

AMERICAN JOBS, AMERICAN VALUES



U.S. DEPARTMENT OF COMMERCE



FY 2002 PERFORMANCE &
ACCOUNTABILITY REPORT

DEPARTMENT OF COMMERCE



UNITED STATES OF AMERICA

AMERICAN JOBS, AMERICAN VALUES



U.S. DEPARTMENT OF COMMERCE

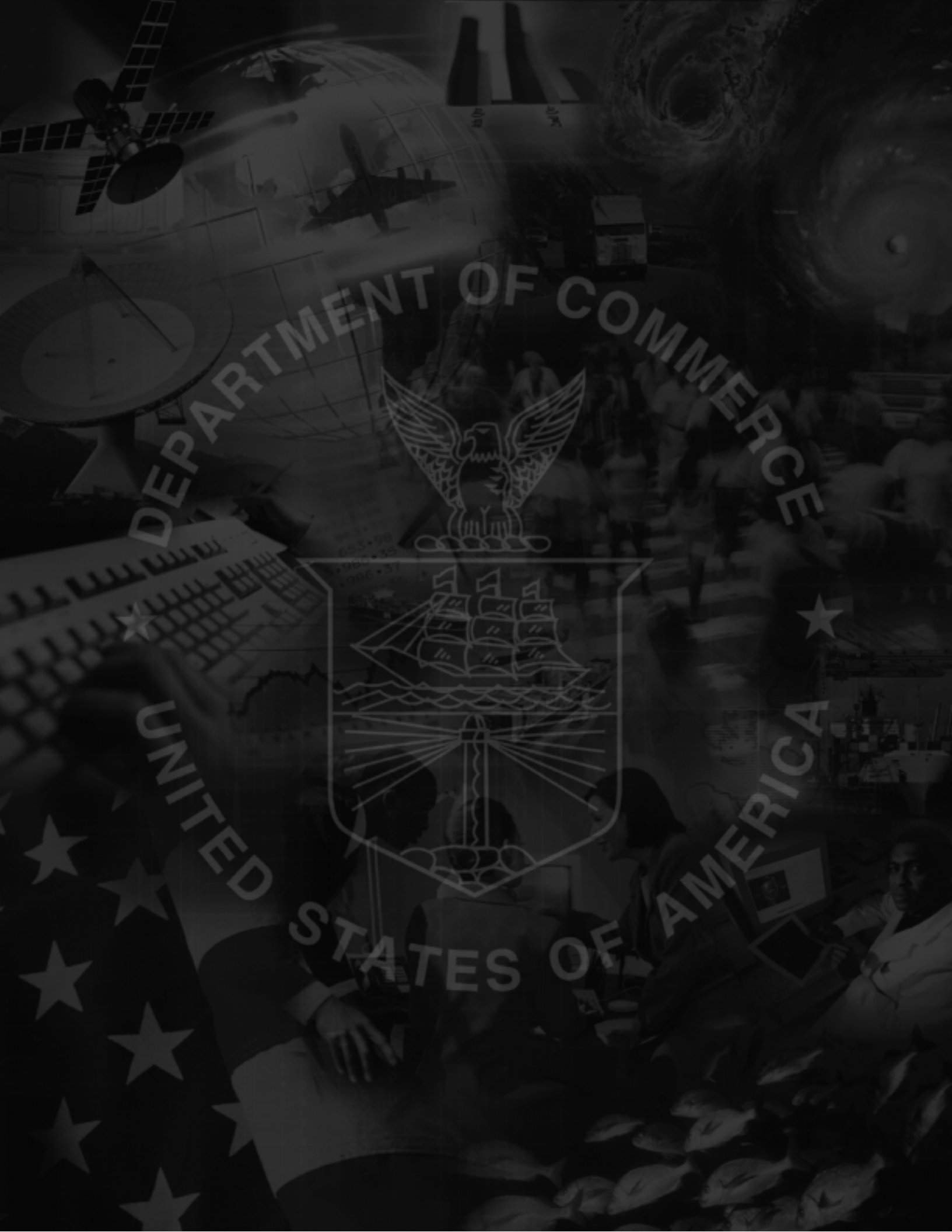
FY 2002 PERFORMANCE & ACCOUNTABILITY REPORT

DEPARTMENT OF COMMERCE



UNITED STATES OF AMERICA

UNITED STATES OF AMERICA





I am pleased to offer this report on the performance of the Department of Commerce for fiscal year (FY) 2002. During the year, our Nation, our Department, and our 35,000 individual employees joined in responding with resolve to the challenges we faced as a result of the events of September 11, 2001. In the company of other federal agencies, the Department took numerous steps to ensure that our national interests were well protected and that our national business affairs remained on course.

This report addresses the Department's many significant accomplishments during FY 2002. We have succeeded in greatly expanding the global trading arena for our Nation's exporters. Our international successes included support for passage of Trade Promotion Authority that set out mutually agreed trade negotiation objectives to be pursued by the President in close consultation with the Congress. We assisted in opening vast new markets around the world and in negotiating equitable terms of trade that permit American firms to compete without hidden impediments. As a result of our efforts, we were able to aid China in becoming the 143rd member of the World Trade Organization, support the Administration's National Energy Policy by engaging Russia in the U.S.-Russia Commercial Energy Summit, and take many other actions aimed at bringing the world together in peaceful and mutually productive trade.

In cooperation with the private sector, the Department approved a new encryption standard that will protect sensitive computerized information well into the 21st century. We improved our measurements of economic activity, which assist us in forecasting federal spending and allow private firms to more accurately plan their investment strategies. Commerce developed the American Community Survey, a new approach that will provide up to date information for public and private planning every year and replace the once-a-decade decennial census 'long-form.'

The Department developed a plan to allocate additional spectrum to meet the demand for new, advanced wireless communication, which has been growing by 75 percent annually. We aided many communities around the Nation in collaborative efforts to strengthen their economies, create jobs, and adjust to the impact of import competition. The Department of Commerce has assisted our Nation's firms – whether they are large or small, women- or minority-owned, new to exporting or experienced world traders, developing state-of-the-art technology or inventing a new product – by providing technical, economic and statistical information, aiding in the development of sound business plans, ensuring that international standards reflect U.S. interests, and providing a voice for their benefit in our Nation's policy discussions.

The Department established standards for the protection of endangered Pacific salmon and baseline data on which to judge the health of the world's coral reefs. We improved our predictive information on heat warnings, severe weather, coastal emergencies and in-flight icing conditions so that state and local officials are better prepared to save lives, and local and regional economies may avoid unnecessary expense.

This combined performance and accountability report includes our consolidated financial statements, which received an unqualified opinion for the fourth consecutive year, as well as our annual program performance report under the Government Performance and Results Act (GPRA). The Department has continued to improve its performance under GPRA. We met 77 percent of our performance targets in FY 2002 compared to 69 percent in FY 2001. In collaboration with our bureaus and the Inspector General, the Department is working to continuously strengthen its implementation of GPRA and assure that our performance information is appropriate, complete, and reliable.

Our accomplishments provide a record of public investment that has been properly and honorably discharged – and contributes to a better business environment that creates jobs, supports economic growth, and protects our environment.

A handwritten signature in black ink, appearing to read "Don Evans". The signature is fluid and cursive, written in a professional style.

Donald L. Evans
Secretary of Commerce



I am pleased to join Secretary Evans in presenting the Department of Commerce's performance and accountability report for fiscal year (FY) 2002. This combined report describes some of the Department's most notable accomplishments during the past year and reviews key challenges that it currently faces. As such, it serves as a key tool in achieving the President's vision of a transparent government that is fully accountable.

The report also discusses initiatives and priorities that the Department is pursuing to assist it in carrying out its mission of promoting economic growth, technological competitiveness, and sustainable development.

The most critical of these efforts include implementation of the President's Management Agenda, a comprehensive strategy for addressing the most pressing issues confronting government today. It includes five management initiatives that cut across all federal agencies and are intended to: strengthen management of and provide full accountability for financial resources; improve the strategic management of the federal workforce to guarantee that it has the right combination of necessary skills and knowledge; increase the use of competitive sourcing to maximize operational efficiency; expand electronic access to federal products and services through "e-government;" and integrate budget functions and performance measurement to ensure wise use of resources.

We have just completed our first full year of carrying out the President's Management Agenda and have begun to see significant progress in each of these areas. The Department has again received an unqualified opinion on its consolidated financial statements and anticipates completing implementation of its integrated financial management system soon. We developed and adopted a Workforce Restructuring Plan, which lays out a comprehensive strategy for recruiting and retaining the employees we need to effectively carry out our evolving mission, and will continue its implementation during FY 2003. Our competitive sourcing program has been revitalized and we are conducting several competitions between public and private sector entities to acquire services more cost effectively. Our effort to build a cohesive information technology (IT) infrastructure is proceeding, and we are strengthening our IT security. Lastly, we are working collaboratively with our bureaus and the Office of Management and Budget to objectively assess programmatic performance as it relates to our budgetary resources.

In addition to pursuing the President's management reforms, we are continuing our efforts to strengthen the Department's safety and security programs. As the terrorist attacks of September 11, 2001 and subsequent developments have made clear, we can no longer rely on traditional approaches for protecting our program operations, facilities, and – most importantly – our employees. This report describes the Department's efforts to address these concerns, which include continuity of operations planning, addressing the unique security challenges posed by Commerce programs, and safety awareness training for employees at all levels.

The Department will continue to aggressively pursue these initiatives in the coming year and beyond. We look forward to achieving their objectives and, in turn, realizing the President's promise to provide a government that works better, costs less and is more responsive to the needs of the American public.

A handwritten signature in black ink that reads "Samuel W. Bodman". The signature is fluid and cursive, written in a professional style.

Samuel W. Bodman

Deputy Secretary

This performance and accountability report summarizes the highlights of the Department's performance during fiscal year (FY) 2002. It fulfills the requirements of the Reports Consolidation Act, Chief Financial Officers Act, Government Performance and Results Act, Federal Managers' Financial Integrity Act, and Government Management Reform Act. More importantly, however, it provides our stakeholders with the ability to assess our performance relative to our mission and the financial resources with which we are entrusted.

We are proud of having achieved an unqualified audit opinion on the Department's consolidated financial statements for the fourth year and of the progress we have made in improving our financial systems. The Department-wide financial management system, the Commerce Administrative Management System (CAMS), was deployed at the National Oceanic and Atmospheric Administration and the Bureau of Industry and Security. Implementation of CAMS, now in operation at ten of our bureaus, will be complete this fiscal year. Commerce also made measurable progress in addressing deficiencies in information technology controls. We plan to improve our information security program sufficiently to eliminate this material weakness in FY 2003 and to address personal property accounting, currently cited as a reportable condition.

Improving the quality of work life for Commerce employees was another area in which we focused considerable energy, specifically targeting professional development and employee safety. We recruited a Director of Training and Knowledge Management to enhance our performance-based training and development programs, initiated a Candidate Development Program to prepare our most promising employees for leadership positions, and implemented a web-based Learning Management System. We also undertook an initiative to reinvigorate the Department's Safety and Health Program by re-establishing the Department's Safety Council, hiring a new Director for Occupational Safety and Health, and adopting a Safety Program Action Plan to address a wide range of concerns such as safety training and awareness, workplace inspections, and health services. A communications campaign disseminating safety newsletters and educational materials to Commerce employees is also underway.

Another critical activity involves the preparations being made to maintain essential activities without interruption and to quickly resume routine operations in the face of any emergency. Focused efforts undertaken after September 11, 2001, began to pay off in FY 2002. We developed, for the first time ever, a Departmental continuity of operations plan and have begun testing it to ensure its effectiveness.

The progress made in enhancing our acquisition program represents another highlight. The effective implementation of acquisition reform, begun in the 1990s, requires adapting established procedures and control mechanisms to reflect increased flexibilities. Toward that end, Commerce is now using the Internet to announce upcoming contracts, employing performance-based contracting, strengthening overall management of its purchase card program, and improving the training of employees who are involved in procurement activities.

During FY 2003, we will continue enhancing the administrative tools used to manage Commerce programs by pursuing these initiatives and the crosscutting management reforms established in the President's Management Agenda. Through these and other efforts, we plan to maximize the effectiveness of our programs and their benefit to the American taxpayers.



Otto J. Wolff
 Chief Financial Officer and
 Assistant Secretary for Administration

TABLE OF CONTENTS

Management Discussion And Analysis 1

The Department at a Glance	2
FY 2002 Highlights and Management Accomplishments	5
Mission and Strategic Planning	25
FY 2002 Performance Results	31
Management Controls	41
Federal Manager's Financial Integrity Act of 1982 (FMFIA)	43
Federal Financial Management Improvement Act of 1996 (FFMIA)	47
Report on Audit Follow-up	47
Biennial Review of Fees	49
Looking Ahead	51
Challenges and Priorities	53
Inspector General's Statement	57

FY 2002 Performance Report 65

Management Integration Goal - <i>Strengthen management at all levels</i>	67
Departmental Management	69
Strategic Goal 1 - <i>Provide the information and the framework to enable the economy to operate efficiently and equitably</i>	103
Economics and Statistics Administration	105
Economics and Statistics Administration – Bureau of Economic Analysis	107
Economics and Statistics Administration – Bureau of the Census	119
International Trade Administration	139
Bureau of Industry and Security	173
Economic Development Administration	199
Minority Business Development Agency	225
Strategic Goal 2 - <i>Provide infrastructure for innovation to enhance American competitiveness</i>	241
US Patent and Trademark Office	243
Technology Administration	257
National Telecommunications and Information Administration	303
Strategic Goal 3 - <i>Observe and manage the Earth's environment to promote sustainable growth</i>	315
National Oceanic and Atmospheric Administration	317

FY 2002 Financial Report	371
---------------------------------	------------

Financial Management and Analysis	373
Introduction	375
Initiatives and Priorities	375
Financial Management Indicators	379
Debt Management	379
Payment Practices	380
Financial Review	382
Analysis of FY 2002 Financial Condition and Results	383
Limitations of the Financial Statements	386
Principal Financial Statements	387
Consolidated Balance Sheets	389
Consolidated Statements of Net Cost	390
Consolidated Statement of Changes in Net Position	391
Combined Statement of Budgetary Resources	392
Consolidated Statement of Financing	393
Notes to the Financial Statements	395
Consolidating Balance Sheet	439
Required Supplementary Information	443
Requirement Supplementary Stewardship Information	451
Auditors' Report	461

Glossary of Acronyms	485
-----------------------------	------------

MANAGEMENT DISCUSSION AND ANALYSIS



The Department at a Glance

History and Enabling Legislation

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

Mission

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

Strategic Goals

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



*Department of Commerce –
Herbert C. Hoover Building*

Bureaus

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

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

Location

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

Employees

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

Financial Resources

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

Internet

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

DEPARTMENT OF COMMERCE



UNITED STATES OF AMERICA

Fiscal Year 2002 Highlights and Management Accomplishments

THE PRESIDENT'S MANAGEMENT AGENDA

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

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

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



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

Improving Financial Management

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

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

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

Competitive Sourcing

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

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

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

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

Strategic Management of Human Capital

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

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

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

Expanded E-Government

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

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

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

Budget and Performance Integration

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

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

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

DEPARTMENTAL HIGHLIGHTS

Enhancing the Nation's Preparedness

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

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

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

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

Strengthening America's Cyber Security

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

Adopting the Advanced Encryption Standard

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

Enhancing the Department's Preparedness

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

Ensuring Commerce's Information Technology Security

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

Recovery Assistance in 2002

World Trade Center Recovery

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

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



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

Photo credit: © Robert Rathe



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

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

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

Pentagon Reconstruction

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

Ameliorating Anthrax Contamination

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

After 140 Years, Turret Rescued from Atlantic Graveyard

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

Ten Saved from Atlantic Ocean

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



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

PROGRAM HIGHLIGHTS

Advancing Patent and Trademark Technology

Intellectual Property Advances

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

Four-Year Digital Patent Project Ends in Success

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

Trademark Customers Find Everything On-line at the USPTO

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

Fostering International Trade

Compliance with Trade Agreements and Expanding Market Access

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

More Trade with Mexico

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

Trading with Russia, a Nation on the Rise

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

Opening Trade with China

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

Export Controls and Regulations

Enhancing Export Controls for Dual-Use Commodities

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

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

Export Alert!

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

Data Collection Produces Valuable Information

Improving the Quality of the Nation's Economic Measures

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



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

Big Payoff from Education

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



American Community Survey off to Good Start

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

Evaluating Census 2000

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

Promote Economic Growth

World Trade Week — A Celebration of Jobs for America

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

Sale Creates 45,000 Jobs

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

Diversifying Local Economies for America's Well-Being

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

An Export Strategy for the Nation

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

Seeking the Best for World Steel

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

A Go-Ahead for Advanced Wireless

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

Partnering for Minority Business Success

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

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



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

Long-Term Recovery Assistance

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

Trade Adjustment Assistance Act Reauthorization

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

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

Technical Assistance to Small Businesses

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

High Payoff from High-Tech Incubator

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

Lift-Off for Biotechnology Business Incubator

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

Environmental Stewardship

Half a Million Oysters on a Reef

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

Restoring Pacific Salmon

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

Consensus Reached on Fish Data

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

Putting a Damper on Illegal Marine Harvests

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

Indictments Made in Illegal Spiny Lobster Activity

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

Warning and Detection Systems

Better Prediction for Coastal Emergencies

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

“Now in the Know” on Ocean Reefs

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

Lives to be Saved by Better Heat Warnings

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

Better and More Frequent Data on Severe Weather

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

Detecting In-Flight Icing Conditions in Clouds

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

Administrative Resources and Functions

Introducing an Effective and Streamlined Acquisition Process

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

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

Using Our People Most Effectively

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

Unqualified Audit Opinion Maintained

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

Commerce Administrative Management System

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

Honors and Awards

Census Celebrates a Centennial

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

President Recognizes 20 Commerce Employees

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

Service to America Awards

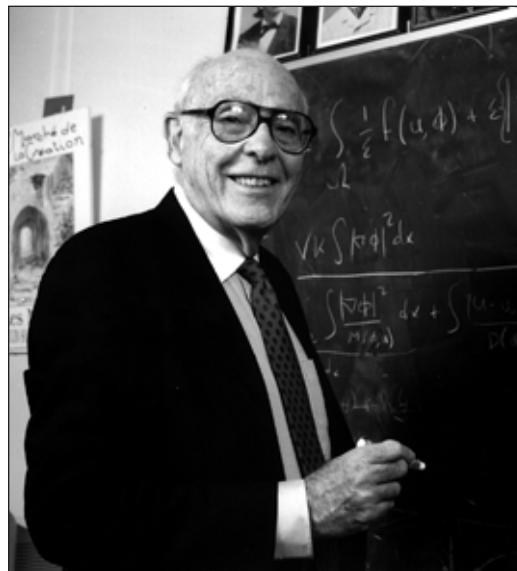
Two Commerce employees were among the nine recipients of the first Service to America awards. Dr. Katherine Gebbie, Director of NIST's Physics Laboratory, was recognized for her work in establishing the lab and fostering a culture of excellence, in which two Nobel Prizes were awarded to lab staff. Mr.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

President Recognizes Commerce for Energy Management

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

Franklin Institute Awards Commerce Employee for Theories

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



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

Flemming Award Bestowed on Five Employees

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

'Top 100' Award Won by Commerce Physicist

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

National Medal Aims to Inspire Young Americans

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

Presentation of the 2002 Baldrige Award

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

Commerce Honors 16 Businesses for Export Achievements

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

MISSION AND STRATEGIC PLANNING



DEPARTMENT OF COMMERCE



UNITED



STATES OF AMERICA

Mission and Strategic Planning

Mission Statement

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

Vision

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

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

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

Strategic Planning Process

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

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

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

Goal 2: Provide infrastructure for innovation to enhance American competitiveness

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

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

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

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

Strategic Goals and Objectives

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

Strategic Goal 1

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

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

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

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

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

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

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

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

Strategic Goal 2

Provide Infrastructure for Innovation to Enhance American Competitiveness

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FISCAL YEAR 2002 PERFORMANCE RESULTS



DEPARTMENT OF COMMERCE



★ UNITED STATES OF AMERICA ★

Fiscal Year 2002 Performance Results

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

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

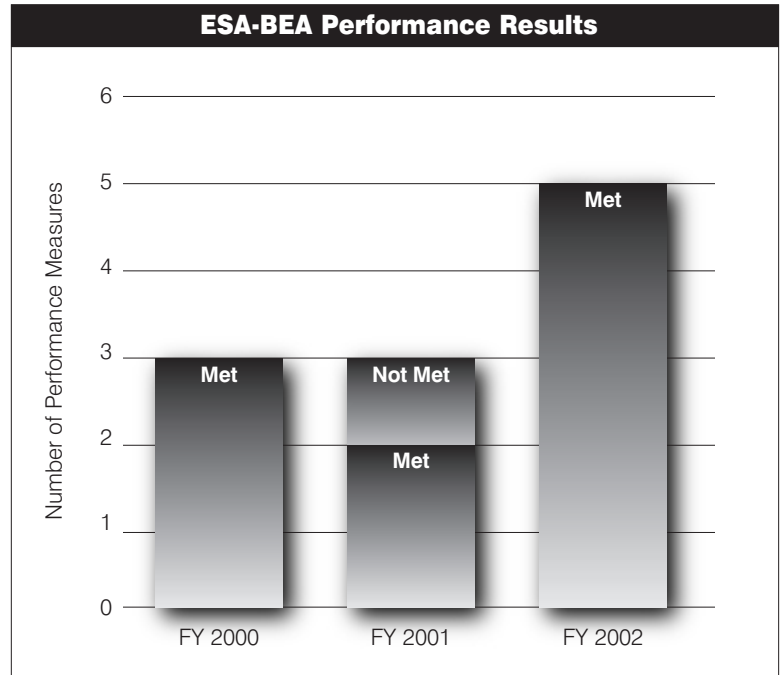
Highlights of the Department's performance are provided by strategic goal and specific bureaus that contribute to the efforts and successes under each strategic goal.

