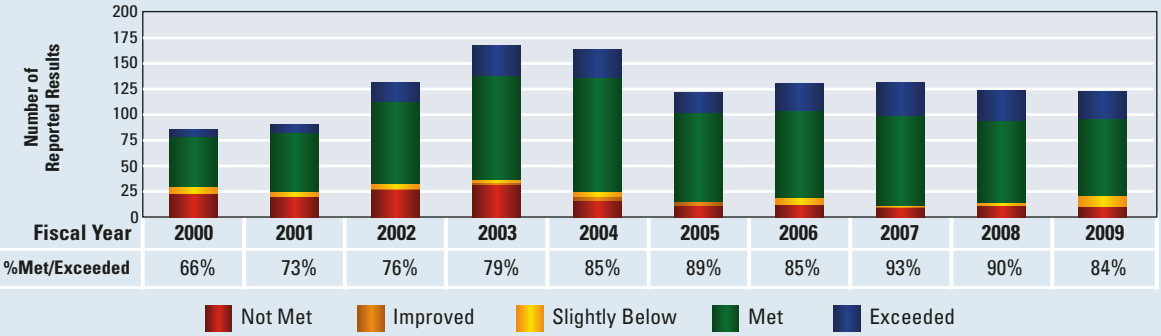
Our consideration of internal control over financial reporting resulted in one matter, related to weaknesses in the Department's general information technology controls, being identified as a significant deficiency. However, this significant deficiency is not considered to be a material weakness.

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements disclosed one matter of noncompliance with the *Anti-Deficiency Act* that is required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended."

The full text of this auditors' report can be found in the Financial Section of the FY 2009 PAR, located at *http://www.osec.doc.gov/bmi/budget/FY09PAR.html*.

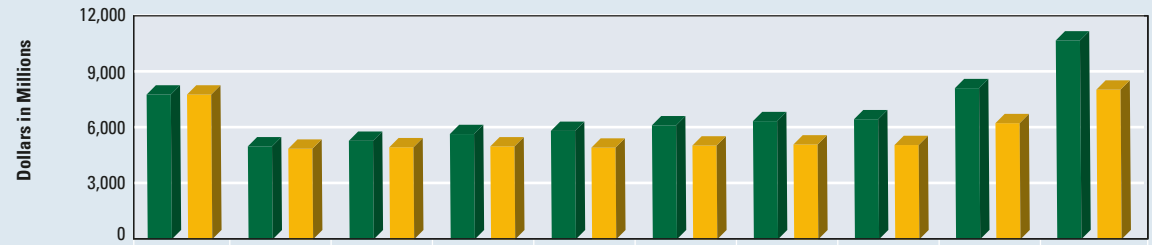
10 YEAR HISTORY OF PERFORMANCE, FUNDING, AND FTE

PERFORMANCE RESULTS



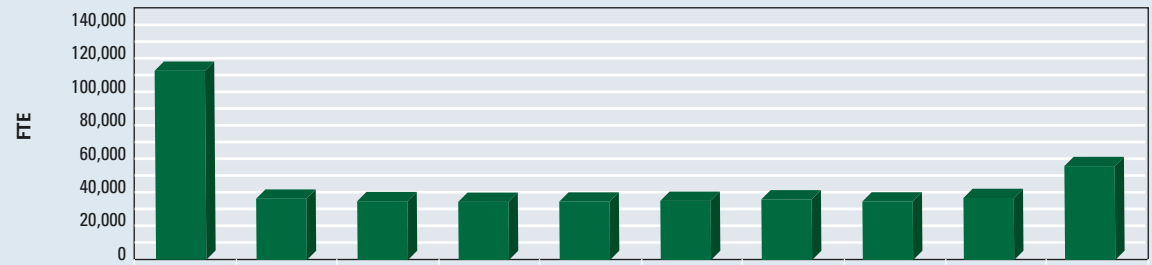
Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
%Met/Exceeded	66%	73%	76%	79%	85%	89%	85%	93%	90%	84%

FUNDING (OUTLAYS)



Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Actual	$7,808	$5,017	$5,316	$5,678	$5,849	$6,149	$6,374	$6,476	$8,151	$10,721
Constant	$7,808	$4,890	$4,968	$5,015	$4,948	$5,061	$5,118	$5,088	$6,266	$8,072

FULL-TIME EQUIVALENT (FTE)



Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
FTE	113,308	36,741	35,273	34,866	35,002	35,449	36,328	35,069	37,152	56,259

DEPARTMENT OF COMMERCE WEB ADDRESSES

FOR PLANNING AND PERFORMANCE

Department of Commerce
http://www.commerce.gov/

Department of Commerce Strategic Plan, Performance Reports and Performance Plans
http://www.osec.doc.gov/bmi/budget/budgetsub_perf_strategicplans.htm

Economic Development Administration Annual Reports
http://www.eda.gov/AboutEDA/Annualreport.xml

International Trade Administration Strategic Plan
http://trade.gov/PDFs/ITA_stratplan2007.pdf

Minority Business Development Agency
Portal/Annual Report
http://www.mbda.gov

Bureau of Industry and Security Annual Report
http://www.bis.doc.gov/

Census Bureau
http://www.census.gov

Economics and Statistics Administration
http://www.esa.doc.gov/

Bureau of Economic Analysis
http://www.bea.gov

- BEA's Mission, Vision, Values, and Role
  http://bea.gov/about/mission.htm
- BEA Strategic Plan for FY 2009-FY 2013
  http://bea.gov/about/pdf/strategic_plan_matrix_2009-2013.pdf
- Release Dates for 2009
  http://www.bea.gov/newsreleases/2009rd.htm

National Institute of Standards and Technology

- NIST Performance Evaluation
  http://www.nist.gov/director/planning/impact_assessment.htm
- NIST Technology Innovation Program
  http://www.nist.gov/tip/
- NIST Manufacturing Extension Partnership – MEP Impacts
  http://www.mep.nist.gov/impacts/index.htm
- NIST Baldrige National Quality Program – Program Information and Award Statistics
  http://www.quality.nist.gov/

National Technical Information Service
http://www.ntis.gov/

U.S. Patent and Trademark Office
http://www.uspto.gov

- Performance and Accountability Report
  http://www.uspto.gov/web/offices/com/annual/
- President's Budget and Strategic Plan
  http://www.uspto.gov/web/offices/ac/comp/budg/index.html

National Telecommunications and Information Administration

- Annual Reports
  http://www.ntia.doc.gov/ntiahome/annreports.html

National Oceanic and Atmospheric Administration
Strategic Planning and Performance
http://www.ppi.noaa.gov/

Office of Inspector General
http://www.oig.doc.gov/

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For additional copies of the FY 2009 Citizens' Report, please contact the Department of Commerce, Office of Budget, 202-482-4648, or refer to the people noted above under Departmental Management.