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

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

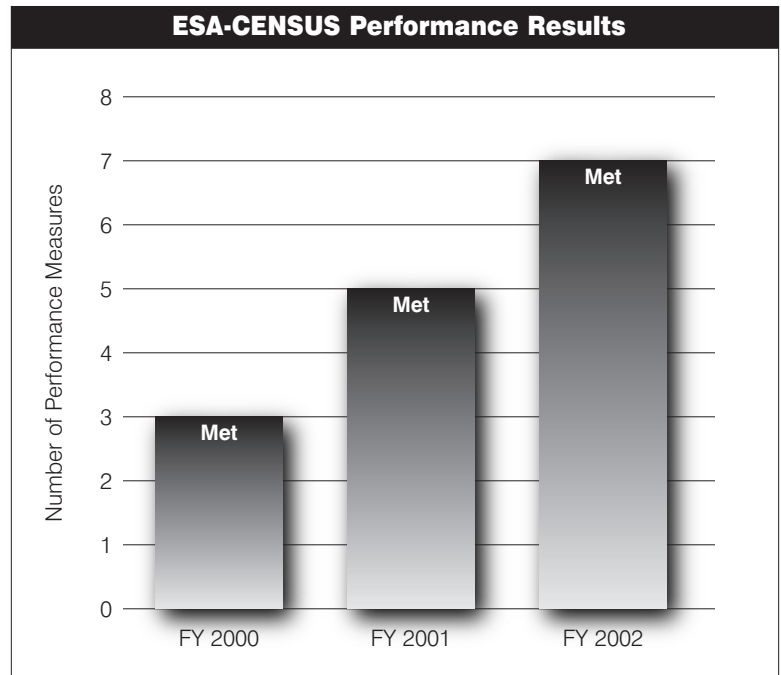
Economics and Statistics Administration — *Bureau of Economic Analysis (BEA)*

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



Economics and Statistics Administration — *Bureau of the Census*

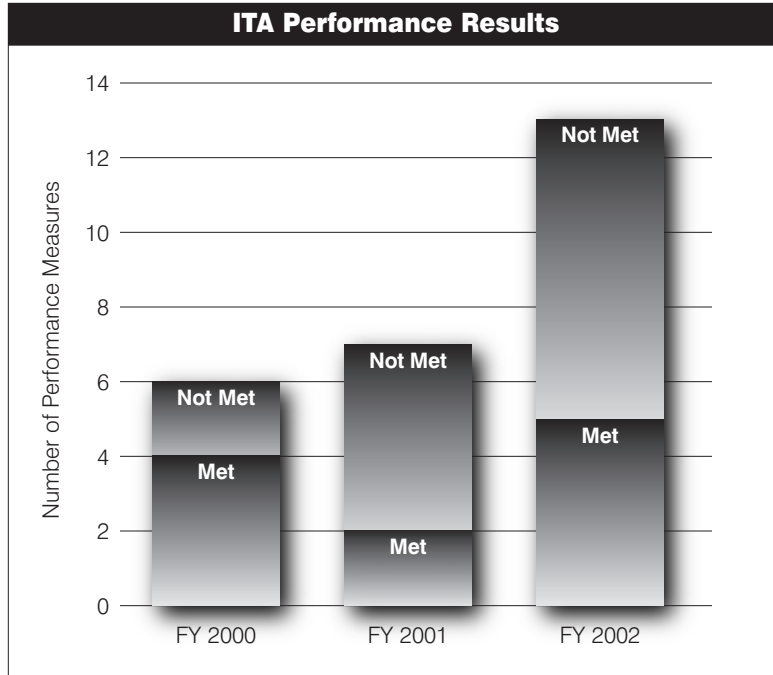
In FY 2002, the Bureau of the Census had three goals and seven measures. The Census Bureau met all of its FY 2002 measures. Census Bureau performance measures focused on providing and improving current measures of the U.S. population, economy, and governments; timely release of Decennial Census products;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



International Trade Administration (ITA)

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

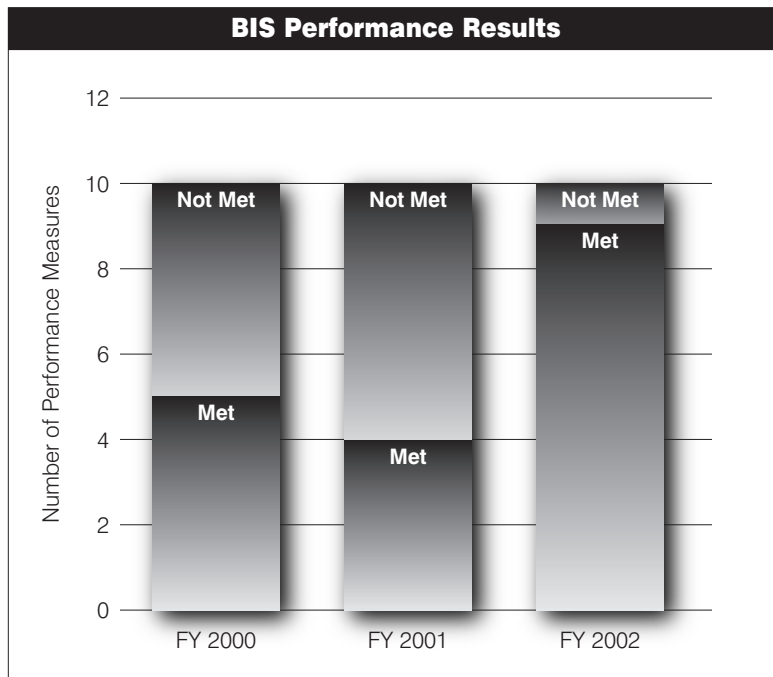
Several key economic indicators, employment figures and trade volume demonstrated a challenging economic environment for U.S. firms exporting. To ensure that ITA reaches its target in future years, ITA aims to increase the number of U.S. exporters by addressing customer demand for export products and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



Bureau of Industry and Security (BIS)

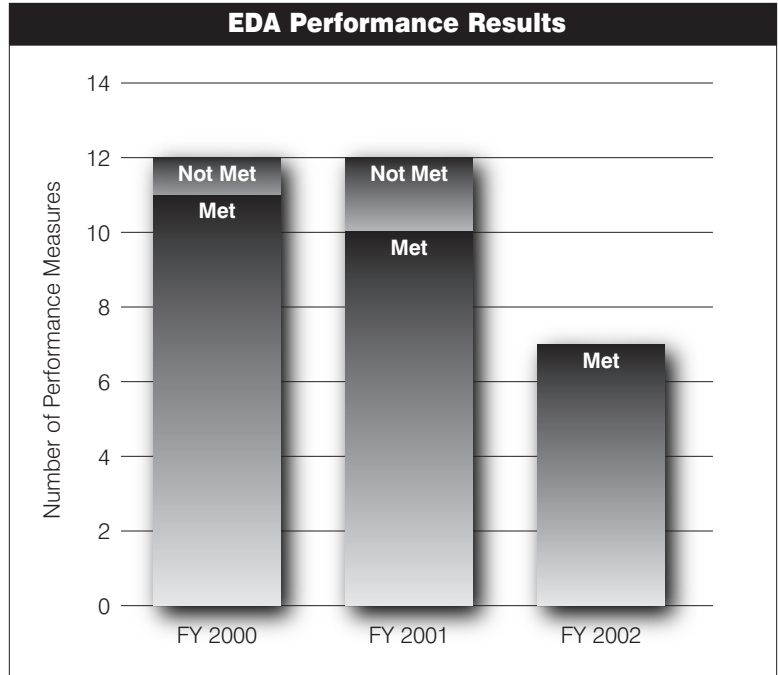
In FY 2002, BIS had five goals and ten measures. Of those measures, BIS met nine of them. BIS performance measures focused on decreasing processing times on license applications, conducting industry site assistance visits to help prepare specific facilities for international inspections, conducting post-shipment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

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



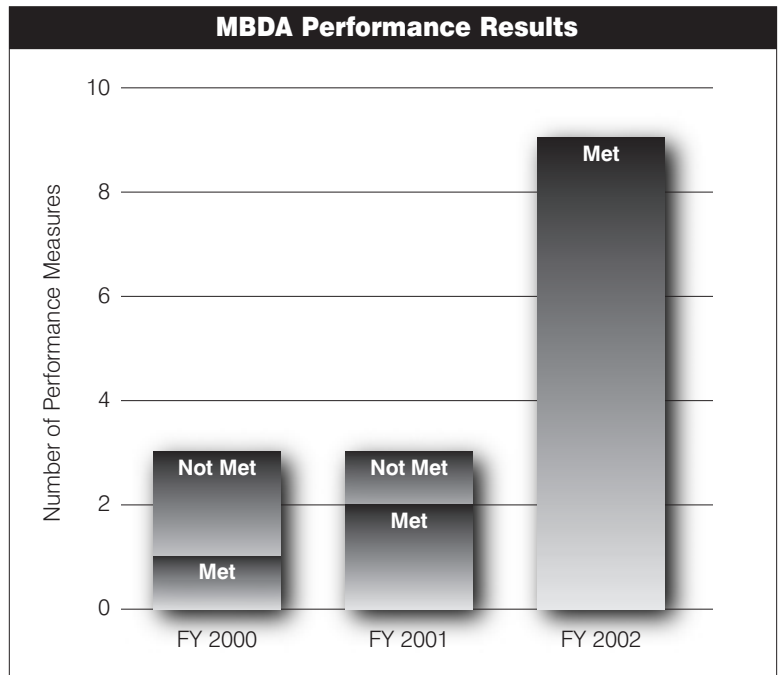
Economic Development Administration (EDA)

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



Minority Business Development Agency (MBDA)

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



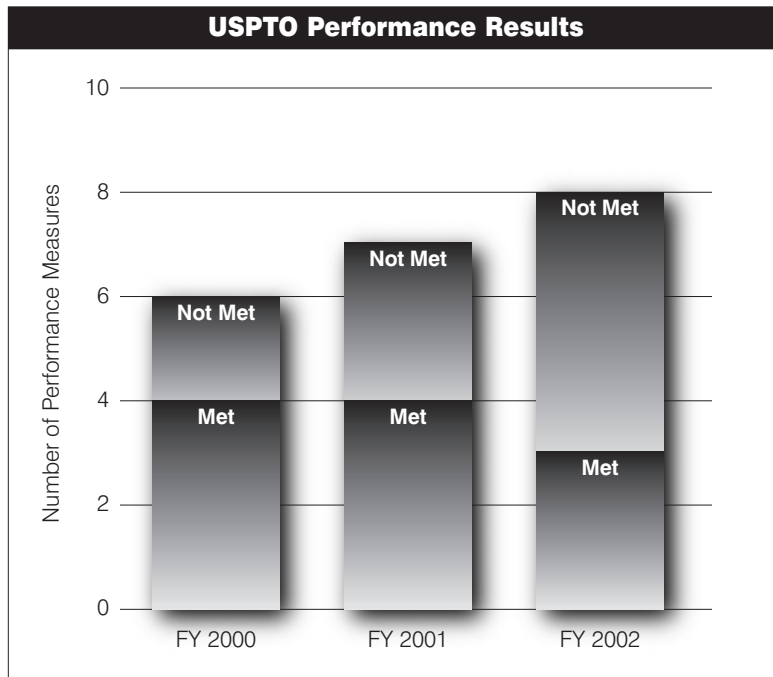
the size of firms, employment, and gross receipts through the implementation of a strategy of entrepreneurial parity. This will bridge the gap for procurement and market opportunities between the public and private sector organizations and MBEs.

Goal 2: Provide infrastructure for innovation to enhance American competitiveness

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

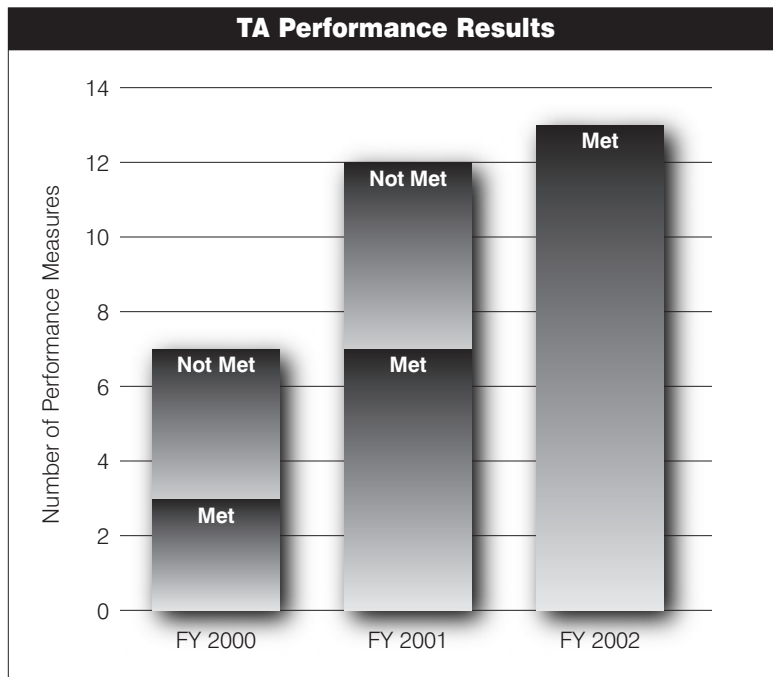
U.S. Patent and Trademark Office (USPTO)

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



Technology Administration (TA)

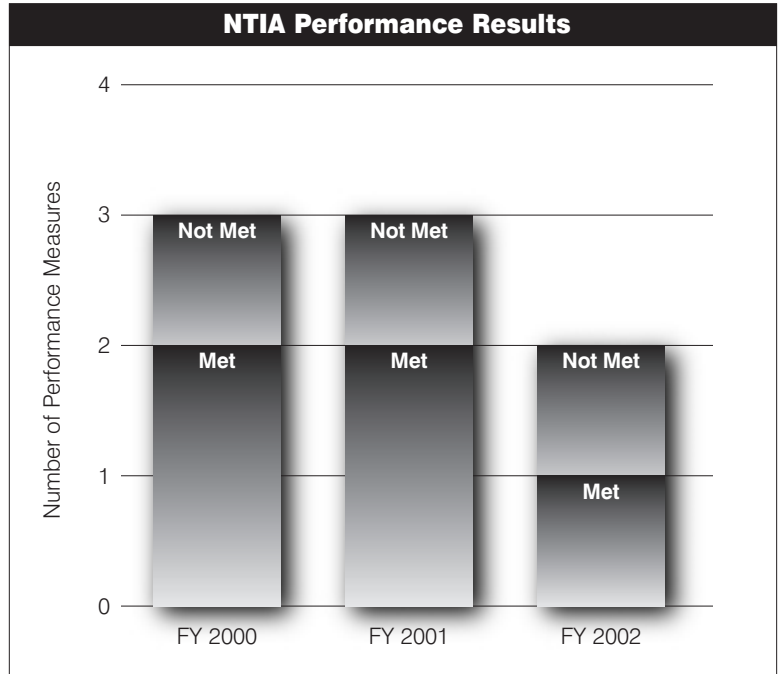
In FY 2002, TA had six goals and thirteen measures. The National Institute of Standards and Technology (NIST) had seven measures, while the Office of Technology Policy (OTP) and the National Technical Information Service (NTIS) each had three. Of the thirteen measures, TA met all of the performance targets.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



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

National Telecommunications and Information Administration (NTIA)

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

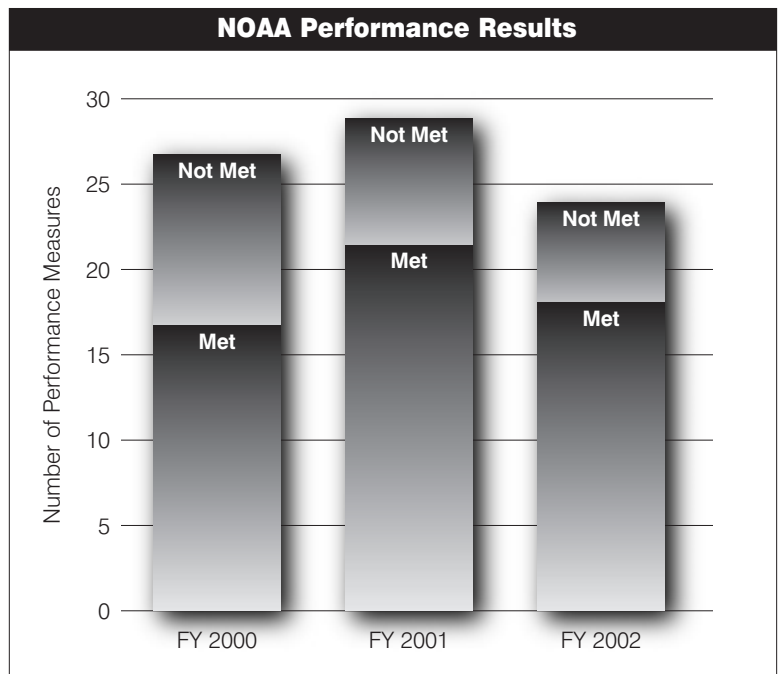


Goal 3: Observe and manage the Earth’s environment to promote sustainable growth

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

National Oceanic and Atmospheric Administration (NOAA)

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



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

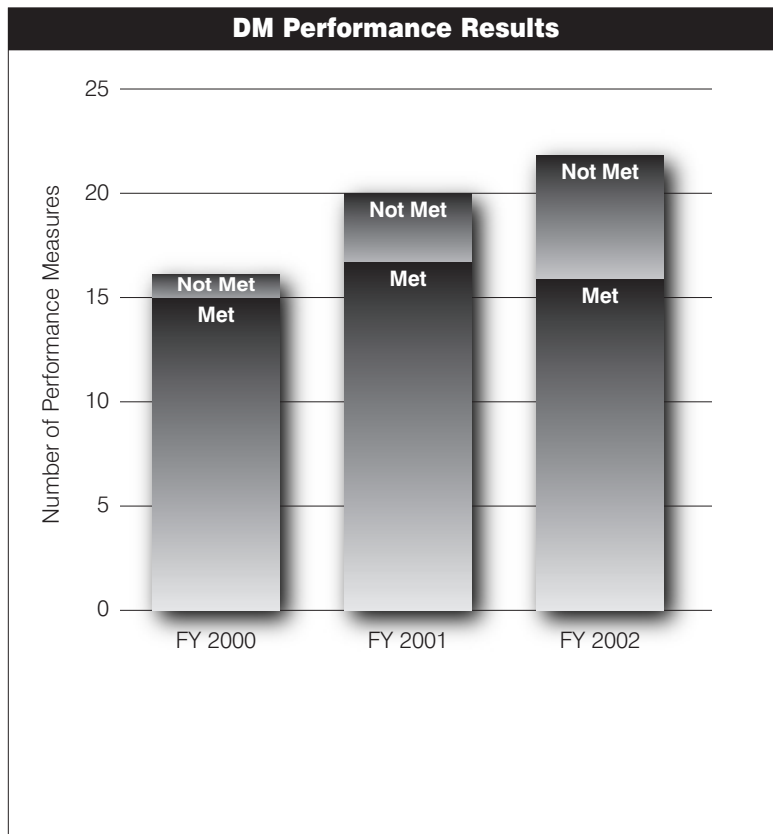
Management Integration Goal: Strengthen management at all levels

The Department achieves more efficient and more effective management by:

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

Departmental Management (DM)

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



MANAGEMENT CONTROLS FISCAL YEAR 2002



DEPARTMENT OF COMMERCE



★ UNITED STATES OF AMERICA ★

Management Controls Fiscal Year 2002

Secretary of Commerce Statement on Management and Financial Controls

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



Donald L. Evans
Secretary of Commerce

Federal Managers' Financial Integrity Act (FMFIA) of 1982

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Federal Financial Management Improvement Act (FFMIA)

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

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

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

Report On Audit Follow-Up

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

Audit Follow-Up Activities Within The Department

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

Report Summary And Highlights

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

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

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

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

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

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

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

Biennial Review of Fees

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

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

LOOKING AHEAD



DEPARTMENT OF COMMERCE



UNITED STATES OF AMERICA

Looking Ahead

Challenges and Priorities

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

Ensuring a Fair Avenue for Trade

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

Enhancing Information Security Throughout the Department

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

Strengthening Our Stewardship of Marine Resources

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

Emergency Preparedness within the Department

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

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

EDA Reauthorization

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



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

Planning for Facilities Construction and Renovation

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

Meeting Users’ Needs for Quality Economic Measures

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

Being a Catalyst for Minority Business Growth

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

Processing of Patent and Trademark Applications

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

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

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

Strengthening Our Homeland Security

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

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

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

Census 2010 Re-engineering

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

Future Workforce Requirements

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

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

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

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

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

① Strengthen Financial Management Controls and Systems

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

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

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

2 Strengthen Department-Wide Information Security

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

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

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

3 Enhance Export Controls for Dual-Use Commodities

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

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

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

4 Effectively Manage Departmental and Bureau Acquisition Processes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8 Increase the Effectiveness of Marine Resource Management

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

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

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

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

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

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

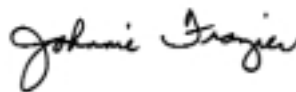
We will continue to evaluate performance measurement and reporting and, as warranted, make recommendations to the Department and its operating units regarding the accuracy, appropriateness, reliability, and usefulness of its performance data.

10 Effectively Manage Major Commerce Renovation and Construction Projects

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

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

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



Johnnie E. Frazier
Inspector General
December 20, 2002

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

FISCAL YEAR 2002 PERFORMANCE REPORT



DEPARTMENT OF COMMERCE



UNITED

STATES OF

AMERICA



MANAGEMENT INTEGRATION GOAL

Strengthen management at all levels



DEPARTMENT OF COMMERCE



UNITED STATES OF AMERICA



Departmental Management

Mission Statement

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

Departmental Management (DM) includes the Immediate Offices of the Secretary and Deputy Secretary, Office of the Chief Financial Officer and Assistant Secretary for Administration (CFO/ASA), Office of the Chief Information Officer (CIO), and Office of General Counsel as well as other Departmental offices. DM supports the management infrastructure needed to carry out the Department's mission.

While certain of its activities involve the public, e.g., contract management and small business utilization, DM's principal interaction is with entities internal to the Department. Its activities benefit the public by contributing to the efficiency with which the operating units administer their programs and the Department's overall mission is carried out. DM provides executive direction and coordination for program activities as well as centralized services to the bureaus. It also oversees promulgation and implementation of Departmental and government-wide policies and initiatives.

President's Management Agenda

Since it was first issued in the summer of 2001, the Department of Commerce has worked aggressively to carry out the President's Management Agenda (PMA). DM, with its responsibility for implementing Commerce-wide initiatives, exercises day-to-day oversight for these efforts. In FY 2002, DM re-examined its measures reflected in the Annual Performance Plan and Annual Program Performance Report to determine how they could better assist DM in maintaining the momentum needed to achieve long-term success in carrying out the President's management reforms, including those established in his management agenda.

Performance Goal 1, "Ensure Effective Resource Stewardship in Support of the Department's Programs," includes measures that track DM's success in improving many administrative functions, including financial management and competitive sourcing under the Federal Activities Inventory Reform (FAIR) Act. Performance Goal 2, "Strategic Management of Human Capital," is devoted to enhancing management of the Department's human capital; and Performance Goal 3, "Acquire and Manage the Technology Resources to Support Program Goals," tracks the Department's efforts to improve management of its information technology resources and expand its use of e-government. Overall development of this FY 2002 Annual Program Performance Report and the FY 2004 Annual Performance Plan, which will be published with the FY 2004 budget submission to Congress, reflects DM's effort to integrate budget and performance.

A detailed description of the results that Commerce has achieved in implementing the President's Management Agenda and the status of the President's five crosscutting initiatives is provided earlier in this report under "Management's Discussion and Analysis." The quantitative results of FY 2002 activities are discussed below in those sections that relate directly to DM's three performance measures.

Priorities/Management Challenges

By implementing crosscutting reforms such as those in the PMA, DM works to minimize the burden associated with administrative functions that are common to all program areas across the Department while maintaining appropriate controls and accountability.

DM directs particular effort toward improving administrative functions by carrying out the government-wide initiatives under the PMA, i.e., enhancing financial management, competitive sourcing, strategic management of human capital, expanding e-government, and budget and performance integration. Quarterly, the Office of Management and Budget assesses each agency's progress in achieving the goals of the PMA using a "stoplight" scoring system, and two ratings are assigned for each of the five initiatives.

- "Progress" ratings reflect the agency's adherence to the milestones and deliverables. A green progress rating means that implementation is proceeding as planned, yellow means that there has been some slippage in planned activities and adjustments are needed, and red means that the initiative is in jeopardy.
- "Status" ratings reflect the extent to which the agency has met the standards for overall success. Green means that all standards have been met, yellow means mixed results, and red means that serious flaws exist.

As of the end of FY 2002, Commerce had achieved green progress ratings for all but one initiative, expanding e-government. DM received a yellow progress rating in that area. During FY 2003, DM will devote attention to achieving the targets established in the PMA-related performance measures with the ultimate objective of improving the red "status" ratings it has received in these five areas.

Particular attention is being given to completing implementation of the Commerce Administrative Management System, which will provide the Department with an integrated financial management system. This achievement, planned for FY 2003, is crucial to eliminating financial management as a material weakness under the Federal Manager's Financial Integrity Act.

Information security, representing the Department's one other material weakness, continues to be a priority. In FY 2002, Commerce and its bureaus conducted assessments of all automated systems and identified and undertook corrective actions to improve IT security (primarily focused on eliminating system and network vulnerabilities). DM anticipates completing security plans for all systems shortly. Targets for FY 2003 and FY 2004 are set at levels that require continued improvement in information technology (IT) security throughout the Department.

In the aftermath of September 11, 2001, DM determined that the Department's emergency preparedness needed significant enhancement. During FY 2002, DM concluded a cross-functional effort to develop and adopt a comprehensive continuity of operations plan (COOP) for the Department as a whole. In FY 2003 and FY 2004, DM will further strengthen COOP planning and emergency preparedness efforts by establishing a permanent oversight program that will test and evaluate bureau COOP plans. DM is also exploring ways of responding to the Commerce-specific requirements of its marine and air operations, special compartmented information activities and facilities, and joint activities undertaken with other agencies.

The Secretary, as the Department's chief executive officer; Deputy Secretary, as the chief operating officer; and Departmental offices also exercise managerial oversight and provide policy direction for the conduct of program activities carried out by the bureaus. Many of the programmatic challenges benefiting from the Secretary's and Deputy Secretary's guidance are highlighted in the chapter on Management's Discussion and Analysis and discussed in the bureau-specific chapters that follow.

Performance Results

In FY 2002, DM met or exceeded the targets for sixteen out of twenty-two measures—roughly, 73 percent—reflecting the Department’s continued emphasis on implementing management reform. In the six instances in which targets were not met, DM has examined the causes and identified appropriate action. Details are discussed under each Performance Goal.

DM met or exceeded targets for nine out of the ten measures being tracked under Performance Goal 1. In addition to the success reflected by these quantitative measures, some of the qualitative indicators of DM’s progress in these areas follow.

DM received an unqualified opinion on the Department’s consolidated financial statements for the fourth consecutive year and is making significant progress in reducing the number of audit findings. DM significantly reduced the number of material weaknesses identified by the auditors from eleven in FY 1996 to one in FY 2002. Complete implementation of the Commerce Administrative Management System by the end of FY 2003 and correction of IT security weaknesses that have been identified will allow the Department to resolve the remaining material weakness.

DM is gaining ground on implementing acquisition reform at Commerce. Announcements for upcoming contracts and solicitations are electronically published on the Internet through the government-wide single point-of-entry, FedBizOps.gov and DM is ahead of the annual government-wide goals for implementing performance-based contracting. Additionally, in response to an OMB request to all federal agencies, DM is implementing an aggressive plan to further strengthen management of purchase card activity across the Department. As part of this overall effort to strengthen acquisition management, DM is also modifying Commerce’s delegation and warrant program with the goal of realigning contracting authorities to increase overall effectiveness and accountability throughout the Department’s procurement community. Recognizing the need to improve contract management and performance at all levels, DM has also launched an initiative to restructure the Department-wide certification program for Contracting Officer’s Technical Representatives.

In FY 2002, DM met the long-term government-wide goal for reducing energy consumption from 1985 levels. Last fiscal year, Commerce achieved a 35 percent reduction meeting the FY 2010 goal for the federal government. Commerce was recognized for institutionalizing the principles established in Executive Order 13123, *Greening the Government through Efficient Energy Management*, when it received a Presidential Award for Leadership in Energy Management.

Finally, DM continued to make progress in ensuring the overall security and safety of its workforce, facilities, and programs. It adopted a Department-wide continuity of operations plan, completed forty-seven risk assessments of Commerce facilities and operations, and has reinvigorated its safety program by developing a Safety Action Plan, re-establishing the Commerce Safety Council, appointing a Safety and Health Official, assigning responsibility to senior executives by including a safety element in their performance plans, and developing a Web-based safety awareness training program.

Significant progress has been made in the area of strategic human capital management as tracked under Performance Goal 2. Targets for four out of six measures were met. Commerce completed its five-year Workforce Restructuring Plan which identifies three human capital challenges: high turnover in mission critical occupations; impending retirement wave, especially among the Senior Executive Service (SES); and reshaping workforce competencies to address the impact of e-government, competitive sourcing, and reengineering initiatives. An implementation action plan with key milestones and dates was included in the plan and significant progress has been achieved. Over the past year, Commerce has established a strong infrastructure for strategic human capital management to include targeted leadership by the Deputy Secretary, CFO Council and HR Officers Council. Critical hires were made for the Accountability Officer, the Training and Knowledge Management Officer, and a Program Manager for the SES Candidate Development Program. Commerce established new SES performance measures,

revised and revitalized the training policies, acquired an online Learning Management System (LMS) and implemented training advisory groups, enhanced the Commerce Opportunities Online (COOL) system for improved recruitment, developed an automated Commerce Performance and Award System, improved collaboration with the bureaus through counterpart groups and Communities of Practice, and enhanced diversity recruitment.

The Department has continued to strengthen its management of IT to acquire and manage the technology resources needed to support Commerce's program goals. During FY 2002, operating units were implementing Departmental direction to restructure IT management, including those activities covered by Performance Goal 3. Special emphasis was placed on ensuring the confidentiality, availability, and integrity of the Department's IT resources. Additionally, Commerce has contributed human and capital resources to the e-government initiatives in support of the President's Management Agenda. Overall, three of the six targets were met and substantial progress was achieved in the other three target areas. The targets for FY 2003 have not been changed and remain ambitious; DM will, as described under Performance Goal 3, work closely with the bureaus throughout the year to ensure that they are met.

Targets and Performance Summary

In FY 2001, the Department re-examined the performance measures used to monitor its progress in providing policy oversight and administrative support services, which represent the bulk of its activity under DM. Substantial changes were made to better reflect DM's most significant activities and to more closely correspond to the government-wide management initiatives established in the President's Management Agenda. The measures summarized below reflect that effort.

Performance Goal 1: Ensure Effective Resource Stewardship in Support of the Commerce Department's Programs

Measure	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Clean audit opinion obtained on Department consolidated financial statements	100%	100%	100%	Yes	Yes	X	
Deploy Department-wide integrated financial management system	System deployed in 1 bureau.	System deployed in 4 bureaus.	System deployed in 8 bureaus.	Deploy system in 10 bureaus.	System deployed in 10 bureaus.	X	
Implement competitive sourcing	Inventory submitted on 7/9/99.	Inventory submitted on 6/30/00.	Inventory submitted on 6/29/01.	Convert or complete competitions on 5% of commercial FTE positions.	1% completed and management plan in place to accomplish cumulative goal for FY 2002/2003.		X
Funds obligated through performance-based contracting	N/A	N/A	25% of total procurement funds.	25% of total procurement funds.	31% of total procurement funds.	X	
Small purchases made using credit cards	288,268 transactions	88% of actions below \$25,000.	92% of actions below \$25,000.	90% of actions below \$25,000.	95% of actions below \$25,000.	X	
Use of online procurement to publish synopses and solicitations for proposals to contract with the Department	N/A	N/A	98% of synopses published online.	Publish 100% of synopses and 100% of solicitations online.	100% of synopses and 100% of solicitations published online.	X	
Increase percentage of total obligations awarded as contracts to small businesses	Small businesses: 42%	Small businesses: 34%	Small businesses: 50%	Small businesses: 35%	Small businesses: 51% ¹	X	
	Minority-owned businesses: 14%	Minority-owned businesses: 20%	Minority-owned businesses: 18%	Discontinued	Discontinued		
	Women-owned businesses: 5%	Women-owned businesses: 6%	Women-owned businesses: 9%	Discontinued	Discontinued		
Reduce energy consumption per square foot from 1985 baseline	33%	34%	34%	35%	35%	X	
Ensure a secure workplace for all Department employees	Conducted 12 studies to ensure physical security of Department of Commerce facilities.	Conducted 10 studies to verify proper maintenance of safes for classified materials.	Conducted 32 studies of classified computer systems.	Establish Department-wide continuity of operations plan (COOP) and conduct 10 compliance reviews of security programs and classified systems.	Department COOP established; 47 risk assessments completed.	X	

(continued)

Performance Goal 1: Ensure Effective Resource Stewardship in Support of the Commerce Department's Programs (cont.)

Measure	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Ensure a safe workplace for all Department employees	N/A	N/A	N/A	Safety infrastructure accountability systems, and supervisory training programs are in place.	Safety action plan developed, reinvigorated the Commerce Safety Council to communicate safety issues, appointed a new <i>Designated Agency Safety and Health Official</i> to spearhead safety efforts, established performance element for senior executives, and developed Web-based safety awareness training program.	X	

Performance Goal 2: Strategic Management of Human Capital

Measure	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Strategic Competencies—Ensure competency in leadership and in mission critical occupations	Vacancies monitored	Plan developed and tools identified.	Automated tools used by 3 pilot test offices.	Develop comprehensive Department-wide workforce restructuring plan that addresses competency gaps.	Completed final workforce restructuring plan in June 2002. Mission critical competencies identified. Candidate development program implementation plan developed which provides for the identification of gaps.	X	
Strategic Competencies—Ensure comprehensive training and development strategies	New	New	New	Analyze and update training and development policies to enhance competencies.	Training policy and supervisory training policy implemented.	X	
Strategic Competencies—Ensure diverse candidate recruitment	Greatest diversity voids determined and workforce has 3% staff of Hispanic origin.	Finalized memoranda of understanding with 9 Hispanic serving institutions and marketed 121 resumes with Department managers.	Sponsored 19 recruitment activities and marketed more than 352 resumes with Department managers.	Refine resume database, sponsor 20 recruitment activities, market 350 resumes, and implement a marketing or awareness campaign for Department managers.	Completed refining resume database, participated in 25 recruitment activities, implemented awareness campaign with Department managers.	X	
Efficiency and effectiveness of hiring systems using the Commerce Opportunities Online (COOL) System	COOL Phase I created.	COOL Phase II created and fill time identified at 44 days.	COOL Phase III created and fill time of 38 days.	Create COOL Phase IV and reduce fill time to 32 days.	Incomplete data		X

(continued)

Performance Goal 2: Strategic Management of Human Capital (cont.)

Measure	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Increase the alignment of performance management with mission accomplishment	Information entered with 95% accuracy.	Combined performance management and awards handbook completed.	Tracking system for aligning ratings with mission - accomplishment or overall recognition designed.	Implement a new senior executive service performance management system that explicitly links senior executive service performance plans with strategic goals and annual performance plan measures.	All SES were placed on new performance management system in June. The system links management of PMA, individual and organizational performance and results.	X	
Implement a telecommuting program	Managers made aware.	3 pilot programs established.	13.5% of total workforce ² currently telecommuting.	50% of eligible workforce is involved in program.	18.9% of total workforce participate in regular or episodic teleworking.		X

Performance Goal 3: Acquire and Manage the Technology Resources to Support Program Goals

Measure	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Transactions converted to electronic format	N/A	16 (13% of 123 total)	28 (23% of 123 total)	43 (35% of 123 total)	67 (54% of 123 total)	X	
IT planning and investment review program maturity (on a Scale of 0-5) ³	N/A	1	2	50% at 3 or higher	41% at 3 or higher		X
IT architecture program maturity (on a Scale of 0-5) ³	N/A	1	1.5	75% at 2 or higher 50% at 3 or higher	82% at 2 or higher 59% at 3 or higher	X	
IT security program maturity (on a scale of 0-5) ³	N/A	<1	100% at 1 or higher 60% at 2 or higher	80% at 2 or higher	70% at 2 or higher 48% at 3 or higher 26% at 4 or higher		X
Percentage of IT system security plans completed	N/A	21%	61%	100%	98%		X
Percentage of unsuccessful intrusion attempts	N/A	N/A	85% (1,380 of 1,620 intrusion attempts)	85% (2,150 of 2,530 projected intrusion attempts)	87% (1,441 of 1,665 intrusion attempts)	X	

¹ Based on preliminary data. Finalized data maintained in GSA's Federal Procurement Data System will be reported in the FY 2003 performance report.

² The portion of the workforce eligible to participate in the program depends on the Departmental telework policy, which is under development. Because this baseline figure was not available for FY 2001, we have reported on the proportion of the total workforce that telecommuted. However, because we could not verify whether the target was met, we are reporting that it was not met.

³ Maturity models are industry-accepted standards to assess progress toward achieving IT goals. See the description provided for Performance Goal 3.

Resource Requirements Summary

(Dollars in Millions. Funding amounts reflect total obligations.)

Information Technology (IT)

Full-Time Equivalent (FTE)

Performance Goal 1: Ensure Effective Resource Stewardship in Support of the Commerce Department's Programs

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Executive Direction	15.0	14.0	18.0	20.0
Departmental Staff Services	16.0	15.0	13.0	18.0
Advances and Reimbursements	1.0	2.0	5.0	5.0
Total Funding	32.0	31.0	36.0	43.0
IT Funding ¹	0.0	0.0	0.0	0.0
FTE	161	149	129	138

Performance Goal 2: Strategic Management of Human Capital

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Executive Direction	0.0	0.0	0.0	0.0
Departmental Staff Services	2.0	2.0	3.0	4.0
Total Funding	2.0	2.0	3.0	4.0
IT Funding ¹	0.0	0.0	0.0	0.0
FTE	22	17	24	23

Performance Goal 3: Acquire and Manage the Technology Resources to Support Program Goals

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Executive Direction	0.0	0.0	0.0	0.0
Departmental Staff Services	2.0	2.0	7.0	7.0
Total Funding	2.0	2.0	7.0	7.0
IT Funding ¹	2.0	2.0	7.0	7.0
FTE	24	19	18	21

Grand Total	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Executive Direction	15.0	14.0	18.0	20.0
Departmental Staff Services	20.0	19.0	23.0	29.0
Advances and Reimbursements	1.0	2.0	5.0	5.0
Total Funding	36.0	35.0	46.0	54.0
Direct	35.0	33.0	41.0	49.0
Reimbursable ²	1.0	2.0	5.0	5.0
IT Funding ¹	2.0	2.0	7.0	7.0
FTE	207	185	171	182

¹ IT funding included in total funding.

² Reimbursable funding reflects external sources only.

Note: Beginning in FY 2002, the summary reflects a consistent distribution of overhead costs among performance goals. Funds for the Working Capital Fund and the Franchise Fund are appropriated to bureaus, and they do not appear in these DM totals.

FY 2002 Performance Goals

Performance Goal 1: Ensure Effective Resource Stewardship in Support of the Commerce Department's Programs

Corresponding Strategic Goal

Management Integration Goal: Strengthen management at all levels.

Rationale for Performance Goal

The Department of Commerce must have the capacity to do business as successfully as possible with the public and its partner agencies, both as a \$5 billion, worldwide enterprise and as an integrated set of individual programs. This requires that DM identify, adopt, and maintain the business practices needed to successfully operate any such organization; use its resources wisely; and effectively implement the laws that affect the Department. Because this performance goal inherently encompasses a wide range of administrative and operational tasks, the measures used to assess DM's progress are by necessity highly diverse.

FY 2002 Performance

Under Performance Goal 1, "Ensure Effective Resource Stewardship in Support of the Commerce Department's Programs," nine out of ten targets were met, indicating significant forward movement in a wide range of administrative areas.

As a result of extensive consultation with private industry prior to issuing the Census Bureau's solicitation for proposals, the Department completed converting or competing only 1 percent of its commercial inventory compared to its target of 5 percent. The Census Bureau, which accounts for the majority of positions scheduled for review in FY 2002, is conducting a cost comparison for 225 "mixed tour" positions. Throughout this exercise, the Census Bureau has made every effort to assure the viability of the solicitation, which was released in October 2002. Census anticipates reaching a decision on this cost comparison in April 2003. DM has also established a management plan that provides a reasonable and practical approach to meeting the cumulative goal of 15 percent for FY 2002 and FY 2003 by October 2003.

Measure 1a: Clean Audit Opinion Obtained on Commerce Consolidated Financial Statements

	FY 1999	FY 2000	FY 2001	FY 2002
Target ¹	100%	100%	100%	Yes
Actual	100%	100%	100%	Yes
Met/Not Met	Met	Met	Met	Met

(This measure has been reworded since the publication of the FY 2002 Annual Performance Plan. It was previously worded as "Maintain 100% funds covered by clean audits.")

¹ See italicized statement above regarding rewording of the measure and recharacterization of the associated targets.

Explanation of Measure

The Department continues to give high priority to improving financial management by strengthening the integrity of financial operations and ensuring the accuracy of our financial records. Key laws such as the Chief Financial Officers Act, Government Management Reform Act, Federal Financial Management Improvement Act, and Government Performance and Results Act establish the standards for financial operations. Timely and reliable financial information is necessary to provide stakeholders and decision-makers with confidence in the way Commerce manages its resources, and it is key to ensuring full accountability to U.S. taxpayers for the expenditure of federal funds.

The method used to measure DM's success in this effort has been modified slightly but its objective remains the same. Prior to FY 2002, DM measured its progress in this area as the percentage of funding covered by a clean audit. DM is now assessing its ability to manage its financial resources based on whether the Department as a whole receives a clean audit opinion on its consolidated financial statements. This all-or-none approach emphasizes the importance of achieving overall success.

FY 2002 Performance

For the fourth consecutive year, the Commerce Department received an unqualified opinion on its consolidated financial statements.

Measure 1b: Deploy Commerce-wide Integrated Financial Management System

	FY 1999	FY 2000	FY 2001	FY 2002
Target ¹	1	4	8	10
Actual	1	4	8	10
Met/Not Met	Met	Met	Met	Met

(This measure has been reworded since the publication of the FY 2002 Annual Performance Plan. It was previously worded as "Meet milestones in implementing the Department-wide financial system (cumulative).")

¹ *Office of Computer Services Franchise Fund was previously considered to be, for this purpose, an independent bureau. It is now considered to be a part of the Office of the Secretary. Targets and performance levels have been modified to reflect this adjustment.*

Explanation of Measure

This measure tracks the Department's progress in implementing the requirements of the Chief Financial Officers Act, the joint financial management improvement program, and other standards for an integrated financial system. A modern, Department-wide financial management system is urgently needed to enable DM to improve financial management overall. Full deployment of the Commerce Administrative Management System (CAMS) will ensure fiscal accountability and provide program managers with the timely, accurate financial data needed for sound decision-making.

The targets for FY 2002 and FY 2003 have been modified as a result of a change in the definition of the Office of the Secretary as a bureau. Previously, the Office of the Secretary and Office of Computer Services (OCS) Franchise Fund were reported as two separate bureaus. OCS is now considered to be part of the Office of the Secretary. This does not alter the final goal, i.e., establishment of a Department-wide integrated financial management system. Since the system will be fully deployed across the Department in FY 2003, this measure will be discontinued beginning in FY 2004.

FY 2002 Performance

During FY 2002, NOAA processed over 80 percent of all accounts payable documents in CAMS and implemented the following CAMS components: Accounts Payable Interface, Purchase Card Module, basic Accounts Receivable, and Grants. In addition, NOAA conducted a CAMS pilot at National Ocean Service line offices, conducted an integration test of all CAMS modules, and closed its FY 2002 records using CAMS. NOAA successfully implemented all remaining CAMS modules on October 17, 2002, and CAMS became the financial system of record for NOAA and the Bureau of Industry and Security (BIS).

Measure 1c: Implement Competitive Sourcing

	FY 1999	FY 2000	FY 2001	FY 2002
Target	Inventory of commercial FTE ¹ positions due by 6/30/99.	Complete inventory of commercial FTE ¹ positions due by 6/30/00.	Complete inventory of commercial FTE ¹ positions due by 6/30/01.	Convert or complete competitions on 5% of commercial FTE ¹ positions.
Actual	Inventory submitted on 7/9/99.	Inventory submitted on 6/30/00.	Inventory submitted on 6/29/01.	1% completed and management plan in place to accomplish cumulative goal for FY 2002/2003.
Met/Not Met	Not Met	Met	Met	Not Met

(This measure has been reworded since the publication of the FY 2002 Annual Performance Plan. It was previously worded as "Expand A-76 competition and more accurate FAIR Act inventories.")

¹ FTE Full-time equivalents

Explanation of Measure

The Federal Activities Inventory Reform (FAIR) Act requires that agencies provide the Office of Management and Budget (OMB) with a timely inventory of the activities they perform that could be carried out by commercial sources. To comply with this requirement, the Department has developed an annual reporting process that is timely and complete. In March 2001, OMB added the requirement that all civilian agencies begin cost comparisons, or directly convert to contract, 5 percent of their FAIR Act inventory by September 30, 2002. An additional 10 percent of the inventory is to be competed or converted to contract by September 30, 2003.

FY 2002 Performance

In March 2002, the Department of Commerce submitted its Consolidated Competitive Sourcing Management Plan for FY 2002 and 2003 to OMB. The Plan provided the Department's timelines for completing cost comparisons and conversions that will allow it to achieve the government-wide target of 15 percent as established in the President's Management Agenda. OMB accepted the timelines presented in the Plan and awarded a Management Scorecard "green" rating to the Department in FY 2002. The Department has completed 1 percent of its commitment, is on schedule, and plans to meet the cumulative goal of 15 percent for FY 2002 and FY 2003 by September 2003.

Measure 1d: Funds Obligated through Performance-based Contracting

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	10%	25%
Actual			25% of \$1.624B	31% of \$795M
Met/Not Met			Met	Met

(This measure has been reworded since the publication of the FY 2002 Annual Performance Plan. It was previously worded as "Increase portion of contract funds for performance-based contracting.")

Explanation of Measure

Performance-based contracting is a method of procurement in which the federal government defines the results it is seeking, rather than the process by which those results are to be attained. The government also defines the standards against which contractor performance will be measured and incentives that may be used. The Procurement Executives Council has established an ultimate government-wide goal for federal agencies to award 50 percent of eligible service contracts as performance-based contracts by FY 2005. The interim government-wide goals are 20, 30 and 40 percent for FY 2002, FY 2003, and FY 2004, respectively. Believing that it could improve on the government-wide FY 2002 goal of 20 percent, Commerce established a target of 25 percent for itself.

FY 2002 Performance

In FY 2002, Commerce obligated \$253,568,000 for performance-based service contracts. This amount is 31 percent of the total amount awarded through eligible service contracts and exceeds the Department’s goal of 25 percent. Commerce exceeded its target because it has placed significant emphasis on the use of performance-based contracting believing that it will produce better results. The Office of Acquisition Management, in collaboration with other agencies and industry, has also taken the lead in developing the “Seven Steps to Performance-Based Service Acquisition” guide. This guide, along with associated training, was offered Department-wide on a pilot basis in FY 2002 and is being considered as an initiative for FY 2003.

Measure 1e: Small Purchases Made Using Credit Cards

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	75% of actions below \$25,000	75% of actions below \$25,000	90% of actions below \$25,000
Actual	288,268 transactions	88% of actions below \$25,000	92% of actions below \$25,000	95% actions below \$25,000
Met/Not Met		Met	Met	Met

(This measure has been reworded since the publication of the FY 2002 Annual Performance Plan. It was previously worded as "Increase transactions using of credit card purchasing.")

Explanation of Measure

In FY 2000, the Procurement Executives Council adopted a new government-wide acquisition performance measurement program, which included establishing a target for using government-issued credit cards for transactions below the small purchase threshold. The government-wide target is 75 percent of all transactions under \$25,000. This measure was pilot-tested in FY 2000. The first year of full implementation was FY 2001.

During FY 2002, the government-wide Purchase Card Program came under significant scrutiny from Congress and OMB because of a general need to ensure strong management controls for this decentralized purchasing activity. In response to direction received from OMB, DM has developed and is implementing a comprehensive strategy for strengthening the guidelines, controls, and conditions for purchase card usage. Notwithstanding the need for strong controls, DM has established a long-term Commerce-specific target of using purchase cards for 90 percent of all transactions below \$25,000 beginning with FY 2002.

FY 2002 Performance

During FY 2002, Commerce processed 361,910 acquisitions of \$25,000 or less. Of these, the Department processed 345,686 transactions, or 95 percent, using purchase cards. Commerce continues to exceed the government target of 75 percent because this approach minimizes the lead time involved in obtaining needed products, requires less burdensome administrative handling and reduces the administrative cost of acquiring goods and services.

Measure 1f: Use of Online Procurement to Publish Synopses and Solicitations for Proposals to Contract with the Department				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	50% of synopses	100% of synopses 100% of solicitations
Actual			98% of synopses	100% of synopses 100% of solicitations
Met/Not Met			Met	Met

(This measure has been reworded since the publication of the FY 2002 Annual Performance Plan. It was previously worded as "Expand the application of on-line procurement.")

Explanation of Measure

The President is committed to increasing the government’s use of the Internet to acquire goods and services and to promoting increased competition among firms interested in doing business with the government. In FY 2001, 98 percent of all synopses, or notices of intent to enter into a contract, issued by Commerce were posted through FedBizOps, which serves as the single point-of-entry Web site for all government agencies. As of FY 2002, this approach became the only option for publicizing procurement opportunities. As a result, there will be no need to track this measure in FY 2003 or beyond.

FY 2002 Performance

Commerce met the President’s commitment, supplemented by an OMB memorandum dated March 9, 2001, with respect to posting synopses and solicitations in FedBizOps. All synopses for acquisitions exceeding \$25,000 are posted through FedBizOps. Additionally, all associated solicitations, unless exempted by the Federal Acquisition Regulations, are accessible through FedBizOps.

Measure 1g: Increase Percentage of Total Obligations Awarded as Contracts to Small Businesses

		FY 1999	FY 2000	FY 2001	FY 2002
Small businesses	Target	35%	40%	40%	35%
	Actual	42%	34%	50%	51% ¹
	Met / Not Met	Met	Not Met	Met	Met
Women-owned businesses	Target	5%	5%	5%	Discontinued
	Actual	5%	6%	9%	
	Met / Not Met	Met	Met	Met	
Minority-owned businesses	Target	15%	18%	18%	Discontinued
	Actual	14%	20%	18%	
	Met / Not Met	Not Met	Met	Met	

(This measure has been reworded since the publication of the FY 2002 Annual Performance Plan. It was previously worded as "Increase percentage of total obligations awarded as contracts to small, minority-owned and women-owned businesses.")

¹ Based on preliminary data. Finalized data maintained in GSA's Federal Procurement Data System will be reported in the FY 2003 performance report.

Explanation of Measure

This measure monitors the Department of Commerce's ability to increase opportunities for small businesses, which include small disadvantaged, "8(a)," woman-owned, historically underutilized business zone (HUBZone), veteran-owned, and service-disabled veteran-owned businesses, to participate in Commerce acquisitions. Annually, the Small Business Administration (SBA) negotiates procurement goals with each federal agency in an effort to increase contract and subcontract awards to small businesses.

Historically, this included small businesses, small disadvantaged, 8(a), and women-owned businesses. In FY 2001, three new categories were added. These are HUBZone businesses, veteran-owned small businesses and service-disabled veteran-owned businesses, which is a subset of veteran-owned small businesses.

Through FY 2001, DM reported under the Government Performance and Results Act (GPRA) on the percent of awards made in three categories: (1) small businesses, (2) women-owned businesses, and (3) minority-owned businesses, which included small disadvantaged and 8(a) businesses. To avoid making this measure overly cumbersome by adding additional categories, beginning with FY 2002, Commerce simplified the method used to track its GPRA progress. It now reports on the percentage of procurement funds awarded to the umbrella group described as small businesses.

FY 2002 Performance

For FY 2002, SBA established a government-wide small business goal of 25 percent of total contract awards. The Commerce-specific target established by SBA was 35 percent. During the reporting period, 51 percent of all funds obligated through procurement transactions were awarded to small businesses. Commerce's strong commitment to maximizing small business participation in its procurement program allowed DM to exceed the small business goal established by SBA.

Measure 1h: Reduce Energy Consumption per Square Foot from 1985 Baseline

	FY 1999	FY 2000	FY 2001	FY 2002
Target	24%	25%	26%	35%
Actual	33%	34%	34%	35%
Met/Not Met	Met	Met	Met	Met

Explanation of Measure

Federal agencies are required by law and executive order to reduce energy consumption by 30 percent by 2005 and 35 percent by 2010. The Energy Policy Act of 1992 established 1985 as the baseline against which all agencies measure their progress. Commerce exceeded interim goals in FY 1999, FY 2000, and FY 2001.

FY 2002 Performance

In FY 2002, DM met the long-term government-wide goal of 35 percent. Having achieved this milestone, DM believes that monitoring energy consumption no longer merits tracking under the Government Performance and Results Act and is discontinuing this measure beginning with FY 2003.

Measure 1i: Ensure a Secure Workplace for All Commerce Employees

	FY 1999	FY 2000	FY 2001	FY 2002
Target	Conduct 12 physical security reviews.	Inspect all safes and other security containers at 10 field facilities.	Conduct inspections of 10 classified computer systems.	Establish Department-wide Continuity of Operations Plan (COOP) and conduct 10 compliance reviews of security programs and classified systems.
Actual	12 physical security reviews conducted.	All security containers at 10 field facilities inspected.	32 inspections of classified computer systems conducted.	DOC COOP established; 47 risk assessments completed.
Met/Not Met	Met	Met	Met	Met

(This measure has been reworded since the publication of the FY 2002 Annual Performance Plan. It was previously worded as "Protect information and staff at field sites from risk/disaster.")

Explanation of Measure

The Department of Commerce ensures security for headquarters and field staff, visitors, facilities, resources, and information. This is achieved in a variety of ways. In FY 1999, DM completed twelve physical security reviews for regional census centers. This reduced security-related risks and incidents, and helped increase employee satisfaction and productivity. In FY 2000, all safes and other security containers at ten Department of Commerce field facilities were inspected and found to be in compliance. In FY 2001, we inspected thirty-two classified computer systems to ensure that they are secure.

During FY 2003, DM will reconsider this measure to verify how best to determine the success with which it ensures the security of its employees and program operations. Any adjustments to DM's performance measures that are determined to be appropriate will be made in the Annual Performance Plan for FY 2005.

FY 2002 Performance

As part of the government-wide effort to ensure the security and continuity of operations across government, DM continued to place increased emphasis on protecting the Commerce workforce, facilities, and classified systems. DM worked with the bureaus to complete a Commerce-wide COOP plan. DM also conducted forty-seven risk assessments to evaluate the security of Commerce operations. Managers of the affected areas have been advised of the outcome of these reviews and instructed to take any corrective action determined to be appropriate.

Measure 1j: Ensure a Safe Workplace for All Commerce Employees

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	Safety infrastructure, accountability systems, and supervisory training programs are in place.
Actual				Safety action plan developed, reinvigorated the Commerce Safety Council to communicate safety issues, appointed a new <i>Designated Agency Safety and Health Official</i> to spearhead safety efforts, established performance element for senior executives, and developed Web-based safety awareness training program.
Met/Not Met				Met

Explanation of Measure

The Department is using this measure to highlight its effort to reinvigorate its safety program to ensure that employees have a safe environment in which to carry out their responsibilities.

FY 2002 Performance

An infrastructure for safety programs and accountability has been created. The Office of Human Resources Management established a formal action plan for FY 2002. The initial focus of the plan was to create a safety infrastructure within the Department to improve information flow between bureaus and the Department and to establish a structure and methodology to address important safety issues cooperatively. Safety newsletters were developed to further communicate the importance of employee involvement in safety programs. Safety checklists to assist supervisors and managers with conducting safety assessments of their workplaces have been instituted for use by the bureaus, as have formal procedures to improve the timeliness of reporting injuries and illnesses. The Department conducted safety training for bureau representatives and also incorporated safety into the performance elements for senior executives. In addition, a Web-based safety awareness- training program was developed.

Program Evaluation

The Department of Commerce uses reviews and reports generated by the Office of Inspector General, OMB, General Accounting Office, other congressional organizations, government-wide task forces, and other objective sources to evaluate performance goal 1 activities. For example, DM works closely with OMB implementing the five government-wide management initiatives established in the President's Management Agenda and is rated quarterly on its success in implementing them. In addition, many of the laws pertaining to these activities have separate reporting requirements, which highlight both strengths and weaknesses of Commerce's administrative functions. The Department uses the results of these efforts, as needed, to assess achievement of performance targets.

Performance Goal 2: Strategic Management of Human Capital

Corresponding Strategic Goal

Management Integration Goal: Strengthen management at all levels

Rationale for Performance Goal

By 2007, 71 percent of the Department's existing Senior Executive Service corps (and equivalents) and 39 percent of the senior staff in grades 13 through 15 will become eligible for retirement. Departures from the Department due to retirement only, represent approximately 21 percent of overall turnover. In the prior fiscal year, transfers to other federal agencies represented approximately 23 percent of separations and resignations accounted for 49 percent. These conditions will clearly produce an unprecedented drain on DM's institutional memory, on its capacity to provide mature leadership to the next generation of employees, and, thus, on its ability to effectively serve the public.

There is no issue more critical to the Department's continued effective functioning than that of current and projected turnover in mission critical positions, and the domino effect it precipitates. Separation projections are high among economists, fish biologists, mathematicians, statisticians, meteorologists, and engineers.

FY 2002 Performance

Reflecting the considerable effort made to address one of DM's most significant challenges, four out of six targets under Performance Goal 2, "Strategic Management of Human Capital," were met. Two targets have been identified as not being met because of an inability to assess DM's performance using the established methods of measurement.

The efficiency and effectiveness of DM's automated hiring system could not be definitively calculated because data collection was not complete for the year. The procedural concerns have been addressed and data collection is being closely monitored during FY 2003.

Almost one in five Commerce employees participated in teleworking in FY 2002. DM was not, however, able to specifically determine whether the goal had been met, which is measured as the percent of eligible employees participating in the program. This definition depends on issuance of the Department's teleworking policy, which is undergoing internal review and expected to be finalized in early FY 2003.

Measure 2a: Strategic Competencies—Ensure Competency in Leadership and in Mission Critical Occupations

	FY 1999	FY 2000	FY 2001	FY 2002
Target	Monitor vacancies	Develop workforce analysis plan and research and automate tools.	Automated tools used by 3 pilot test offices.	Complete comprehensive Department-wide workforce restructuring plan that addresses competency gaps in all bureaus.
Actual	Vacancies monitored	Plan developed and tools identified.	Automated tools used by 3 pilot test offices.	Completed final workforce restructuring plan in June 2002. Mission critical competencies identified. Candidate development program implementation plan developed which provides for the identification of gaps.
Met/Not Met	Met	Met	Met	Met

(This measure has been reworded since the publication of the FY 2002 Annual Performance Plan. It was previously worded as "Develop process to identify current/projected mission-related workforce needs.")

Explanation of Measure

Previous downsizing efforts, hiring freezes, and curtailed investment in human capital have resulted in a workforce that is not “appropriately constituted to meet the current and emerging needs of government and the nation’s citizens,” according to a government-wide General Accounting Office report published in January 2001, entitled *High-Risk Series: An Update*. President Bush identified the issue of “de-layering management levels to streamline organizations” as one of his five key government-wide management reforms. Ensuring that employees are available at the proper time and with the correct competencies is essential to achieving mission objectives. This measure ensures that the Department of Commerce conducts a strategic review of workforce needs, identifies appropriate competencies, and implements plans to provide a sufficient number of employees with these competencies.

FY 2002 Performance

In response to high projected retirements among the SES, Commerce revitalized the Candidate Development Program. Focus groups were identified to assist in evaluating and improving the program, and best practices were investigated. Commerce developed a “draft” CDP implementation plan and circulated it for comments. To ensure strong leadership of the program, a new CDP Program Manager was hired. SES retirement data are being analyzed according to occupational series to ensure the CDP meets leadership succession needs, as well as addresses competency gaps.

Measure 2b: Strategic Competencies—Ensure Comprehensive Training and Development Strategies

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	Analyze and update training and development policies to enhance competencies.
Actual				General supervisory training policies implemented.
Met/Not Met				Met

Explanation of Measure

This measure reflects the urgency of the need for skilled, knowledgeable, and high-performing employees to meet the current and emerging requirements of the federal government and the American people. The Department of Commerce will support continual learning and improvement in an organizational culture that promotes knowledge sharing and fosters a climate of openness.

FY 2002 Performance

Commerce’s training policies were reviewed with bureau training officers and approved for implementation. The policies included a generic employee training policy and supervisory training policy. Training procedures were placed online on the OHRM training Web site.

Measure 2c: Strategic Competencies—Ensure Diverse Candidate Recruitment				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	Determine greatest diversity voids.	Finalize memoranda of understanding with 5 hispanic serving institutions and market student resumes.	Develop and implement resume database, sponsor 9 recruitment activities, and market 140 resumes.	Refine resume database, sponsor 20 recruitment activities, market 350 resumes, and implement a marketing and awareness campaign for Department managers.
Actual	Greatest diversity voids determined, and workforce has 3% staff of Hispanic origin.	Finalized memoranda of understanding with 9 Hispanic serving institutions and marketed 121 resumes with Department managers.	Resume database developed and implemented, 19 recruitment activities sponsored, and more than 352 resumes marketed.	Completed refining resume database, participated in 25 recruitment activities, implemented awareness campaign with Department managers.
Met/Not Met	Met	Met	Met	Met

(This measure has been reworded since the publication of the FY 2002 Annual Performance Plan. It was previously worded as “Increase recruitment opportunities / improve diversity.”)

Explanation of Measure

Only 3 percent of the Commerce workforce is of Hispanic origin, which is low compared with the 11 percent in the civilian labor force. Considering the impending retirements of many of the Department’s workers and DM’s goal to become an employer of first choice, that is, that individuals seeking jobs will seek out a position at the Department of Commerce, DM needs to develop a steady supply of high-quality, diverse candidates to ensure appropriate recruitment pools. Currently, DM has entered into formal memoranda of understanding with nine colleges and universities—Hispanic serving Institutions—that call for information sharing about education, training, employment, and research opportunities at the Department of Commerce and university activities that meet the requirements of Department of Commerce-mission-related careers.

FY 2002 Performance

The Department of Commerce Office of Human Resources Management (OHRM) registered and participated in twenty-five job fair events during the fiscal year. This figure exceeded DM’s goal by five, and at least thirteen career fairs were directed toward the Hispanic community. With regard to marketing resumes, in the prior year, this process was a manual one, and copies of the resumes were made and sent out to bureau managers. With the automation of the resume database, marketing

efforts were reoriented toward marketing the system itself, which contains over 1,300 resumes. To ensure more awareness and use of the database, OHRM staff developed a brochure about the Job Fair Resume Database (JFRD) directed toward managers, met with Principal Human Resources Managers for all bureaus to explain and demonstrate the JFRD, and solicited their assistance in distributing the brochure to managers within their respective organizations.

Measure 2d: Efficiency and Effectiveness of Hiring Systems Using the Commerce Opportunities Online (COOL) System

	FY 1999	FY 2000	FY 2001	FY 2002
Target	Create Commerce Opportunities Online (COOL) Phase I.	Create COOL Phase II and identify average fill time.	Create COOL Phase III and reduce till time to 34 days.	Create COOL Phase IV and reduce fill time to 32 days.
Actual	COOL Phase I created.	COOL Phase II created and fill time identified at 44 days.	COOL Phase III created and fill time of 38 days.	Incomplete data
Met/Not Met	Met	Met	Not Met	Not Met

(This measure has been reworded since the publication of the FY 2002 Annual Performance Plan. It was previously worded as "Increase the efficiency and effectiveness of hiring systems.")

Explanation of Measure

To ensure that employees with the proper competencies are in place as quickly as possible, the Department has developed and implemented an automated hiring solution to improve the timeliness of hiring. In the past, Commerce managers expressed displeasure with the lengthy hiring process, as well as the number and quality of candidates referred for consideration. In 1999, the Department designed and pilot-tested a Web-based recruitment and referral system, COOL Phase I. In April 2000, Commerce replaced the Phase I pilot with an enhanced version (COOL Phase II) and deployed it within a number of the Department’s bureaus. In October 2000, the Department deployed COOL Phase III, which is useful for filling vacancies with nonstatus, external candidates. In FY 2002, Commerce deployed COOL Phase IV, with the objective of reducing the vacancy fill time to thirty-two days.

FY 2002 Performance

DM is not able to definitively determine the fill time for FY 2002 COOL actions due to incomplete data. DM’s “fill time” definition comprises the total time it takes to complete various phases of the hiring process, i.e., receipt date of the SF-52 in the human resources office to the date a certificate is issued to the manager, and relies directly upon data that are captured at each of those phases. While DM does have some FY 2002 data that reflect a fill time of 28.06 days, the fact that these data do not comprise a random sample does not allow DM to extrapolate those results more broadly. Partial information appears to support a determination that DM has “met” the FY 2002 target, however, it is reporting this target as “not met.”

Measure 2e: Increase the Alignment of Performance Management with Mission Accomplishment

FY 1999	FY 2000	FY 2001	FY 2002	
Target	Enter performance ratings and awards into National Financial Center database with 95% accuracy.	Develop Web-based combined performance management and awards handbook.	Design Tracking System for Aligning Ratings with Mission Accomplishment and Overall Recognition.	Implement a new SES performance management system that explicitly links SES performance with strategic goals and annual performance plan measures.
Actual	Information entered with 95% accuracy.	Combined performance management and awards handbook completed.	Tracking system for aligning ratings with mission accomplishment and overall recognition designed.	All SES were placed on new performance management system in June. The system links management of PMA, individual and organizational performance and results.
Met/Not Met	Met	Met	Met	Met

(This measure has been reworded since the publication of the FY 2002 Annual Performance Plan. It was previously worded as "Increase the alignment of performance management with mission accomplishment and overall recognition.")

Explanation of Measure

A key aspect of ensuring that human capital is strategically aligned to organizational accomplishment is to ensure that alignment exists between an organization’s strategic and operating plans and individual performance plans for employees. For example, the General Accounting Office’s *High-Risk Series, An Update*, published in January 2001, stated that agencies should instill an organizational climate that promotes high performance and accountability and that the alignment of individual performance standards with organizational performance measures is a critical aspect of sound human capital management. President Bush reaffirmed this concept in a speech in which he stated his commitment to improving the linkages between individual performance and organizational mission accomplishment. To provide guidance to the Department regarding these linkages, the Office of Human Resources Management combined two related systems (performance management and incentive awards) into one Web-based document. With the receipt of the U.S. Office of Personnel Management’s new SES performance rating regulations, DM designed a new SES performance management system. This measure will ensure that a definitive linkage is created, tested, documented, and tracked so that performance management is integral to mission accomplishment.

FY 2002 Performance

The Department of Commerce Office of Human Resources Management (OHRM) completed development of an executive performance management system in compliance with new Office of Personnel Management SES performance guidance. The goal of the Department is to ensure SES performance management is used to communicate Departmental goals and objectives, and assess senior executives’ performance against established critical job elements and strategic goals, which result in individual accountability. Working with bureau representatives, the OHRM staff developed SES performance elements and requirements to reflect individual and organizational performance expectations, consistent with the goals and performance expectations in the Agency’s strategic planning initiatives. This new system was finalized and approved in April 2002, and all Departmental senior executives were placed on the new standards by June 1, 2002. Commerce also completed development of the Commerce Performance and Awards System (CompAS), which links individual performance and rewards as a driver for organizational performance and results. Management training was developed to support pilot implementation in FY 2003.

Measure 2f: Implement a Telecommuting Program

	FY 1999	FY 2000	FY 2001	FY 2002
Target	Make managers aware of telecommuting flexibilities.	Provide advice to managers in establishing pilot programs.	25% of eligible workforce ¹ is involved in program.	50% of eligible workforce is involved in the program.
Actual	Made managers aware.	3 pilot programs established.	13.5% of total workforce ¹ currently telecommuting.	18.9% of total workforce participate in regular or episodic teleworking ¹ .
Met/Not Met	Met	Met	Not Met	Not Met

¹ The portion of the workforce eligible to participate in this program depends on the Departmental telework policy, which is under development. Because this baseline figure was not available for FY 2002, DM reported on the proportion of the total workforce that telecommuted. However, because DM could not verify whether it met the target, it is reporting that it was not met.

Explanation of Measure

Public Law 106-346 supports implementation of telecommuting programs throughout the Federal Government and requires agencies to establish telecommuting policies. The law also requires the Office of Personnel Management to provide for the application of the law to 25 percent of the eligible federal workforce within six months (by April 23, 2001) and to an additional 25 percent each year, thereafter. The Department has supported implementation of this law by re-examining its telework policy, which is pending implementation. Once implemented, the telework policy will define the eligible workforce.

FY 2002 Performance

The Department’s telework policy remained under procedural and legal review during FY 2002. Bureaus delayed implementation of full-scale programs pending execution of the policy, however episodic teleworking was utilized throughout the year. Pending issuance of Departmental policy, an automated workforce scheduling system, which identifies the eligible employees, will be implemented in FY 2003. It is expected that the Department will improve performance in this target for FY 2003 and FY 2004.

Program Evaluation

The Department of Commerce uses reviews and reports of the Office of Inspector General, the Office of Management and Budget (OMB), the Office of Personnel Management (OPM), the General Accounting Office, other Congressional organizations, government-wide task force studies that produce (or rely on) objective review criteria, and other sources in conducting evaluations of the activities listed under performance goal 2. In addition, many of the laws cited in this section have specific reporting requirements. During FY2002, Commerce worked closely with the OPM and OMB to develop an infrastructure for improving human capital management, assessments, training and knowledge management, and accountability programs. As of the end of FY 2002, OMB had assigned Commerce a green “progress” rating, signifying that DM is making significant forward movement in changing its human resources management practices and positioning itself to achieve meaningful results that will allow DM to improve its “status” rating.

Performance Goal 3: Acquire and Manage the Technology Resources to Support Program Goals

Corresponding Strategic Goal

Management Integration Goal: Strengthen management at all levels

Rationale for Performance Goal

As the U.S. becomes increasingly oriented toward using electronic means of communication and information dissemination, federal agencies must ensure that they continue to be as responsive as possible to the needs of the public, private sector, other levels of government, and other federal agencies. This requires that DM develops and implements new approaches to electronic communication and that its existing systems are able to perform at the highest levels. Specific areas identified for measurement and reporting include: (1) converting paper transactions to electronic form, (2) improving DM's information technology (IT) planning and investment review processes, (3) expanding the role of IT architecture in evaluating new and existing systems, (4) improving the IT security program, (5) ensuring confidentiality, integrity, and availability of systems and data, and (6) protecting systems from intrusions.

FY 2002 Performance

FY 2002 was a transitional year in that Commerce bureaus were continuing to restructure their IT functions in response to Departmental direction, which required considerable resources to address all aspects of IT management. Because of its criticality at this time, special emphasis was also placed on ensuring the confidentiality, availability, and integrity of the Department's IT resources. Additionally, Commerce has contributed human and capital resources to the electronic government initiatives in support of the President's Management Agenda. These activities affected our ability to fully meet the aggressive goals established under this Performance Goal for FY 2002.

Three out of the six targets were met. Substantial progress was made in the remaining three areas, which are discussed below.

The FY 2002 target was to have 50 percent of the bureaus operating at level three of the IT Planning and Investment Review maturity model, i.e., having a fully defined IT planning program. As of the end of the year, 41 percent were operating at level three. Fully developing planning and investment review programs at the bureau level requires the involvement and direction of senior IT managers, specifically Chief Information Officers (CIOs). Progress in certain areas was hampered due to delays in the appointment of bureau CIOs and the establishment of their management philosophy. The Department's CIO will continue working with each bureau, establishing specific objectives and monitoring their progress throughout the year, to ensure that FY 2003 targets are met.

Strengthening IT security programs remains a priority throughout the Department. The FY 2002 target was for 80 percent of our bureaus to be operating at level two of the maturity model, i.e., having fully documented security procedures. Other priorities, such as assessing all systems and updating security plans, resulted in resources being redirected and only 70 percent of Commerce's bureaus achieved level two. The planning accomplished as a result of these activities, however, has equipped the bureaus with a roadmap for moving beyond the FY 2002 targets and accomplishing the FY 2003 goals by September 30, 2003.

Significant progress has been made in completing security plans for Commerce Department systems, however, the 100 percent target was missed by 2 percent. The remainder will be completed early in FY 2003.

Measure 3a: Transactions Converted to Electronic Format

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	16 (13% of 123 transactions)	25 (20% of 123 transactions)	43 (35% of 123 transactions)
Actual		16 (13% of 123 transactions)	28 (23% of 123 transactions)	67 (54% of 123 transactions)
Met/Not Met		Met	Met	Met

(This measure has been reworded since the publication of the FY 2002 Annual Performance Plan. It was previously worded as "Increase the goods and services provided via electronic means.")

Explanation of Measure

The Government Paperwork Elimination Act (GPEA) determined the framework upon which e-government must be built. Under GPEA, agencies must provide for the optional use and acceptance of electronic documents and signatures and electronic record keeping, when practicable, by October 2003. At present, the Department of Commerce provides information to customers, stakeholders, and partners using a combination of electronic and paper-based mechanisms. The first GPEA plan was submitted to the Office of Management and Budget (OMB) in October 2000. At that time, the Department identified 235 transaction types that were carried out between Department of Commerce offices and operating units, and the public. Of those, 123 were appropriate for conversion to an electronic option; this number served as DM's baseline through 2002. Starting in 2003, the new baseline is 214 transactions due to revised instructions from OMB to include a broader set of electronic transactions and to focus on and include transactions related to the Administration's twenty-four e-government initiatives.

As the Department strives to achieve its e-government goals, DM is working to make processes, not just forms, electronic. Making processes electronic typically involves business process reengineering and is inherently more complex than making a form electronically fillable. The Departmental Chief Information Officer (CIO) plans to closely monitor the operating units' GPEA transaction completions in 2003 by instituting a monthly reporting process and holding a mid-year review of progress toward meeting the 2003 goal.

FY 2002 Performance

In FY 2002, thirty-nine additional transactions were made available online, making the total to date sixty-seven transactions, which exceeded the annual target of forty-three. Of these, 87 percent of DM's completed electronic transactions constituted either reengineered business processes or involved Web-based services. Examples include the adoption of electronic reporting at the Census Bureau for the Economic Census; development of a Web-based fish permit capability by NOAA's National Marine Fisheries Service; and establishment of the Export.Gov portal, the Commerce-led government-wide initiative, which offers a wide range of information to potential exporters and is being expanded to include forms and services.

Measure 3b: IT Planning and Investment Review Program Maturity (Scale of 0-5)

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	2	50% at 3 or Higher
Actual		1	2	41% at 3 or higher
Met/Not Met			Met	Not Met

Explanation of Measure

The Commerce IT planning process requires that each operating unit develop strategic and operational IT plans. The purpose of the strategic IT plan is to focus attention on the high-level, strategic application of IT to Departmental missions. Operating units then develop operational IT plans to show the detailed actions and resources necessary to achieve strategic plan goals. These plans form the foundation for analysis of specific IT investments.

To assist operating unit CIOs to continually improve their IT processes and to achieve a level of comparability across operating units, the Office of the CIO has provided them with maturity models, which is an industry-wide accepted approach to objectively assessing the progress of IT and related initiatives in achieving program goals. The Software Engineering Institute at Carnegie Mellon University developed the concept of maturity models. A maturity model places proven practices into a structure that helps an organization assess its organizational maturity and process capability, establish priorities for improvement, and guide the implementation of these improvements. The Software Engineering Institute's software maturity model has become the de facto standard in the IT industry for assessing and improving software processes. An organization's processes are deemed to be at a specific level when all established criteria for that level have been met. There are no partial or incremental steps between the levels.

Commerce uses maturity models to measure progress in three areas critical to managing IT resources: IT Planning and Investment Review, IT Architecture, and IT Security. Definition of each level (0-5) of the models is as follows:

Level	IT Planning and Investment Review	IT Architecture	IT Security
0	No IT planning program.	No IT architecture.	No IT security program.
1	Initial: Informal IT planning program.	Initial: informal IT architecture process underway.	Documented policy.
2	IT planning program in development.	IT architecture process in development.	Documented procedures.
3	Defined IT planning program.	Defined IT architecture including detailed written procedures and technical reference model.	Implemented procedures and controls.
4	Managed IT planning program.	Managed and measured IT architecture process.	Tested and reviewed procedures and controls.
5	Optimizing: Continual improvement of the IT planning program.	Optimizing: Continual improvement of the IT architecture process.	Fully integrated procedures and controls.

FY 2002 Performance

The FY 2002 target was recognized to be an aggressive goal when it was established, and was intended to challenge at least half of the operating units to move from Level 2 to Level 3 in the course of one year. Achieving Level 3, a "defined IT planning program," requires the commitment and participation of operating unit senior leaders and program managers. Significant cultural and procedural changes are required throughout the units' planning, budgeting and program execution processes. These changes require the leadership of a formally appointed CIO, adequately empowered within the organization. Those operating units with CIOs in place were positioned to make progress on this measure during FY 2002. Progress in other operating units, such as the National Institute of Standards and Technology (NIST), was delayed as CIOs were being appointed,

their authorities were established, and their procedures put in place. Even though 41 percent (vs. the 50 percent target) of Commerce operating units achieved the target of Level 3 for this measure, 60 percent of Commerce’s IT portfolio (as represented by total IT expenditures) was managed by organizations at Level 3. NOAA and Census, with 60 percent of the total IT expenditures achieved Level 3.

The Commerce Chief Information Officer continues to work with the operating units to improve the management of IT. By establishing specific objectives with each operating unit and monitoring progress regularly throughout the year, DM expects to achieve the FY 2003 performance goal of 60 percent of the operating units at Level 3 and 30 percent at Level 4.

Measure 3c: IT Architecture Program Maturity (Scale of 0-5)				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	2	75% at 2 or Higher 50% at 3 or Higher
Actual		1	1.5	82% at 2 or Higher 59% at 3 or Higher
Met/Not Met			Not Met	Met

Explanation of Measure

The IT architecture serves as the blueprint that guides how IT resources work together as a cohesive whole to support the Department’s mission. This mechanism helps the Department in efficiently utilizing its IT funding by recognizing the potential usefulness of IT systems to similar business practices across operating units, which results in eliminating duplication, improving information-sharing abilities, enhancing Commerce’s ability to respond to changing business needs, and reducing costs because of economies of scale.

An IT Architecture Affinity Group composed of members from across the Department has established IT architecture guidelines, evaluation criteria, and a maturity scale. A high-level enterprise architecture plan serves as the overarching driver for Commerce’s architecture efforts. Each Commerce operating unit is developing its own IT architecture, in line with the Departmental plan, and is following the guidelines and criteria prepared by the IT Architecture Affinity Group. Together these plans form Commerce’s federated IT enterprise architecture. Concurrently, linkages are being established between the Commerce enterprise architecture and the government-wide architecture.

The maturity models:

Level	IT Planning and Investment Review	IT Architecture	IT Security
0	No IT planning program.	No IT architecture.	No IT security program.
1	Initial: Informal IT planning program.	Initial: Informal IT architecture process underway.	Documented policy.
2	IT planning program in development.	IT Architecture Process in Development.	Documented procedures.
3	Defined IT planning program.	Defined IT architecture including detailed written procedures and technical reference model.	Implemented procedures and controls.
4	Managed IT planning program.	Managed and measured IT architecture process.	Tested and reviewed procedures and controls.
5	Optimizing: Continual improvement of the IT planning program.	Optimizing: Continual improvement of the IT architecture process.	Fully integrated procedures and controls.

FY 2002 Performance

The FY 2002 performance goal for IT Architecture was achieved. During FY 2002, Commerce made significant progress in the area of IT architecture. At the end of FY 2001, the Departmental average maturity level for architecture was 1.5. By the end of FY 2002, 82 percent of the operating units had achieved Level 2, with 59 percent also achieving Level 3. Level 3 requires that the operating unit have a defined IT architecture process, detailed written procedures, and a Technical Reference Model that lays out the technical components of the architecture. The target was exceeded primarily through the maturing of the process and the participation of all operating units in sharing techniques, lessons learned, and standardization of the process through the DOC IT Architecture Affinity Group.

Measure 3d: IT Security Program Maturity (Scale of 0-5)				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	50% at 1 or higher	80% at 2 or higher
Actual		More than 1	100% at 1 or higher 60% at 2 or higher	70% at 2 or higher 48% at 3 or higher 26% at 4 or higher
Met/Not Met			Met	Not Met

Explanation of Measure

The IT security program implements policies, standards, and procedures to ensure an adequate level of protection for IT systems, whether maintained in-house or commercially. Commerce’s IT security program includes the preparation of risk assessments, security plans, contingency plans, and certification and accreditation of IT systems to ensure the confidentiality, availability, and integrity of the Department’s IT resources.

The maturity models:

Level	IT Planning and Investment Review	IT Architecture	IT Security
0	No IT planning program.	No IT architecture.	No IT security program.
1	Initial: Informal IT planning program.	Initial: Informal IT architecture process underway.	Documented policy.
2	IT planning program in development.	IT Architecture process in development.	Documented procedures.
3	Defined IT planning program.	Defined IT architecture including detailed written procedures and technical reference model.	Implemented procedures and controls.
4	Managed IT planning program architecture process.	Managed and measured IT architecture process.	Tested and reviewed procedures and controls.
5	Optimizing: Continual improvement of the IT planning program.	Optimizing: Continual improvement of the IT architecture process.	Fully integrated procedures and controls.

FY 2002 Performance

In response to the Government Information Security Reform Act (GISRA), the Department identified specific corrective actions to improve IT security, primarily focused on eliminating system and network vulnerabilities. The Departmental CIO required that operating units complete all corrective actions by September 30, 2002. Additionally, the Departmental CIO required that all systems undergo a self-assessment, in accordance with NIST Special Publication 200-26 and that all security plans be updated during FY 2002. While these actions put in place protections for Commerce’s systems and data, resources were diverted from the Level 2 activities of documenting procedures. Therefore, while Commerce’s resources are better protected, the measure listed here was missed. As of year-end, 70 percent, rather than 80 percent, of the operating units were at Level 2 or higher. It is also significant to note that the FY 2003 target for Level 3 was almost reached in FY 2002. This is because Census and EDA achieved Level 3 maturity and NOAA, NTIS, and BEA achieved Level 4 maturity. The majority of operating units that did not achieve Level 2 are small, and even with limited resources are actively building their IT Security programs. Progress on this measure has been delayed at NIST by the lack of a CIO.

In FY 2002 the IT Security Program Manager required that operating units utilize the results of the system self-assessments to develop corrective action plans to address all critical elements that had not achieved a Level 3 maturity. These corrective action plans will provide those operating units currently at a Level 2 or below a roadmap to achieving Level 3 maturity by the end of FY 2003. The FY 2003 and 2004 targets are set at levels to encourage and require continued improvement throughout the Department in the area of IT Security.

Measure 3e: Percentage of IT System Security Plans Completed				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	100%
Actual		21%	61%	98%
Met/Not Met				Not Met

Explanation of Measure

IT security plans are the foundation for ensuring the confidentiality, availability, and integrity of information technology systems. As such, they are key to management’s understanding of the risks to information and IT systems, and the measures needed to mitigate these risks. Plans should be updated every three years or when significant changes are made to the systems. The objective is to remain at the 100 percent level. Additional related measures are being formulated for the next reporting period.

FY 2002 Performance

Completing IT security plans for all systems across the Department was an area of special emphasis during FY 2002. Operating units provided monthly reports on progress in this area, and IT security compliance reviews examined the reported results at selected operating units. Although significant progress was made, 589 out of 601 (or 98 percent) security plans are up to date and in place, the FY 2002 target of completing 100 percent of all needed IT security plans was not met. However, all operating units but two have completed 100 percent of their IT security plans. The Census Bureau has completed 90 percent of its plans, and the remaining 10 percent are targeted for completion by December 31, 2002. MBDA will complete 100 percent of its plans by December 31, 2002 as well.

In addition to having security plans for all systems, special emphasis was placed on the quality of security plans because they are a significant aspect of the system certification and accreditation package. The Department’s focus in FY 2003 will be to ensure all systems have been certified and accredited in accordance with the National Information Assurance Certification and Accreditation Process, beginning with the national critical, mission critical, and classified systems.

Measure 3f: Percentage of Unsuccessful Intrusion Attempts				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	85% (2,150 of 2,530 projected intrusion attempts)
Actual			86% (1,380 of 1,620 intrusion attempts)	87% (1,441 of 1,655 intrusion attempts)
Met/Not Met				Met

Explanation of Measure

Intrusion detection software that protects one of NOAA’s many campuses and facilities shows that continual probes from outside systems are looking for vulnerabilities that can be exploited to gain access to NOAA systems. Statistics that NOAA has kept over the last few years show that the threat is increasing every year. Successful compromises put Commerce at serious risk, affecting the confidentiality, availability, and integrity of IT systems. While all intrusion attempts cannot be thwarted, successful compromises must be minimized; that is, the number of unsuccessful attempts must increase as the overall number of attempted intrusions increases.

FY 2002 Performance

The FY 2002 target was met. Success on this measure is a direct result of NOAA's intrusion detection equipment, security management commitment to training, education, and awareness and the certification and accreditation process being conducted throughout NOAA.

Program Evaluation

The Department of Commerce uses reviews and reports generated by the Office of Inspector General, Office of Management and Budget, General Accounting Office, other Congressional organizations, government-wide task force studies, and other objective sources to evaluate performance goal 3 activities. In addition, many of the laws pertaining to IT management have separate reporting requirements, which highlight both strengths and weaknesses of Commerce's IT programs. The Department uses the results of these efforts as needed to assess achievement of performance targets. Although the operating units assess and report their progress on each of the measures, the Department's Office of the CIO is requiring that operating units develop corrective action plans to achieve performance targets, to provide regular reports on their progress, and to undergo independent reviews to verify accuracy of reporting. With CIOs established and in place at all the operating units, the structure will be in place to strengthen the management of IT at all levels.

DM Data Validation and Verification

To a great extent, DM measures depend on input provided by many sources — typically, Commerce's thirteen bureaus — and a combination of techniques is used to validate and verify the data received.

For example, financial performance at all levels is subject to review by our auditors. Data input by the bureaus relating to acquisition activities, e.g., performance-based contracts and small business awards, is screened at the Department level during the reporting cycle.

Several of the measures relating to information technology management under Performance Goal 3 involve the use of maturity models to evaluate the adequacy of the programs in place to manage IT planning, architecture, and security. These models represent an industry-wide accepted approach for objectively assessing the IT functions. The Office of the Chief Information Officer works closely with bureaus to ensure that the criteria for each level is met as bureaus progress through the five-step models.

As DM moves forward to other, less concrete objectives, e.g., developing competencies in leadership and mission critical occupations and improving the effectiveness and efficiency of our hiring systems, it is continuing to refine its reporting structure. The DM Data Validation and Verification table can be found starting on the following page.

DM Data Validation and Verification

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 1a: Clean audit opinion obtained on Department consolidated financial statements	Consolidated financial statements and Office of Inspector General (OIG) audits.	Annual	Bureau or Departmental financial systems.	OIG Audits	None	Continue to maintain clean audits.
Measure 1b: Deploy Department-wide integrated financial management system	Bureau reports	Ongoing monitoring and quarterly reporting	N/A	OIG Audits	N/A	Continue aggressive implementation schedule.
Measure 1c: Implement competitive sourcing	FAIR Act inventory and Competitive Sourcing Management Plan	Annual	OEBAM chronology files	Executive Secretariat	None	Request updates quarterly.
Measure 1d: Funds obligated through performance-based contracting	Commerce procurement data system.	Annual	Commerce procurement data system	Supervisory audit	N/A	None
Measure 1e: Small purchases made using credit cards	Commerce bankcard center	Annual	Commerce bankcard center	Procurement Executives Council (PEC) process.	None	Continue to gather and review data
Measure 1f: Use of online procurement to publish synopses and solicitations for proposals to contract with the Department	Commerce Business Daily Net	Annual	Commerce Business Daily Net	Contracting office certification	N/A	None
Measure 1g: Increase percentage of total obligations awarded as contracts to small businesses	Small Business Administration (SBA) and the Department of Commerce's Office of Small and Disadvantaged Business Utilization (OSDBU).	Annual	SBA and OSDBU	SBA and OSDBU	None	Continue outreach efforts
Measure 1h: Reduce energy consumption per square foot from 1985 baseline	Bureau reports	Annual	Departmental management office tracking system.	Reasonable use standard	N/A	Improve recording and reporting methodology.
Measure 1i: Ensure a secure workplace for all Department employees	Site visits	Annual	Computer systems	Compliance reviews	Technology decentralizes data	Continued monitoring and evaluation.
Measure 1j: Ensure a safe workplace for all Department employees	Office of Human Resources Management	Annual	Office of Human Resources Management	Reporting to senior managers.	N/A	Continued monitoring and evaluation.
Measure 2a: Strategic Competencies—Ensure competency in leadership and in mission critical occupations	National Finance Center/Department of Commerce's Human Resources Data System (HRDS), bureaus' workforce restructuring plans, recruitment and retention plans that focus on mission critical competencies, and leadership succession plans (recruitment, retention, and development).	Semi-annual in some cases, annual in others.	Office of Human Resources Management (OHRM) payroll and personnel system and succession plans.	Availability of plans, data accuracy as documented by the National Finance Center, leadership recruitment and retention rates, turnover data, availability and quality of succession plans, and review of bureau progress on succession plans.	HRDS does not provide historical data.	Measure trends over time and ensure that plans are in place and implemented.

DM Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
New Measure 2b: Strategic Competencies—Ensure comprehensive training and development strategies	Department plan for strategic employee training and development.	Annual	OHRM and bureaus	Review of manual records and availability of updated policies that support mission-critical employee competency development.	Manual review required	Ensure that new policies are in place and that tracking system is created and implemented.
Measure 2c: Strategic Competencies—Ensure diverse candidate recruitment	Inventory/transmittal letters	Annual	Office chronology files	Executive Secretariat	None	Measure trends over time.
Measure 2d: Efficiency and effectiveness of hiring systems using the Commerce Opportunities Online (COOL) System	Staffing timeliness measure system.	Semi-annual	Staffing timeliness measure system.	Staffing timeliness studies.	Some manual sorting required.	Refine system, provide training, and oversee issuance of certificates to managers.
Measure 2e: Increase the alignment of performance management with mission accomplishment	HRDS, Department of Commerce strategic plan, bureau operating plans, and performance management plans for employees.	Annual	HRDS database, performance management system.	Performance management completion rate and performance against goals and targets.	Some manual record-keeping	Implement new performance management policy and complete analyses.
Measure 2f: Implement a telecommuting program	Management data on number of employees participating.	Quarterly	OHRM database, created via reports from the bureaus.	Review of bureau records	Manual information gathering	Develop Department-wide telecommuting plan, track number of participants, and determine if the program is supporting mission accomplishment.
Measure 3a: Ensure that new policies are in place and that tracking system is created and implemented	Bureau Information Technology (IT) offices	Annual	Bureau databases and departmental management Chief Information Officer (CIO) consolidated database.	Departmental and external reviews.	None	Review transactions to assess need for transition to electronic process and provide for electronic signature.
Measure 3b: IT planning and investment review program maturity (Scale of 0-5)	Bureau IT offices	Annual	Bureau IT offices	Departmental and external reviews.	None	Review bureau processes to assess need for corrective action.
Measure 3c: IT architecture program maturity (Scale of 0-5)						
Measure 3d: IT security program maturity (Scale of 0-5)						
Measure 3e: Percentage of IT system security plans completed	Bureau IT offices	Annual	Bureau files and Departmental Management CIO files.	Departmental and external reviews.	None	Review plans for completeness and conformance to NIST SP 800-18.
Measure 3f: Percentage of unsuccessful intrusion attempts	NOAA	Annual	NOAA files	Departmental and external reviews.	None	Review statistics for completeness and accuracy.

STRATEGIC GOAL 1

*Provide the information and the
framework to enable the economy to
operate efficiently and equitably*



DEPARTMENT OF COMMERCE



★ UNITED STATES OF AMERICA ★



Economics and Statistics Administration

Mission Statement

Help maintain a sound federal statistical system that monitors and measures the U.S.'s rapidly changing economic and social arrangements; Improve understanding of the key forces at work in the economy and the opportunities they create for improving the well-being of Americans; Develop new ways to disseminate information using the most advanced technologies; Support the information and analytic needs of the Commerce Department, the Executive branch, and the Congress.

The United States is the world's economic information leader, due in large part to the timely, accurate data and analyses produced by the agencies of the Economics and Statistics Administration (ESA). These agencies, the Bureau of the Census and the Bureau of Economic Analysis (BEA), collect vital demographic and economic data through the decennial census and other surveys, and produce key economic measures such as the gross domestic product and the balance of payments. The data produced by BEA and the Census Bureau, and the analyses produced by ESA headquarters affect the lives of all Americans by providing the President, Congress, local communities, and businesses with the information they need to make sound decisions.

ESA Headquarters

ESA headquarters (comprised of the Office of the Under Secretary, the Chief Economist, the Policy Support staff, and STAT-USA) has four main roles: (1) to provide executive direction, management, financial analysis, and administrative support to all ESA agencies; (2) to evaluate current economic conditions; (3) to provide economic policy analysis; and (4) to provide data dissemination services.

The Office of the Under Secretary provides leadership and executive oversight of all activities of ESA. The Chief Economist and the Office of Economic Conditions monitor and interpret major new economic statistics with the goal of anticipating the future directions of the economy. The economists of the Policy Support Office conduct research on the factors contributing to U.S. industrial strength and the relationship between industry performance and economic growth, including recent major studies on the scope and economic impacts of electronic commerce. Data dissemination services are provided by STAT-USA, an easy-to-use "one-stop shop" that provides a focal point for business, economic, and trade statistics.

All resource requirements of ESA headquarters, including STAT-USA, are shown on the Resource Requirements Summary table. STAT-USA is a revolving fund account that requires no government funding. These resources contribute directly to our performance goal, "To develop relevant, accurate, and timely GDP and economic accounts statistics."

STAT-USA

STAT-USA provides the public with access to key business, economic, and international trade information. STAT-USA's mission is to produce, distribute, and assist other government agencies in producing world-class business, economic, and government information products that U.S. businesses and the public can use to make intelligent, informed decisions. It accomplishes this goal through two primary products and services: (1) STAT-USA/Internet and (2) USA Trade Online.

With over eighteen years of sustained performance in producing and delivering business information, STAT-USA has acquired the reputation as a model for federal agencies. STAT-USA builds effective yet inexpensive government data dissemination systems that effectively and efficiently provide business, economic, and international trade information to U.S. businesses and the public.

STAT-USA operates on a revolving fund, obtaining all financial support for its activities through the fee sales of information products and services, and receives no congressional funding.

The most important issue facing STAT-USA is the need to attract and retain customers for its products. In light of the rapid growth of the Internet and increased availability of economic data, STAT-USA works constantly to identify ways to improve information delivery and enhance product content as a means to enhance its value to consumers.

STAT-USA also performs services for other Department of Commerce agencies, primarily in the area of LAN support and Web site development.

The Bureau of Economic Analysis

BEA is the nation's economic accountant, developing measures and systems for collecting and interpreting vast amounts of diverse data from both government and private sources. BEA combines and transforms the data into a consistent and comprehensive picture of economic activity, which is summarized by estimates of gross domestic product (GDP). BEA's national, regional, industry, and international economic accounts form much of the core of the federal statistical system and are critical for informed decision making by businesses; individuals; and federal, state, and local governments. These data, which provide the yardstick by which the health and potential of the economy are measured, are vital ingredients in major decisions affecting such areas as interest rates, tax and spending policies, and social security projections. Thus, they affect every American who runs a business, saves for retirement, or borrows to buy a house.

The Bureau of the Census

The Bureau of the Census chronicles societal and demographic change. The Bureau fulfills the constitutionally-mandated requirement to conduct a decennial census, and the Bureau collects a wide range of economic and demographic data. The data provided by the Census Bureau shape important policy decisions that help improve the nation's social and economic conditions.

Summary

ESA's staff and programs provide vital information, analysis, and advice to Department of Commerce officials and other Executive branch departments, agencies, and officials. Many of the nation's decisions are based upon the economic and demographic information the Agency produces.



Bureau of Economic Analysis

Mission Statement

The Bureau of Economic Analysis (BEA) seeks to strengthen understanding of the U.S. economy and its competitive position by providing the most accurate and relevant GDP and economic accounts data in a timely and cost effective manner.

BEA is one of the world's leading statistical agencies. Although it is a relatively small agency, BEA produces some of the most closely-watched economic statistics that influence the decisions made by government officials, business people, households, and individuals. BEA's economic statistics, which provide a comprehensive, up-to-date picture of the U.S. economy, are key ingredients in critical decisions affecting monetary policy, tax and budget projections, and business investment plans. The cornerstone of BEA's statistics is the National Income and Product Accounts (NIPA), which feature estimates of GDP and related measures. The Department of Commerce recognized GDP and NIPA as its greatest achievement in the twentieth century, and it has been ranked as one of the three most influential measures that affect U.S. financial markets.

Since the NIPAs were first published, BEA has developed and extended its estimates to cover a wide range of economic activities. Today, BEA prepares national, regional, industry, and international accounts that present essential information on such key issues as economic growth, regional economic development, inter-industry relationships, and the nation's position in the world economy.

Priorities/Management Challenges

The past decade has witnessed rapid, widespread changes in the size and complexity of the U.S. economy. These changes reflect the increasing role of services relative to goods, technological advances, new modes of communication, and the introduction of new goods, services, and types of financial transactions. These and other new factors have made it far more difficult for BEA to produce accurate and comprehensive economic statistics.

BEA must adapt and change in order to continue accurately capturing information about the U.S. economy. To help facilitate this change, BEA recently completed a five-year strategic plan. While the plan outlines specific requirements to improve the work of BEA, it is also a fluid document that allows BEA to adjust to the changing economy. The four primary objectives identified in BEA's strategic plan are outlined below.

- **Objective 1. Make BEA's economic accounts and services more responsive to the needs of its customers and partners.** BEA is concentrating on improving its relationships with its customers and partners. Specific actions are identified in the plan that address such objectives as: establishing and improving two-way communication with customers through regular customer surveys and other sources of feedback; expanding outreach efforts to data users, the Congress, trade associations, the business community, and the news media through the more effective use of technology, partnerships, and informational materials; upgrading the technology used to collect and disseminate information; and redesigning BEA's Web site to provide more explanations, background information, searchable links to metadata, and other interactive features.

- **Objective 2. Attract, develop, and retain a highly qualified, diverse workforce prepared to innovate and improve BEA's statistics.** BEA faces a variety of workplace challenges. The plan provides for specific actions that address such workplace objectives as improving employee retention and recruitment by: more effectively using the flexibility of the Personnel Management Demonstration Project; supporting continuous career development for all employees; aiming employee training plans toward future workforce needs; and improving the system for recognizing and rewarding employees for their work.
- **Objective 3. Upgrade resource management to support BEA's strategic objectives.** Support for the initiatives outlined in the strategic plan will come from the more effective use of existing resources (through productivity-enhancing IT investments and changes in work processes and products) and from incremental resources. To manage its resources effectively, BEA will have to better account for the costs and benefits of existing and proposed work. By using new financial accounting support and by stepping up its interaction with customers, the Department, and statistical agency partners, BEA will more effectively conduct its programs, allocate resources, and plan for the provision of resources to achieve the Bureau's objectives.
- **Objective 4. Upgrade BEA's economic statistics by improving statistical methodologies and source data, and by using new technologies.** The strategic plan identifies statistical program priorities for FY 2001 through FY 2005. These priorities are summarized in detail in the strategic plan by economic account area and are accompanied by an across-the-board review of source data improvements.

Two major budget priorities for BEA in FY 2002 included the continuation of improving BEA's core statistics and upgrading its information technology systems. BEA made important progress in these areas and they are addressed by two new performance measures.

FY 2002 Performance

In FY 2002, BEA had one overarching performance goal and five measures. Of those five measures, BEA met all of them. BEA performance measures focused on the areas of: the timeliness and reliability of delivery of BEA data releases, customer satisfaction, improving the quality of BEA's economic accounts, and upgrading information technology systems. Fiscal year 2002 was a year of significant improvements in the work of BEA. Guided by its Five-year Strategic Plan, BEA achieved all of its major milestones required to fulfill the targets of the five performance measures in its annual performance plan. BEA continues to lead the world in the timeliness of its major macro-economic releases; and, for a fourth year in a row since this performance measure was introduced, BEA released all its data on schedule at the appointed date and time. BEA's customers again gave BEA high marks on their satisfaction with the overall quality of BEA products and services. Many of these successes were due to BEA's commitment to provide the best possible estimates as quickly as possible. During FY 2002, BEA made important strides in improving its GDP and economic accounts by incorporating new measures and estimates into its accounts and improving data collection and sources. Funding provided in FY 2002 allowed BEA to continue to upgrade its statistical processing systems allowing for a more efficient and reliable method of developing estimates. BEA continues to strive to produce the most comprehensive, relevant, and accurate economic measures in a reliable and timely manner to policymakers, business, and the American public in order to insure that they have the tools available to make the most informed decisions possible.

Targets and Performance Summary

See individual Performance Goal section for further description of each measure.

Performance Goal 1: Develop Relevant, Accurate, and Timely GDP and Economic Accounts Statistics

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Timeliness of release of GDP (as compared to other countries)	New	1st	1st	1st	1st	X	
Reliability of delivery (number of scheduled releases issued on time) ¹	100%	100%	100%	50 of 50	50 of 50	X	
Customer satisfaction with quality of products and services (mean rating on a 5-point scale)	N/A (survey postponed to 2000)	4.3	N/A (survey postponed to 2002)	Greater than 4.0	4.3	X	
Improving GDP and the economic accounts	New	New	New	Develop new measures to address gaps in and update BEA's accounts; design new quarterly survey of international services; develop new pilot estimates that provide better integration with other accounts.	Developed new measures to address gaps and updated BEA's accounts; designed prototype of new quarterly survey of international services; developed new pilot estimates that provide better integration with other accounts.	X	
Upgrading information technology systems	New	New	New	Develop new systems, including design and prototype phase of new NIPA ² core processing system; develop improved interactive features on BEA's Web site; extend electronic reporting for international surveys	Developed new systems, including implementation of prototype phase of new NIPA ² core processing system; developed improved interactive features on BEA's Web site; extended electronic reporting for international surveys.	X	

¹ BEA's scheduled release is published annually in the Survey of Current Business in the fall.

² NIPA - National Income and Product Accounts.

Resource Requirements Summary

(Dollars in Millions. Funding amounts reflect total obligations.)

Information Technology (IT)

Full-Time Equivalent (FTE)

Performance Goal 1: Develop Relevant, Accurate, and Timely GDP and Economic Accounts Statistics

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
STAT-USA				
Total Funding	5.0	2.0	3.4	2.5
FTE	19	19	27	12
Salaries and Expenses:				
Policy Support:				
Total Funding	5.6	6.5	5.9	7.1
FTE	50	40	44	58
BEA:				
Total Funding	44.5	46.0	48.6	57.1
IT Funding ¹	6.0	6.1	6.2	10.2
FTE	414	409	403	418

Grand Total	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Salaries and Expenses	50.1	52.5	54.5	64.2
Total Funding ²	55.1	54.5	57.9	66.7
Direct	53.3	52.8	56.5	62.5
Reimbursable ²	1.8	1.7	1.4	4.2
IT Funding ¹	6.0	6.1	9.3	10.2
FTE ³	483	468	474	488

¹ IT funding included in total funding.

² Reimbursable funding included in total funding (includes STAT-USA and ESA/BEA reimbursables).

³ Total FTE includes ESA/BEA reimbursable FTE.

Skill Summary:

Economists, accountants, statisticians, and information technology specialists

FY 2002 Performance Goals

Performance Goal 1: Develop relevant, accurate, and timely GDP and economic accounts statistics

(This goal has been reworded since the publication of the FY 2000 Annual Program Performance Report (APPR) and FY 2002 Annual Performance Plan (APP). This goal was previously worded as: “Develop relevant, accurate, and timely national and community economic and household statistics for decision making.”)

Corresponding Strategic Goal

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

Rationale for Performance Goal

The economic statistics produced by the Bureau of Economic Analysis (BEA) enable government and business decision makers, researchers, and the public to follow and understand the performance of the U.S.’s economy; thus, they are critical to sound economic decision-making at all levels, from individuals to the highest-level policymakers. BEA prepares national, regional, industry, and international economic accounts that present essential information on such key issues as economic growth, regional economic development, inter-industry relationships, and the nation’s position in the world economy. The national economic accounts include the national income and product accounts (NIPA’s), which provide a quantitative view of the production, distribution, and use of the nation’s output, and feature GDP, one of the most closely followed of all economic measures. The national accounts also include estimates of the U.S.’s stock of fixed assets and consumer durable goods. The regional economic accounts provide estimates and analyses of personal income and earnings by industry for regions, states, metropolitan areas, and counties. They also include estimates of gross state product by industry. The industry economic accounts include the input-output tables, which show how industries interact to provide input to and take output from each other, and the gross product by industry data, which measure the contributions of private industry and government to GDP. The international economic accounts include the international transactions accounts (balance of payments) and the estimates of U.S. direct investment abroad and foreign direct investment in the United States.

BEA’s current estimates usually appear first in news releases, and they also are available on the BEA Web site and in BEA’s monthly journal of record, the *Survey of Current Business*.

To be most useful to data consumers, BEA’s statistics must be as relevant, accurate, and timely as possible in order to provide a clear and comprehensive picture of economic activity. In addition, they must be readily accessible in easy-to-use formats. The first two measures reported below are aggregate indicators of BEA’s success in producing data that are consistently released on schedule (reliable), and useful and readily available to the public (customer satisfaction).

Because the U.S. economy is continually undergoing rapid changes and becoming more and more complex, it is essential that BEA improve its accounts to keep pace with the economy and meet the needs of its data users. As part of a year-long internal review of its mission and its goals, BEA has developed a five-year strategic plan that outlines the major elements of BEA's plan for improving its economic accounts. The BEA strategic plan can be accessed via the BEA Web site at www.bea.gov. For each of the economic accounts, the plan lists annual milestones for achieving these improvements in the coming years. BEA will review and update its strategic plan annually to make adjustments for changing conditions and priorities.

Measure 1a: Timeliness of Release of GDP (As Compared to Other Countries)

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	1st	1st
Actual		1st	1st	1st
Met/Not Met			Met	Met

(This measure has been reworded since the publication of the FY 2000 Annual Program Performance Report (APPR) and FY 2002 Annual Performance Plan (APP). This measure was previously worded as: "Timeliness of GDP (international ranking).")

Explanation of Measure

BEA ranked first among major government statistical agencies in the world in producing its GDP data in a timely fashion. The measure was based on the objective, impartial compilation of economic accounts information by the International Monetary Fund (IMF). Producing data with as short a time lapse as possible is important to data consumers who use BEA economic data as inputs in their decision-making processes. This achievement ensures that the private sector is able to make informed decisions before their counterparts in other countries, and that government officials in the U.S. have the most up-to-date information to make critical economic decisions.

FY 2002 Performance

In FY 2002, BEA ranked first among major government statistical agencies in the world in releasing comprehensive national economic measures in a timely fashion. This ranking is based on objective and impartial information compiled by the IMF on the national economic accounts of the 50 nations that subscribe to the IMF's Special Data Dissemination Standard. BEA currently releases the complete U.S. GDP and national accounts three weeks after the end of the reference quarter; Mexico and Japan release their comprehensive measures six to eight weeks after the reference quarter and the United Kingdom releases its equivalent measure twelve weeks following the reference quarter. Despite this international lead, the demands for more timely data in the U.S. continue to grow. U.S. policymakers, business leaders, and households need to understand economic conditions in order to make informed decisions. BEA's Five-year Strategic Plan calls for accelerating the release of critical economic measures. President Bush, in his FY 2003 budget submission, also challenged BEA to reduce the lag between the end of the reference quarter and the release of estimates.

Measure 1b: Reliability of Delivery – Economic Data (Number of Scheduled Releases Issued on Time)

	FY 1999	FY 2000	FY 2001	FY 2002
Target ¹	100%	100%	100%	50 of 50
Actual	100%	100%	100%	50 of 50
Met/Not Met	Met	Met	Met	Met

(This measure has been reworded since the publication of the FY 2000 Annual Program Performance Report (APPR) and FY 2002 Annual Performance Plan (APP). This measure was previously worded as: "Reliability of delivery (% of scheduled releases issued on time).")

¹ BEA's scheduled release is published annually in the Survey of Current Business in the fall.

Explanation of Measure

BEA has issued all of its economic data releases on schedule since this performance measure was instituted. In FY 1999, all forty-seven scheduled releases were issued on time, and in FY 2000 and FY 2001 all forty-eight scheduled releases were issued on time each year. Hence 100 percent of the scheduled releases were issued on time for FY 1999 through FY 2001. The importance of these data as an ingredient of sound economic decision-making requires BEA to deliver data into the hands of decision-makers and other data users not only quickly but also reliably, that is, on schedule. BEA has achieved this goal in recent years despite serious concerns over GDP computer processing systems that were at risk of failure. Given adequate investment in these systems, BEA will continue its perfect record of issuing its data releases on schedule.

FY 2002 Performance

BEA met its FY 2002 target to release all fifty of its economic releases on schedule, on the specified date and at the defined time. Meeting this goal is critical as Wall Street, the media, industry and users rely upon the release schedule. This success is the fourth year since this measure was introduced that BEA has had a perfect record in providing its data products to the public according to schedule. BEA releases its upcoming year schedule to OMB and the public in the fall of the preceding year. The 2002 calendar of releases was published in the October 2001 issue of the *Survey of Current Business*.

Measure 1c: Customer Satisfaction with Quality of Products and Services (Mean Rating on a 5-point Scale)

	FY 1999	FY 2000	FY 2001	FY 2002
Target	>4.0	>4.0	>4.0	4.3
Actual	N/A (survey postponed to 2000)	4.3	N/A (survey postponed to 2002)	4.3
Met/Not Met	Not Met	Met	Not Met	Met

(This measure has been reworded since the publication of the FY 2000 Annual Program Performance Report (APPR) and FY 2002 Annual Performance Plan (APP). This measure was previously worded as: "Customer satisfaction (mean rating on a 5-point scale).")

Explanation of Measure

The BEA customer survey was not conducted in FY 2001 because of resource limitations and conflicting priorities. The survey was conducted in FY 2002. In the FY 2000 survey, nine out of ten respondents indicated that they were satisfied with the quality of BEA's products and services, giving it an average (mean) satisfaction rating of 4.3 out of a maximum of five. Respondents cited the national income, product accounts, and the state and local personal income estimates as the data they used most frequently. The comments were received from data users during FY 2001 by phone, by mail, and by direct contact at many conferences and meetings of various economic committees and associations.

FY 2002 Performance

BEA's customers rated their satisfaction with overall quality of BEA products and services with a 4.3 score on a five-point scale. The customer satisfaction survey was conducted during the spring and summer of 2002. Over 90 percent of respondents to the mail and Web survey responded that they were satisfied or very satisfied with the overall quality of BEA products and surveys. BEA also received higher ratings from customers on the timeliness of services, customer perceptions of the accuracy of BEA data, the ease of use of BEA data, documentation, staff courtesy, and BEA's Web site. Satisfaction with adopting methodologies that change with the economy remained essentially the same as 2002. BEA widely disseminates the customer survey document within the Bureau and to outside audiences. A copy of the report *Customer Satisfaction Survey Report, 2002* can be found on BEA's Web site (www.bea.gov).

Measure 1d: Improving GDP and the Economic Accounts				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	Develop new measures to address gaps in and update BEA's accounts; design new quarterly survey of international services; develop new pilot estimates that provide better integration with other accounts.
Actual				Developed new measures to address gaps and updated BEA's accounts; designed prototype of new quarterly survey of international services; developed new pilot estimates that provide better integration with other accounts.
Met/Not Met				Met

Explanation of Measure

The improvement of its economic accounts, including GDP, is a perennial priority for BEA. This is because the accounts must continually be upgraded to keep pace with our increasingly complex and rapidly-changing economy, and to provide public and private policymakers with the best possible economic information. BEA's strategic plan lays out the steps BEA will take to achieve needed improvements and produce the high-quality data that its users expect and rely upon. Gaps in the coverage of key areas of the economy, such as in measures of services, compensation, and quality-adjusted prices, are a major weakness in the accounts. BEA is working to develop new measures that reduce those gaps. There also are problems when users try to move between BEA's economic accounts and other accounts, such as the Federal Reserve Board's flow-of-funds accounts. BEA is working to develop new pilot measures that will provide better integration with other accounts. By evaluating BEA's success in achieving the milestones, this measure indicates BEA's progress in improving these accounts.

FY 2002 Performance

BEA incorporated a number of important improvements into GDP and its economic accounts during FY 2002 thus meeting its target for this measure. As noted above, BEA's Five-year Strategic Plan provides a timetable with annual milestones to achieve improvements to the accounts. The targets listed in the performance measure above are illustrative of the major milestones used to measure BEA's performance on this measure. In FY 2002, BEA accomplished all of its major milestones to improve GDP and the economic accounts, including developing new price measures for brokerage services and federal consumption expenditures, improving estimates of wages and insurance, conducting an expanded benchmark survey on selected services transactions with unaffiliated foreigners, developing plan for instituting quarterly surveys on the largest and most volatile types of traded services, and testing integration of data in economic accounts. More details on the success of BEA meeting its goal to improve GDP and its economic accounts are available in BEA's Five-year Strategic Plan.

Measure 1e: Upgrading Information Technology Systems

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	Develop new systems, including design and prototype phase of new NIPA ¹ core processing system; develop improved interactive features on BEA's Web site; extend electronic reporting for international surveys.
Actual				Developed new systems, including implementation of prototype phase of new NIPA core processing system; developed improved interactive features on BEA's Web site; extended electronic reporting for international surveys.
Met/Not Met				Met

¹ NIPA – National Income and Product Accounts.

Explanation of Measure

One of BEA's major priorities is the upgrading of its information technology systems. BEA's statistical processing systems are essential elements in the production of the economic accounts. Because these systems have been pieced together over time in a patchwork of cumbersome and inefficient elements, it is critical that they be redesigned and upgraded to take full advantage of current information technology capabilities. This will improve the speed, reliability, and accuracy of the statistical production process. It is also important that BEA improve users' access to BEA data by incorporating the latest technological tools to upgrade its Web site. BEA's latest customer survey showed that user-friendly electronic access is very important to customers. Improvements to the Web site will dramatically increase the usability of BEA data and should have a positive effect on customer satisfaction ratings in future surveys. A third element of the information technology improvements is the provision of an electronic reporting option for respondents to BEA's surveys of multinational companies. These surveys of foreign direct investment and international trade in services require the submission of more than 100,000 report forms each year. By providing the ability to report electronically, BEA will reduce respondent burden and reduce its own processing costs. This measure indicates BEA's progress in achieving the planned information technology system improvements.

FY 2002 Performance

BEA met its targets to update the information technology systems. The items listed in the table above are illustrative of the types of IT work targeted to be achieved during FY 2002 at BEA. According to a review of BEA's Five-year Strategic Plan, all major IT milestones, including the ones listed above, were accomplished. FY 2002 was important for BEA as significant progress was made on several critical software development projects. Applications that support the publication of BEA's *Survey*

of *Current Business* and the Balance of Payments Quarterly Processing System were modernized and implemented. A requirements design and prototype for the new National Income and Product Account centralized system were completed on schedule, posturing BEA for full implementation of this new system in FY 2003. On the Internet, BEA implemented new dynamic Web sites for Industry, Balance of Payments and National Accounts data, and improved access to data, publications and contact information. These new Web applications, which made electronic access to BEA data more user friendly, received praise and favorable comments from BEA customers. In the area of electronic reporting, BEA expanded the use of ASTAR, our Internet-based electronic reporting system, to six additional surveys of our International Investment Division. This not only streamlined production processing for estimates but also reduced respondent burden by eliminating the requirements of paper form submissions.

Program Evaluation

Strategic Program Evaluation BEA's most important evaluation of its programs was the development and publication of a new strategic plan. The initial evaluation and draft were conducted in FY 2001 and FY 2002 with the support of an outside consultant and BEA staff. Subsequent drafts were vetted with BEA's statistical agency partners, its customers, and its Advisory Committee. The final plan was published in May of 2002. Based on the evaluation of its programs, BEA developed goals that consist of making its economic accounts and services more responsive to customers; improving the methodologies, source data, and technologies used to prepare the national, international, industry, and regional accounts; attracting, developing, and retaining a top-notch workforce; and upgrading resource management to support these initiatives.

Human Capital Management In March 2002, BEA contracted with the Office of Personnel Management (OPM) to conduct an employee assessment survey to better understand the strengths and weaknesses of the organization. The assessment results were very positive for BEA with BEA employees ranking BEA above other federal agencies in sixteen of seventeen broad categories. Among the categories in which BEA employees rated significantly above average were in use of resources, performance measures, diversity, and rewards and recognition. However, the survey also revealed a number of important challenges. The two challenge areas identified are (1) training and career development and (2) job security and commitment to workforce. In both cases, BEA ranked at or below the other federal agency medians. The employee assessment survey also pointed out a need to address employee health and safety issues.

Information Technology In the information technology area, several evaluations were completed. In FY 2002 three independent reviews were conducted focusing on information technology security.

- KPMG Consulting, Inc. performed a security assessment of BEA's internal and external technology infrastructure. No major vulnerabilities were found.
- The DOC Office of Inspector General performed a compliance review of BEA's security plans and security operating procedures. No major deficiencies were found.
- The DOC Office of the CIO performed a security review of International Investment systems and the supporting BEA local area network. No security weaknesses were discovered and no recommendations were made. The BEA IT security system level documentation, policies, and procedures that were reviewed met or exceeded DOC standards. In addition, through intrusion detection scanning BEA's network was determined to be very secure.

In addition:

- BEA completed an annual self-assessment of management processes and procedures that are followed for IT capital planning, IT security and IT architecture. Our programs received above average rankings based on levels provided by DOC.
- Three tests and evaluations were made of BEA's disaster recovery capabilities. Each test focused on specific program areas. Testing successfully verified that BEA was capable of producing its critical data estimates at an off-site location in support of key mission activities.
- CompuCom Corporation performed an assessment of BEA data storage requirements in order to streamline network backup and restore capabilities. The assessment led to the FY 2002 major upgrade to network backup system that reduced the time window required for backup of critical data by 50 percent.
- Digicon Corporation performed an evaluation of BEA's data transmission infrastructure in order to make recommendations for major upgrades. From this evaluation BEA was able to plan a significant FY03 upgrade to its LAN and desktop information technology infrastructure. This upgrade will improve the performance and productivity of BEA estimation systems.

BEA Data Validation and Verification

BEA's Director conducts an annual review of the Bureau's performance data to ensure that it is complete and accurate. Any significant deviations from the projected target, if any, are reviewed by the Director and action is planned to address deficiencies.

The validation process is conducted in a manner similar to audit principles including data collection and verification of data. Data is collected from independent sources and BEA's Five-year Strategic Plan and compared to actual outcomes to determine the success or failure of the agency to meet its specific goals. All data is maintained and publicly available for additional outside review. The BEA Data Validation and Verification table can be found on the following page.

BEA Data Validation and Verification

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
<p>Measure 1a: Timeliness of release of GDP (as compared to other countries)</p>	Data on the time lag between the reference period and the release of GDP estimates by the statistical agencies of various countries are compiled by the International Monetary Fund (IMF) and are available on the IMF Web site (dsbb.imf.org). Ranking is derived by BEA by comparing U.S. performance with that of other countries (currently 49) that meet the specifications of IMF's Special Data Dissemination Standard.	Annually	Based on information supplied by each country, the IMF compiles and maintains data on timeliness of GDP estimates, which are available on the IMF Web site.	Data on timeliness of GDP by country are publicly available on the IMF Web site. Ranking of countries is derived by BEA and can be verified via the Internet.	Availability of data is dependent on IMF.	None
<p>Measure 1b: Reliability of delivery (number of scheduled releases issued on time)</p>	A schedule of release dates for the coming calendar year is published each fall in the Survey of Current Business and is posted on BEA's Web site. BEA maintains a record of actual release dates. The number of releases is based on fiscal year as opposed to calendar year.	Annually	BEA maintains the schedule of future release dates and the record of actual release dates. Both sets of information are available on BEA's Web site.	Scheduled and actual release dates are a matter of public record and can be verified via the Internet.	A few releases may not be included in the published annual schedule because their release dates cannot be established that far in advance, and those releases are excluded from the performance measure.	FY 2003 target will be added in the FY 2004 Annual Performance Plan.
<p>Measure 1c: Customer satisfaction with quality of products and services (mean rating on a 5-point scale)</p>	BEA customer survey	Annually	BEA conducts the survey, compiles the results, and retains records of raw data and computations that lead to final results.	BEA will provide a copy of the survey to the Economics and Statistics Administration.	Data are not available for years, such as FY 2001, in which the survey was not conducted.	Survey will be conducted annually.
<p>Measure 1d: Improving GDP and the economic accounts</p>	BEA's strategic plan provides a timetable with annual milestones for achieving significant improvements in the economic accounts. At the end of each fiscal year, beginning with FY 2002, BEA will evaluate and report its progress in achieving the scheduled milestones.	Annually	BEA compiles and maintains data.	BEA conducts internal review and analysis.	BEA's annual review and updating of its strategic plan could result in changes to milestones.	Milestones will be adjusted as necessary to match BEA's strategic plan.
<p>Measure 1e: Upgrading information technology systems</p>	BEA's strategic plan provides a timetable with annual milestones for modernizing the information technology systems used to produce the economic accounts estimates, collect survey data, and disseminate data to users. At the end of each fiscal year, beginning with FY 2002, BEA will evaluate and report its progress in achieving the scheduled results.	Annually	BEA compiles and maintains data.	Internal review and analysis by BEA.	BEA's annual review and updating of its strategic plan could result in changes to milestones.	Milestones will be adjusted as necessary to match BEA's strategic plan.



Bureau of the Census

Mission Statement

To be the preeminent collector and provider of timely, relevant, and quality data about the people and economy of the United States.

The Bureau of the Census's mission is built around its large-scale surveys and censuses. This involves the full range of activities required to produce data, including survey and questionnaire design and data collection, processing, and dissemination. Research and data analysis will directly support the Census Bureau's capabilities to conduct large-scale surveys and censuses. Through strategic planning, the Census Bureau evaluates how best to accomplish this mission. The strategic plan provides a framework for articulating program goals and builds these goals through consensus. The planning process promotes synergy, innovation, and efficiency, and represents a better way of doing business.

The goal of the Census Bureau is to provide the best mix of timeliness, relevancy, quality, and cost for the data collected and services provided. The data provided by the Census Bureau shape important policy decisions that help improve our nation's social and economic conditions:

- Census data are used to distribute hundreds of billions of dollars in federal funding.
- Census data provide the basis for estimating the gross domestic product and leading economic indicators.
- Census data determine the apportionment of Congressional seats, as mandated in the Constitution.
- Census data inform about education, income, poverty, and health insurance coverage.
- National, state, and local governments use Census data to formulate policy.
- Large corporations and local businesses use Census data to devise their business plans.

To accomplish its mission, the Census Bureau depends on actions that:

- Provide the U.S.'s official measures on monthly unemployment, income, poverty, and health insurance coverage, as well as economic indicators that include housing starts, retail and wholesale trade sales, international trade, manufacturers' shipments, orders, and inventories, and quarterly estimates of corporate profits.
- Provide the statistical foundation and benchmark measures against which most data-based decisions and activities take place.
- Reengineer the 2010 Decennial Census of Population and Housing to be more efficient and cost-effective, provide richer and more timely data, and reduce risk in meeting constitutional and legislative mandates.

- Invest in statistical methodological research and new technologies to improve current operations and prepare for the future.
- Continue to provide strict security of census information, address privacy issues, and foster program goals while maintaining confidentiality of census information.

Priorities/Management Challenges

To deliver high value, the Bureau must target measurement on those trends and segments of our population and economy most critical to continued U.S. success and prosperity. During FY 2002, the Census Bureau focused activities in these areas through a variety of priority program efforts that continue and improve ongoing statistical programs. They included distributing Census 2000 data, planning the 2010 Census, obtaining cyclical economic data through the Economic Censuses and the Census of Governments, and completing data collection for the 2001 American Community Survey (ACS).

Greater resistance to authority, continued decline in trust of government, and a greater demand for quality have complicated the Census Bureau's data gathering efforts and ability to maintain or increase response rates. The Bureau will have to continually demonstrate its expertise in educating the public on the quality and security of its data, and its ongoing sensitivity to anonymity and privacy issues.

Surveys have shown that more people feel they have less time available to do what they need to do, including work, sleep, look after their families, and enjoy leisure. The Census Bureau will consider new approaches to saving customers' time and reduce respondent burden to ensure that the customers' needs are met.

The Census Bureau will continue to improve the use of technology in data collection, processing, and dissemination environments. The Bureau must use state-of-the-art technology to stay ahead of the demand from policy makers for accurate and timely information on emerging economic and societal trends. As always, the Census Bureau will mitigate the possibility of criminal and/or malicious access to all of its networks and data.

The Census Bureau's mission is "to be the preeminent collector and provider of timely, relevant, and quality data about the people and economy of the United States." This mission has and will continue to be the Bureau's focus as the environment in which it works changes.

FY 2002 Performance

In FY 2002, the Census Bureau had three goals and seven measures. Of those seven measures, the Bureau met all of them.

The performance measures focused on providing and improving current measures of the U.S. population, economy, and governments; timely release of Decennial Census products; and the implementation of the 2010 Decennial Census. Census Bureau performance in FY 2002 included meeting the target for the percentage completion of its housing unit address list. Having a complete housing unit address list is critical for conducting an accurate 2010 Decennial Census. The Bureau has also successfully released 2001 data from the long form transitional database, which is important for the implementation of the ACS.

The Census Bureau successfully met all the measures associated with the goals in the FY 2002 Annual Performance Plan.

Targets and Performance Summary

See individual Performance Goal section for further description of each measure.

Performance Goal 1: Provide and Improve Current Measures of the U.S. Population, Economy and Governments that Meet the Needs of Policy Makers, Businesses, and the Public

Measure	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Percentage of household surveys attaining specified reliability measurements	100%	100%	100%	100%	100%	X	
Household response rate for the Current Population Survey, the National Crime Victimization Survey, and the American Housing Survey. Response rate for the National Health Interview Survey. Response rate for the Survey of Income and Program Participation	100%	100%	100%	100%	100%	X	
Release data products from the Survey of Income and Program Participation and the Survey of Program Dynamics	9% time decrease	Maintained FY 1999 actual time achieved	Maintained FY 1999 actual time achieved	Maintain FY 1999 actual time achieved	Maintained FY 1999 actual time achieved	X	
Release principal economic indicators	New	New	New	100% on time	100% on time	X	

Performance Goal 2: Provide the Statistical Foundation and Benchmark Measures of the Population, Economy, and Government that Meet the Needs of Policy Makers, Federal, State, and Local Governmental Agencies, Businesses, and the Public

Measure	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Release Decennial Census, Census of Governments, and Economic Census products	New	New	100% of scheduled releases	100% Of scheduled releases	100% Of scheduled releases	X	

Performance Goal 3: Re-engineer the 2010 Decennial Census to be More Efficient and Cost Effective, Provide Richer Data, Improve Coverage, and Reduce Risk in Meeting Constitutional and Legislative Mandates

Measure	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Implement MAF/TIGER Modernization	New	New	New	Prepare plan and systems by end of FY 2002 to measure housing unit coverage of the address list; list is at least as complete as it was for Census 2000, as measured by the accuracy and coverage evaluation.	Prepared plan and systems by end of FY 2002 to measure housing unit coverage of the address list; list is at least as complete as it was for Census 2000, as measured by the accuracy and coverage evaluation.	X	
Implement the American Community Survey	New	New	New	Complete field activities supporting the release of 2001 data from the long form transitional database in Summer of 2002.	Completed field activities supporting the release of 2001 data from the long form transitional database in Summer of 2002.	X	

Resource Requirements Summary

(Dollars In Millions. Funding Amounts Reflect Total Obligations.)

Information Technology (IT)

Full-Time Equivalent (FTE)

Performance Goal 1: Provide and Improve Current Measures of the U.S. Population, Economy and Governments that Meet the Needs of Policy Makers, Businesses, and the Public

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Salaries and Expenses				
Current Economic Statistics	92.1	88.9	102.7	111.3
Current Demographic Statistics	49.7	47.5	49.8	53.5
Survey Development and Data Services	3.5	3.5	3.8	4.1
Mandatory				
Survey Of Program Dynamics	10.0	9.9	10.0	9.9
Children's Health Insurance Program	0.0	10.0	10.0	10.0
Periodic Census and Programs				
Economic Censuses	53.3	47.5	41.4	52.1
Census Of Governments	3.8	3.6	3.1	5.7
Intercensal Demographic	5.4	5.4	5.7	6.3
Continuous Measurement	20.2	19.9	21.2	26.4
Demographic Surveys Sample Redesign	5.5	5.1	7.9	12.4
Electronic Information Collection	8.1	5.4	6.1	6.2
Geographic Support	41.7	6.5	13.9	18.6
Data Processing Systems	25.3	11.4	11.8	11.6
Suitland Federal Center	0.0	0.0	0.1	1.2
Reimbursable Obligations	173.4	170.7	205.2	226.9
Total Funding	492.0	435.3	492.7	556.2
IT Funding ¹	100.1	100.0	100.1	157.6
FTE	5,753	5,462	5,931	6,457

Performance Goal 2: Provide the Statistical Foundation and Benchmark Measures of the Population, Economy, and Government that Meet the Needs of Policy Makers, Federal, State, and Local Governmental Agencies, Businesses, and the Public

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Periodic Census and Programs				
2000 Decennial Census	1,084.0	4,116.5	441.5	147.9
Electronic Information Collection	8.1	0.6	0.0	0.0
Geographic Support	41.7	26.0	20.9	5.6
Data Processing Systems	25.3	11.3	11.7	11.5
Suitland Federal Center	0.0	0.0	0.2	0.9
Total Funding	1,159.1	4,154.4	474.3	165.9
IT Funding ¹	271.5	322.5	199.9	89.1
FTE	14,886	80,937	4,449	1,243

Performance Goal 3: Re-engineer the 2010 Decennial Census to be More Efficient and Cost Effective, Provide Richer Data, Improve Coverage, and Reduce Risk in Meeting Constitutional and Legislative Mandates

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Periodic Census and Programs				
2010 Decennial Census	New	New	New	64.3
Geographic Support	New	New	New	13.0
Total Funding	New	New	New	77.4
IT Funding ¹	New	New	New	44.7
FTE	New	New	New	598

Grand Total	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Salaries and Expenses	145.3	139.9	156.3	168.9
Periodic Census And Programs	1,247.3	4,259.0	585.5	383.8
Mandatory Programs	10.0	19.9	20.0	19.9
Total Funding	1,576.0	4,589.5	967.0	799.5
Direct	1,402.6	4,418.8	761.8	572.6
Reimbursable ²	173.4	170.7	205.2	226.9
IT Funding ¹	419.0	470.0	347.4	291.4
FTE	20,639	86,399	10,380	8,420

¹ IT Funding Included In Total Funding.

² Reimbursable Funding Included In Total Funding.

Skills Summary:

The Census Bureau's program staff skills and expertise include large-scale census and survey methodology, statistical standards and methodology, large database development and management, data processing and analysis, confidentiality expertise, and data dissemination.

FY 2002 Performance Goals

Performance Goal 1: Provide and improve current measures of the U.S. population, economy, and governments that meet the needs of policy makers, businesses, and the public.

(This goal has been reworded since the publication of the FY 2000 Annual Program Performance Report (APPR) and FY 2002 Annual Performance Plan (APP). This goal was previously worded as: "Develop relevant, accurate and timely, national and community economic and household statistics for decision-making")

Corresponding Strategic Goal

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

Rationale for Performance Goal

Demographic Statistics:

The Census Bureau's demographic statistics program staff is responsible for developing plans and programs to collect, process, and disseminate information from surveys and censuses on the population and its characteristics, and on the size and characteristics of the housing inventory. The Bureau undertakes analytical research on emerging issues and trends, such as the condition of children and the elderly, the employment of disabled individuals, and the characteristics of immigrants.

Directing and coordinating technical and developmental work on the collection and analysis of data by race, Hispanic origin, and ancestry are major responsibilities. This work results in reports on the characteristics of special population groups and on American Indian Tribes and Alaska Native Village areas. An important aspect is examining reporting issues, such as error or bias in these data.

Official statistics on income, poverty, and health insurance coverage, as well as longitudinal data on income and program participation that federal agencies use to develop, modify, and monitor income transfer programs, come from demographic programs. Especially important are data necessary to determine the impact of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, often called welfare reform.

Demographic program staffers conduct much of the foundational analysis and research underlying the U.S. Office of Management and Budget's (OMB's) decisions on national statistical standards on topics such as occupational classifications, metropolitan areas, and race and ethnicity.

The demographic programs also plan and conduct surveys and special censuses, funded by other federal agencies that focus on topics of national importance, such as unemployment, crime, health, education, and consumer expenditures.

Economic Statistics:

The Bureau's economic statistics program staff is responsible for statistical programs that count and profile U.S. businesses and government organizations in a rapidly evolving economic environment. This includes conducting Economic Censuses and a Census of Governments every five years; carrying out more than 100 separate surveys monthly, quarterly, and annually, including principal economic indicators; producing voluminous merchandise export and import statistics monthly; accomplishing extensive compilations of administrative records; and undertaking numerous research and technical studies. In addition, economic statistics program staffers conduct a number of surveys under reimbursable agreements with other federal agencies such as the Bureau of Justice Statistics, the National Center for Education Statistics, the Bureau of Transportation Statistics, the Federal Reserve Board, the Environmental Protection Agency, the Agency for Health Care Research and Quality, the Department of Energy, and the Department of Housing and Urban Development.

The major activities of the economic statistics programs include:

- Providing statistics that are critical to understanding current conditions in the U.S. economy, including principal federal economic indicators
- Producing economic statistics that provide seventy-five percent of the source data used in preparing gross domestic product estimates, one of the nation's most important barometers of current economic activity
- Providing information on the labor, capital, and material inputs to, as well as the outputs of, the nation's manufacturing, mining, and construction industries
- Conducting company-based surveys for the collection of financial data, including data on capital investment, income, payroll, assets, and expenditures
- Collecting, processing, and compiling statistical data relating to U.S. merchandise trade (exports, imports, and transportation) with foreign countries and Puerto Rico and the Virgin Islands; detailed trade information is available on both a monthly and annual basis for 17,000 import commodities and 10,000 export commodities
- Conducting annual sample surveys of state and local government finances and employment and producing quarterly measures of taxes and government assets
- Conducting surveys for other government agencies related to federal, state, and local government activities
- Undertaking reimbursable activities (surveys and special tabulations) that take advantage of the economic program's processing infrastructure and core competencies.

FY 2002 Performance

The FY 2002 performance levels for all measures were achieved. In collaboration with business and government entities, the focus of activity for FY 2002 was the development of collection instruments. Specific activities included the printing of millions of report forms and the development of processing systems. The Census Bureau also developed an electronic reporting infrastructure to allow the option of electronic reporting of 3.5 million businesses and established a 24/7 Internet site to provide assistance to 2002 Economic Census respondents.

During FY 2002, the Census Bureau’s demographic statistics program staff successfully developed and implemented plans and programs to collect, process, and disseminate information from surveys and censuses on the population and its characteristics, and on the size and characteristics of the housing inventory. The 2001 data products for the thirty-one test sites for the American Community Survey (ACS) and the 2001 Supplementary Survey were published. Other surveys which measured housing characteristics, such as home ownership, income, poverty, family composition, and the socioeconomic characteristics of race and ethnic groups were successfully completed.

Measure 1a: Percentage of Household Surveys Attaining Specified Reliability Measurements

	FY 1999	FY 2000	FY 2001	FY 2002
Target	100%	100%	100%	100%
Actual	100%	100%	100%	100%
Met/Not Met	Met	Met	Met	Met

Explanation of Measure

Reliability measurements are fundamental to the success and customer acceptance of Bureau survey information. These measurements consist of a series of statistical measurements that define the precision of a survey—e.g., standard error, coefficient of variation, and sample design effect. The customer and the Census Bureau jointly determine reliability specifications before the survey is commissioned.

FY 2002 Performance

The FY 2002 performance level for this measure was achieved. Reliability measurements are fundamental to the success and customer acceptance of Census Bureau survey information. We maintain these reliability measures as the surveys are conducted and their results are released

Measure 1b: 1) Household Response Rate for the Current Population Survey, the National Crime Victimization Survey, and the American Housing Survey. 2) Response Rate for the National Health Interview Survey. 3) Household Response Rate for the Survey of Income and Program Participation

	FY 1999	FY 2000	FY 2001	FY 2002
Target ¹	100%	100%	100%	100%
Actual	100%	100%	100%	100%
Met/Not Met	Met	Met	Met	Met

(This measure has been reworded since the publication of the FY 2000 Annual Program Performance Report (APPR) and FY 2002 Annual Performance Plan (APP). This measure was previously worded as: “Percentage of household surveys with initial response rates > 90%.”)

¹ See italicized statement above regarding rewording of the measure and recharacterization of the associated targets. The Bureau met 100% of the stated target of obtaining response rates better than 90%. For FY2002, this measure included response rates for the Current Population Survey, the National Crime Victimization Survey, the American Housing Survey, and the American Community Survey.

Explanation of Measure

Maintaining a high response rate for household surveys ensures that the Bureau's survey information is always reliable, comparable, and widely accepted by customers over the longer term. Since the sample design, interview content, length, and respondent rules vary by survey and are correlated with response rates, our target measures are different: (1) The Current Population Survey (CPS), the National Crime Victimization Survey, and the American Housing Survey, can maintain a ninety percent or better response rate. These households have rotating address-based panels and are usually contacted by a Field Representative (FR) in person when they first enter the sample and remain in sample for repeated visits over a prescribed period of time. The rotating design also ensures that there is a mix of new and returning households which serves to stabilize response rates over time. FRs can make subsequent contacts by appointment and by telephone if the respondent wishes. Households that move are not followed; the new occupants are eligible for the interview. This methodology, coupled with an interview lasting from ten to forty minutes depending on the household size, is conducive to maximizing response rates. However, response rates across all surveys, regardless of design and content, have been declining in recent years as we compete with other surveys and demands on the public's time. (2) The National Health Interview Survey (NHIS) uses a different design in that a household is in the sample only once, the FR has a short interval of time to conduct the interview, and the average interview length is sixty minutes, hence the lower target response rate of eighty-seven percent. (3) The Survey of Income and Program Participation (SIPP) is on average a sixty-minute household interview and collects information on income, assets, transfer program participation, and various other socio-economic topics. Since 1996, the SIPP has had "abutting" rather than overlapping panels which means that at any given time, all households have been in sample for the same time period, i.e., there is no replenishment of sample as in the CPS, NCVS, and AHS designs. In addition, respondents are interviewed every four months, are encouraged to consult their records and to report their social security number to ensure accurate data, and are followed to new locations if they move during the life of the panel which is usually three to four years. These design features, particularly the requirement to follow original household members, have contributed to sharp declines in panel response rates in recent years. The Census Bureau has taken several steps to maximize response such as monetary incentives, redesigned introductory letters and materials, and enhanced FR training. The target response rates consider the age of the panel in the appropriate year.

The FY 2001 performance level for this measure was achieved as the measure was then worded. In FY 2001, the initial response rates for the Current Population Survey, the National Crime Victimization Survey, the American Housing Survey, and the American Community Survey were all greater than ninety percent. There were no changes to the FY 2002 Performance Plan, but beginning in FY 2003 the measure was expanded to include longitudinal surveys for which the high initial response rates are difficult to maintain over time.

FY 2002 Performance

The FY 2002 performance level for this measure was achieved. The Census Bureau was able to achieve an initial response rate of ninety percent or greater for our cross-sectional household surveys. This measure excludes household expenditure surveys. These response rates are developed during the data collection phase of the survey.

Measure 1c: 1) Release Data Products from the Survey of Income and Program Participation (SIPP) and 2) the Survey of Program Dynamics (see the “Explanation of Measure” Section for Data Products List)

	FY 1999	FY 2000	FY 2001	FY 2002
Target	5% time decrease	Maintain FY 1999 actual time achieved	Maintain FY 1999 actual time achieved	Maintain FY 1999 actual time achieved
Actual	9% time decrease	Maintained FY 1999 actual time achieved	Maintained FY 1999 actual time achieved	Maintained FY 1999 actual time achieved
Met/Not Met	Met	Met	Met	Met

(This measure has been reworded since the publication of the FY 2000 Annual Program Performance Report (APPR) and FY 2002 Annual Performance Plan (APP). This measure was previously worded as: “Percentage reduction from time of data collection to data release for selected household surveys.”)

Explanation of Measure

The Bureau has achieved optimal release times for many long-standing household surveys; for example, the Bureau releases data from the American Housing Survey nine months after collection. Other household surveys have different schedules based on their designs. This measure addresses newer surveys and survey supplements, such as SIPP and the Survey of Program Dynamics (SPD). For SIPP, the Bureau was able to maintain the nine percent time reduction that was established in FY 1999 (the SPD was not part of the measure in FY 2001 or FY 2002).

SIPP collects a “core” of data items on detailed income, program participation, and work experience at four-month intervals from a cohort of households that are in the sample for approximately three years. Each four-month interval is referred to as a “wave” of interviewing and in addition to the core items, questions measuring other aspects of household economic and social well-being are included as “topical modules” during each wave. The core data supplies longitudinal (studies in which variables relating to an individual or group of individuals are assessed over a period of time) measures over the life of the panel while the topical module data supplies cross-sectional (studies that focus on phenomena that occur during a precise time interval, such as a calendar year) measures at one or more points in time.

SPD — The SPD is a follow-on survey conducted with SIPP respondents from the 1992 and 1993 panels who were last interviewed in 1995 and 1996, respectively, to comply with the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, commonly known as the 1996 Welfare Reform Act.

FY 2002 Performance

The FY 2002 performance level for this measure was achieved. The bureau was able to maintain the production time schedule as was achieved in FY 1999 for SIPP and SPD. This schedule was established as part of the project management tools for the programs.

Measure 1d: Release Principal Economic Indicators

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	100% on time
Actual				100% on time
Met/Not Met				Met

(This measure has been reworded since the publication of the FY 2000 Annual Program Performance Report (APPR) and FY 2002 Annual Performance Plan (APP). This measure was previously worded as: “Percentage of principal economic indicators released as scheduled.”)

Explanation of Measure

This was a new specific performance measure for FY 2002. The Census Bureau provides statistics that are critical to understanding current conditions in our economy. These statistics include the principal federal economic indicators that drive national monetary policy, federal economic policymaking and investment, and business decisions. These principal economic indicators include the Advance Retail Sales; Manufacturing and Trade: Inventories and Sales; Monthly Wholesale Trade; Advanced Report on Durable Goods, Manufacturers' Shipments, Inventories, and Orders; Construction Put in Place; Quarterly Financial Report (QFR): Manufacturing, Mining, and Wholesale Trade; New Residential Construction; New Residential Sales; QFR: Retail; Housing Vacancies; and the U.S. International Trade in Goods and Services, jointly released with the Bureau of Economic Analysis (BEA). Previously, the U.S. International Trade in Goods and Services measure was reported in the BEA's Annual Program Performance Report and Annual Performance Plan with reference to the Census Bureau's data collection and processing responsibilities.

OMB statistical directive no. 3 requires that data for Census Bureau principal economic indicators be released within prescribed time periods. For most monthly indicators this means that they must be made available within one month of the end of the reference period, and for the quarterly indicators within two and a half months. Release dates for these indicators are available online at www.census.gov/epcd/econ/www/indijun.htm. Our goal is to release all 116 monthly and quarterly principal economic indicators on time.

FY 2002 Performance

During FY 2002, all principal economic indicators were released on time. The Census Bureau's principal economic indicators are among some of the most important and closely followed statistics generated by the federal statistical system. These indicators provide government policymakers and private decisionmakers with timely information about the current performance of the U.S. economy. During FY 2002, all principal economic indicators were released on time.

Program Evaluation

The Census Bureau's statistical program evaluations are numerous and ongoing. One measure the Bureau uses to determine data reliability is initial response rates. One measure the Bureau uses to determine timeliness is the elapsed time from data collection to data release. The following are some examples of Census Bureau program evaluations.

Demographic Statistics

The Census Bureau regularly generates quality profiles and management reports for both reimbursable and Bureau-sponsored demographic surveys. These profiles and reports provide statistical measures of reliability and note compliance with or accomplishment of project tasks.

Economic Statistics

Evaluation of programs by the economic statistics staff has led to better measures of capital expenditures by U.S. companies, improved the Bureau's ability to capture data on e-commerce activities, clarified the information companies can provide on their pollution abatement activities, and periodically documented, as required by OMB, the statistical rigor of the methodologies used to produce the principal economic indicators.

Performance Goal 2: Provide the statistical foundation and benchmark measures of the population, economy, and government that meet the needs of policy makers, federal, state, and local governmental agencies, businesses and the public.

(This goal has been reworded since the publication of the FY 2000 Annual Program Performance Report (APPR) and FY 2002 Annual Performance Plan (APP). This goal was previously worded as: "Conduct the Decennial Census (FY 2000, FY 2001, and FY 2002")

Corresponding Strategic Goal

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

Rationale for Performance Goal

The Census Bureau's benchmark programs are a major source of baseline information upon which most data-based decisions and activities take place. Whether gathered through the Decennial Census of Population and Housing, the upcoming 2002 and 2007 Economic Censuses and the 2002 and 2007 Census of Governments, or the Intercensal Demographic Estimates that provide baseline demographic information in between the decennial censuses, the Census Bureau's Benchmark programs are where everyone turns to for information.

The demographic programs provide the data used by the states and other agencies to allocate nearly \$200 billion dollars in federal funds each year, conduct the analyses that underlie the statistical definitions and standards used by the entire federal government in policy decisions, and establish the baseline sample units that underlie virtually every survey conducted in the United States by both private and public sectors.

The economic statistics programs count and profile U.S. businesses and government organizations in a rapidly-evolving economic environment. They include conducting an Economic Census and a Census of Governments every five years. The Economic Census covers all nonagricultural sectors of the economy, publishes data on the activities of more than twenty-two million businesses and more than 1,100 industries, and provides detailed geographic information.

As a complement to the sectoral Economic Census program components, the Census Bureau also conducts a series of related programs to collect information on topics of special interest, for example, minority and women-owned businesses, the characteristics of the nation's trucking fleet, business expenses, the flow of commodities, and the economies of Puerto Rico, Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands.

The Census of Governments represents the primary source of facts about the structure and function of the public sector of the U.S. economy. It provides essential information to Congress and federal agencies for planning and evaluating programs that involve intergovernmental relationships. The census contributes an important element for constructing composite national economic measures, such as gross domestic product, the Bureau of Economic Analysis's input-output tables that measure market sectors, and the Federal Reserve Board's flow of funds accounts that provide time-series data of financial flows in the economy. The Census of Governments' findings supply vital analytical tools for a wide variety of data users. Among the most prominent are state and local government officials, educational organizations, criminal justice organizations, public interest groups, private industry, economic research agencies, and the media.

Performance Goal 2 focuses on the major conduct and dissemination milestones for the 2002 Economic and Government Censuses and providing improved demographic intercensal estimates. Specific performance goals and measures related to these activities include

- Publishing and disseminating data from the 2002 Economic Census and the 2002 Census of Governments on a timely, scheduled basis
- Mailing Survey of Business Owners forms for the 2002 Economic Census

FY 2002 Performance

During FY 2002, measures for this goal were successfully met. During FY 2002 the Census Bureau continued to produce and deliver data products from Census 2000. This includes Summary File 3 (SF3), which consists of over 800 detailed tables of Census 2000 social, economic, and housing characteristics compiled from a sample of approximately nineteen million housing units that received the Census 2000 long-form questionnaire. The Census 2000 SF3 tables have been produced significantly earlier in the census cycle relative to previous decennial censuses. The SF3 files are used for the distribution of federal funds each year as well as a myriad of other public and private sector planning and decision-making uses. All planned data product releases for FY 2002 were completed on schedule.

Measure 2a: Release 1) Decennial Census, 2) Census of Governments, and 3) Economic Census Products				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	100% of scheduled releases	100% of scheduled releases
Actual			100% of scheduled releases	100% of scheduled releases
Met/Not Met			Met	Met

(This measure has been reworded since the publication of the FY 2000 Annual Program Performance Report (APPR) and FY 2002 Annual Performance Plan (APP). This measure was previously worded as: "Disseminate Census 2000 products.")

Explanation of Measure

Providing releases of Census 2000 products on schedule is critical to the institutions and individuals responsible for managing or evaluating federal programs. The releases are also needed to meet legal requirements stemming from U.S. court decisions, such as the Voting Rights Act. The data collected and released are as much a part of the nation's infrastructure as highways and telephone lines. Federal dollars supporting schools, employment services, housing assistance, highway construction, hospital services, programs for the elderly, and more are distributed based on Census data. For example, twenty-two of the twenty-five largest federal funding grant programs in fiscal year 1998 were responsible for \$162 billion being distributed to state, local, and tribal governments. About half of this money was distributed using formulas involving Census population data, according to the General Accounting Office. The Bureau expects that at least \$182 billion and housing will be distributed annually based on formulas using Census 2000 data.

Program Evaluation

The continued dissemination of data products to federal, state, local and tribal governments, as well as to users in the private and public sectors make them available for countless applications. Some uses of the data include the resolution of population and boundary issues, and the distribution of federal dollars to states and localities to meet their needs.

Performance Goal 3: Re-engineer the 2010 Decennial Census to be more efficient and cost effective, provide richer data, improve coverage, and reduce risk in meeting constitutional and legislative mandates.

(This goal has been reworded since the publication of the FY 2000 Annual Program Performance Report (APPR) and FY 2002 Annual Performance Plan (APP). This goal was previously worded as: "Define—through consultations, policy assessment, planning, research, experiments, and evaluations—the plan for the 2010 Census")

Corresponding Strategic Goal

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

Rationale for Performance Goal

Despite the fact that Census 2000 was an operational success, it was conducted with high costs and at great operational risk. In 2010, the job will be even more complex. Given the rapid demographic and technological changes experienced in recent years and the strong expectation that such changes will continue to accelerate, once-a-decade data collection and updating operations are no longer sufficient. Without a more systematic, timely, and integrated planning and design strategy, the data collection mission of the Census Bureau, especially of the 2010 Census, will be jeopardized. The Census Bureau has developed a strategy to meet this challenge. The strategy for the 2010 Census is to reduce operational risks, improve accuracy, provide more relevant data, and contain costs. Based on the fundamental approach of redesigning the 2010 Census, there are three interdependent components of this strategy:

- Implementation of the American Community Survey (ACS) to collect decennial census long-form information on an ongoing basis to provide for yearly/annual data products
- Modernization of The Master Address File/Topologically Integrated Geographic Encoding and Referencing (MAF/TIGER) address and geographic database that takes advantage of space-based technologies, such as satellite and aerial imagery and geographic information system (GIS) data from state, local, and tribal governments, to bring the MAF/TIGER system into alignment with Global Positioning System (GPS) information
- Systematic development, testing, and implementation of a short form only 2010 Census design that takes advantage of the opportunities offered by an enhanced MAF/TIGER and the American Community Survey.

The Census Bureau planned implementation of the American Community Survey in 2003 so that by 2010 the Bureau can provide a reliable replacement for the long-form portion of the 2010 Census.

The Census Bureau started exploring this design option after the 1990 Census with the objective of simplifying Census 2000 by limiting it to the collection of the basic data needed for apportionment and redistricting. Under this design, the Census Bureau would meet the data requirements of federal agencies as well as those of users outside the federal government through a Continuous Measurement program. Although time did not permit the development of a Continuous Measurement program

for Census 2000, developmental work was commissioned with an eye toward the 2010 Census. This work has continued resulting in the design of a system that can meet not only the federal mandates for data, but also can meet them with more timely and accurate data. This data collection effort, the American Community Survey, is a way to both improve coverage of the census (by way of operational simplification) and to reduce the operational risks of the census.

The American Community Survey will provide the timely information needed for critical economic planning by governments and the private sector. In our information-based economy, federal, state, and local decision makers and private business and nonprofit organizations need current, reliable, and comparable economic data to chart the future. The American Community Survey will provide up-to-date profiles of U.S. communities every year beginning in 2004, providing policymakers, planners, and service providers in the public and private sectors with information every year—not just once every ten years.

MAF/TIGER Modernization—The five objectives of the MAF/TIGER Enhancements Program are to:

- 1 correct the locations of all streets, other map features, and required structures;
- 2 develop a modern processing environment;
- 3 enhance geographic partnerships;
- 4 develop new methods to update the address list in predominately rural areas; and
- 5 fully integrate quality assurance measures into the geographic and MAF/TIGER systems and databases to meet the needs of the 2010 Census (including the American Community Survey) and related early testing activities.

The new processing environment is needed to modernize a homegrown geographic database and to take advantage of commercially-available practices and technologies.

The MAF/TIGER Enhancements Program will allow the ACS and the 2010 Census to take advantage of GPS technology and mobile computers to improve on outdated and error-prone methodologies, while substantially expanding geographic partnerships at the state, local, and tribal levels to maintain the completeness and accuracy of the information in the address and geographic systems that are essential for a successful 2010 Census. Ongoing address and geographic partnership programs coupled with technological improvements such as a GPS-linked system will help reduce the level of address duplication and geographic misassignment that was evident in Census 2000. Procedures will be streamlined and made more efficient by providing field staff with tools and technology that enable them to greatly reduce such errors in the 2010 Census. The 2010 Census will be armed with a more comprehensive, timely, and accurate address list—one of the best predictors of a successful census—without the added complexity, risk, and costs of last minute address list-building operations.

2010 Census planning, development, and testing—The objective of 2010 Census planning, development, and testing is to conduct early testing and prototyping of new and streamlined activities to take advantage of the fact that long form data will be collected by the ACS and therefore will not be needed as part of the 2010 short form collection effort; the MAF/TIGER Enhancement Program which will provide the Bureau with a system that is in GPS alignment; the results of the Census 2000 testing, experimentation, and evaluation program; and new research to build on the success of Census 2000.

Both the MAF/TIGER Enhancements Program and the American Community Survey are integral to a successful 2010 Census and, therefore, integral to the Census Bureau’s planning activities. In addition, based on lessons learned from Census 2000, developing a design infrastructure that leads to early operational testing is crucial. This will require strong leadership, expert planning, sophisticated integration efforts, and oversight support. A major task is the development of the strategic framework to guide (1) interactions among the three components, (2) risk identification and management, (3) product development, (4) analysis of operational alternatives, (5) development of the research agendas, (6) integration of solutions into a logical design, and (7) plans for testing.

FY 2002 Performance

The FY 2002 performance levels for all measures were achieved. The Census Bureau completed the initial steps required for MAF/TIGER modernization including preparing a plan and systems to measure housing unit coverage. In FY 2002 the Bureau signed its first major contract with the Harris Corporation in the effort to re-engineer the 2010 Decennial Census for the MAF/TIGER Accuracy Improvement Project. Also in FY 2002, the Census Bureau successfully completed data collection for the 2001 ACS and the 2002 ACS through September, 2002. The Census Bureau completed all necessary data collection and data processing activities to be ready for expanding the ACS for 2003 into every county in the U.S. and every municipio in Puerto Rico.

Measure 3a: Implement MAF/TIGER Modernization				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	Prepare plan and systems by the end of FY 2002 to measure housing unit coverage of the address list; list is at least as complete as it was for Census 2000, as measured by the accuracy and coverage evaluation.
Actual				Prepared plan and systems by the end of FY 2002 to measure housing unit coverage of the address list; list is at least as complete as it was for Census 2000, as measured by the accuracy and coverage evaluation.
Met/Not Met				Met

(This measure has been reworded since the publication of the FY 2000 Annual Program Performance Report (APPR) and FY 2002 Annual Performance Plan (APP). This measure was previously worded as: "Percentage completion of housing unit address list.")

Explanation of Measure

Correctly locating every street and other map features in the MAF/TIGER database is critical to providing geographic products and services that meet the accuracy expectations of the 2010 Census field data collection staff, the Census Bureau’s data product customers, and the needs of The National Map/Homeland Defense effort. The Census Bureau’s field staff has reported extensive difficulties in completing address list updating and verification tasks, and in finding addresses and streets that required follow-up visits in Census 2000. Many local or tribal governments that participated in the Census 2000 geographic partnership programs and many potential customers for MAF/TIGER geographic products have told the Census Bureau that they would not consider future geographic partnership or use without substantial improvements in location accuracy.

FY 2002 Performance

This performance measure was met. The Census Bureau has prepared an initial plan for measurement of housing unit coverage in the Master Address File (MAF). This plan documents the systems (Administrative Records System, Locatable Address Conversion System, Global Positioning System, Automated Listing and Mapping Instrument System) and data sources (Delivery Sequence Files, National Health Interview Survey files, Rural Directory files, E-911 files) that will provide the basis for developing the field procedures required to begin future data collection activities.

Measure 3b: Implement the American Community Survey				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	Complete field activities supporting the release of 2001 data from the long form transitional database in Summer of 2002.
Actual				Completed field activities supporting the release of 2001 data from the long form transitional database in Summer of 2002.
Met/Not Met				Met

(This measure has been reworded since the publication of the FY 2000 Annual Program Performance Report (APPR) and FY 2002 Annual Performance Plan (APP). This measure was previously worded as: "Release 2001 data from LFTB.")

Explanation of Measure

The Census Long-Form Transitional Database (LFTDB) is the key to replacing the Census long form with the ACS. As part of the Decennial Census operations in FY 2000 and FY 2001, the Bureau has been conducting the LFTDB evaluation study. The FY 2002 plan for the LFTDB is a critical part of the transition to using data from the ACS as a national program beginning in FY 2003 (a performance measurement commitment in the Department of Commerce FY 2000–FY 2005 Strategic Plan). When the ACS becomes a comprehensive national program, community profiles will be available every year rather than every ten years. These vastly improved data will enable the U.S. government to distribute billions of dollars much more efficiently and to more effectively evaluate federal programs.

FY 2002 Performance

Census completed all data collection for the 2001 LFTDB by January 2002. Data collection was completed across all three modes of collection with an overall response rate exceeding ninety-five percent. The data products also were produced, but the Census Bureau decided to delay release of these products until November 2002 because of the potential confusion with Census 2000 sample data products being released during the latter part of FY 2002.

Census Data Validation and Verification

The Bureau of the Census conducts an annual review of the performance data to ensure that projected targets are met. Data are verified by comparison with past release dates for those targets involving data release measures. The survey data tabulations are compared to publicly reported methodological standards for its surveys to verify that the specified measures are attained for targets involving reliability measures. During this process, significant deviations from projected targets, if any, are discussed with the appropriate program areas so that changes can be implemented to help meet the Census Bureau's performance goals.

In some cases, information is manually checked against actual paper files (when available) to ensure the accuracy of information. Additionally, documentation is reviewed and a determination is made on its adequacy and sufficiency to support claims that outcomes and outputs have been achieved. The Census Data Validation and Verification table can be found on the following page.

CENSUS Data Validation and Verification

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 1a: Percentage of household surveys attaining specified reliability measurements	Performance measure data on reliability are collected, calculated, and assessed as the surveys are tabulated.	Performance measures are available at the time of a survey's public data release.	Survey performance data are in Census Bureau databases and are published in public press releases and data reports (Source and Reliability Statements in every release).	The Bureau publicly reports methodological standards for its surveys. The survey data tabulations are compared to these standards to verify that the specified reliability measurements are attained.	None	None
Measure 1b: Household response rate for the Current Population Survey, the National Crime Victimization Survey, and the American Housing Survey. Response rate for the National Health Interview Survey. Response rate for the Survey of Income and Program Participation	The Bureau of the Census collects, calculates, and assesses performance measure data on reliability as the surveys are tabulated.	Performance measures are available at the time of a survey's public data release.	Survey performance data are in Census Bureau databases and are published in public press releases and data reports (Source and Reliability Statements in every release).	The Bureau publicly reports methodological standards for its surveys. The survey data tabulations are compared to these standards to verify that the specified reliability measurements are attained.	None	None
Measure 1c: Release data products from the Survey of Income and Program Participation and the Survey of Program Dynamics	Data collection dates are published in advance. These set the baseline for release dates.	As scheduled	Census Bureau databases and public data releases.	Data are verified by comparison with past release dates. Official responses to customers will verify customer satisfaction.	None	None
Measure 1d: Release principal economic indicators	Data collection dates are published in advance. These set the baseline for release dates.	As scheduled	Census Bureau databases and public data releases.	The Bureau compares with release schedule.	None	None
Measure 2a: Release Decennial Census, Census of Governments, and Economic Census products	Data dissemination is scheduled. These set the baseline for release dates.	As scheduled	American FactFinder	The Bureau will compare with actual release dates.	None	None
Measure 3a: Implement MAF/TIGER Modernization	MAF/TIGER activity schedule	As scheduled	Census Bureau MAF/TIGER database	The Census Bureau compares actual completion dates with scheduled dates.	None	None
Measure 3b: Implement the American Community Survey	American Community Survey activity schedule	As scheduled	American Community Survey results and the American FactFinder.	The Bureau compares actual release dates with completion schedule.	None	None



International Trade Administration

Mission Statement

To create economic opportunity for U.S. workers and firms by promoting international trade, opening foreign markets, ensuring compliance with our trade laws and agreements, and supporting U.S. commercial interests at home and abroad.

The International Trade Administration is dedicated to opening foreign markets, promoting export activity, and ensuring fair competition and compliance with international trade agreements for the benefit of firms, particularly small and medium-sized enterprises (SMEs), and workers throughout the United States. ITA employs approximately 2,500 people, stationed in the U.S. and abroad, in five major program units: Trade Development, Market Access and Compliance, Import Administration, U.S. and Foreign Commercial Service, Executive Direction and Administration.

ITA programs perform analyses, promote products, and offer services and programs to the U.S. exporting community, including export promotion assistance, export expansion and commercial business counseling, and trade related information. ITA is also responsible for ensuring that competition is fair and that the U.S.'s trading partners comply with international trade agreements. ITA plays an important role in the World Trade Organization (WTO), Free Trade Area of the Americas and, bilaterally with Chile and Singapore negotiations. ITA, through its Trade Compliance Center, ensures that trade agreements negotiated by the U.S. are monitored for evaluation of their implementation by foreign governments and for identification of compliance problems. ITA also defends U.S. industry against injurious trade practices by administering efficiently, fairly, and in a manner consistent with U.S. international obligations, the antidumping (AD) countervailing duty (CVD) laws of the U.S.

ITA programs are customer-focused and responsibly managed to provide the maximum advantage to its client base. ITA works to benefit U.S. firms directly, particularly small and medium-sized enterprises (ITA defines "SMEs" as companies with fewer than 500 employees).

President Bush's "2002 National Export Strategy (NES)" presented sixty recommendations with an overall goal to ensure that all U.S. companies interested in exporting can join the global economy. A major theme of the 2002 NES is expanding the number of small and medium-sized U.S. exporters, while ensuring that all exporters have the best resources available to take advantage of overseas commercial opportunities. SMEs constitute 97 percent of all U.S. exporting companies and account for about 30 percent of the value of U.S. exports according to the NES.

In FY 2002, the Trade Promotion Coordinating Committee² conducted a survey of 3,200 small and medium-sized U.S. firms. Survey results indicated that 30 percent of the SMEs that do not currently export have an interest in doing so. Additionally, of those companies that do export, two-thirds export to only one market. ITA's efforts to help companies export to new markets can substantially assist in unlocking billions of dollars' worth of new export opportunities. During FY 2002 alone, ITA's efforts have led to nearly 6,000 U.S. businesses entering new export markets³.

¹ The National Export Strategy is an annual Congressionally mandated report as required by the Export Enhancement Act of 1992. This act also established the Trade Promotion Coordinating Committees (TPCC) by statute.

² The TPCC is the statutorily mandated committee composed of 19 federal agencies established to ensure coordinated delivery of export promotion programs and services.

³ Source: ITA Performance Management System.

Benefits to ITA Customers and the American Public

ITA's external customers include:

- 1 Potential, new and experienced exporters seeking “How to” information and requiring export assistance products/services
- 2 Individuals and firms interested in export services/resolution of trade complaints by country, region, emerging markets or by industry
- 3 Individuals and firms who require relief from unfair trading practices or firms seeking assistance in applying for a Foreign Trade Zone.

ITA considers these groups to be its primary external customers. ITA considers other federal, state and local departments of government and the U.S. Congress as stakeholders, and in some cases as partners, in its business processes.

The public benefits from ITA in both a primary and a secondary manner. The segment of the public that is involved in business receives primary benefits because they seek and obtain ITA's products, services, and assistance to help them with their international trade pursuits. Although ITA places a considerable focus on small and medium size exporters, ITA services all size firms and has devoted much time and attention to assisting potential exporters and helping existing exporters enter new markets.

The secondary benefit that the public derives from ITA is the economic impact of export expansion. For example, over one million high-quality, high-wage jobs have been created over the past two years as a direct result of increased exports⁴. Today, one out of ten U.S. jobs depends on export trade, and export-related jobs pay an average wage of 15 percent more than other jobs⁵. These benefits are quite tangible to the public and hinge upon the effort of ITA's work.

Priorities/Management Challenges

During FY 2002, ITA addressed several key priorities and management challenges:

- ITA continued to face a difficult balancing act of supporting foreign policy and security goals while addressing viable opportunities to expand its U.S. market base. A continuing challenge is using trade to support the war on terrorism. ITA's efforts to introduce the rest of the world to a new and better standard of living could prove to be a valuable tool. Through ITA's trade promotion initiatives, the U.S. exports a system of values that supports the President's goal to promote freedom and liberty through free trade, while it also pursues the goal of expanding profitable markets for U.S. goods and services. For this reason, ITA is readily working to bring free trade to Africa, China, and the Americas.
- One of ITA's formidable challenges is addressing customer demand for export products and services and ensuring that SMEs continue to perform well in today's uncertain economy. Interestingly, exporters rely on the government for market information more than any other source (private sector or non-governmental organizations)⁶. The TPCC survey also confirmed that the government is an important resource for Web-based information. Based on client demand and in support of the President's Management Agenda, one of ITA's key challenges and opportunities is to use Export.Gov, a Web-based, one-stop access to basic information on the export process, to enhance the use of the Internet as a communication tool to enable exporters to find the government's best information in one place.

- Companies rely on existing government programs, but want these programs updated to enter the twenty-first century. They expect seamless service and expect government personnel to be fully trained to take them through the maze of government programs and to understand the big picture. ITA must confront and challenge non-tariff trade barriers and other challenges facing U.S. firms in the international marketplace to help SMEs export. ITA must work to ensure that the rules of the game are clear and that the players follow the rules. ITA's FY 2004 budget proposal and its integrated performance plan request the resources ITA needs to respond to foreign market place challenges and address increased client demand.
- ITA has made every effort to support sectors severely impacted by terrorism. Tourism and the airline industry, for example, have received advice, attention, and assistance from ITA through increased focus by its skilled staff. Numerous small businesses suffered from the sharp economic downturn, and ITA has made every effort to address their needs. Small firms are responsible for about half of all U.S. Gross Domestic Product (GDP), and generate more than half of all sales in the United States. Small businesses produce over 60 percent of the new jobs created each year. Small and medium-sized businesses were responsible for more than one-third of total merchandise exports worth over 150 billion dollars in 2001. This has been a major concern since jobs are critical to U.S. economic security and recovery.

FY 2002 Performance

- During FY 2002, ITA continued to focus on compliance issues associated with existing trade agreements and market access issues. ITA staff initiated more compliance and market access cases during this past year than were planned. ITA measures “the number of market access and compliance cases initiated.”⁷ In FY 2002, ITA initiated 253 cases, exceeding the FY 2002 target by 48 percent. ITA has used these compliance and market access gains to enhance export promotion efforts.
- ITA made substantial progress toward addressing the export promotion component of the President's trade strategy. ITA measures several aspects of export promotion performance:
 - In FY 2002, “the number of U.S. exporters entering a new market” yielded 5,740 U.S. companies. Although this is shy of ITA's FY 2002 target, it is still solid performance and indicates substantial export results.
 - In FY 2002, “the number of U.S. firms exporting for the first time” was 699. ITA considers this level of performance an accomplishment, despite being 5 percent below the projected target. ITA regards this as a strong result because many firms scale back and limit their risks during economic downturns.
 - During FY 2002, “the number of export transactions made as a result of ITA actions” was 12,178. This exceeded ITA's annual target by 7 percent, a strong result for ITA in a sluggish global economy.

⁴ White House Press Release, August 2002.

⁵ White House Press Release, August 2002.

⁶ TPCC Benchmark Survey, report no. PB2002-105721.

⁷ Note: Each item that appears in quotes indicates an ITA-wide performance measure included in ITA's Annual Performance Plan and Annual Program Performance Report.

- Additionally, ITA continued to build on the collaborative process between its geographic and industry units. This work is centralized in the Trade Compliance Center, which resolves compliance issues with trade agreements signed by the U.S. This has led to greater cooperation and a more effective tracking system of compliance cases throughout ITA. The ITA-wide tracking database has been the focus of efforts to capture all activities related to overcoming trade barriers and begin a concerted effort to measure results in trade compliance and market access. During FY 2002, ITA refined its compliance measures and established mechanisms in the database to measure “concluded” compliance actions.
- During FY 2002, ITA established the Trade Remedy Compliance Staff (TRCS). The TRCS assists U.S. businesses with trade problems that stem from unfair foreign trade practices, especially in the critical markets of East Asia, and from the misapplication of foreign trade laws worldwide. The TRCS does extensive monitoring of foreign trade practices and trade trends, working with new ITA trade compliance officers stationed in locations such as China, Japan, and Korea, to pinpoint and analyze problematic policies in order to avert unfair trade frictions and prevent harm to U.S. commercial interests.
- ITA’s proactive compliance capability increased research and monitoring of existing trade agreements, increased identifiable market access barriers, and provided for more coordinated AD/CVD casework. This is essential since ITA’s receipt of AD/CVD cases from domestic industry rose to 187 cases this past fiscal year.
- As an outgrowth of the President’s Steel Initiative in FY 2002, ITA has led the effort to identify foreign market-distorting practices that have contributed to the creation, expansion, and retention of excess, inefficient steel making capacity worldwide. ITA provided support for the Administration’s effort to build an international consensus to eliminate these practices. Consensus building started in FY 2002 in the Organization of Economic Cooperation and Development (OECD) and continued in the WTO and other forums. These efforts have resulted in a positive impact on global steel production and should positively affect planning and profitability for the U.S. steel industry.
- During FY 2002, ITA made noteworthy improvements in its budget, performance management, and accounting operations. ITA more fully integrated its planning and performance management process. The most significant change is that ITA’s FY 2004 budget justification is now presented in terms of how it supports ITA’s performance goals in addition to the line item structure. This also positions ITA closer to meeting one of the standards for success in the President’s Management Agenda, i.e., improved integration of budget and performance.
- ITA took several steps to improve its financial performance. ITA’s Office of Financial Management (OFM) developed new reports to evaluate financial data and inform ITA managers about program finances. ITA revamped its financial coding system to reduce errors and capture better information to enhance cost-related performance management data.
- In the past year, ITA has initiated steps to transform its value to U.S. businesses and citizens through a strategic approach to electronic government. Recent guidance and attention have been directed to e-government through the President’s Management Agenda. ITA believes that implementation of e-government strategy utilizes two methods to support customer-centric government: ITA has initiated a centralization program of its IT infrastructure, both internally and externally; and ITA has started to simplify significant business processes to build a more effective foundation for transacting business electronically.

- In FY 2002, ITA continued to collect information from its customers to identify and respond to their requirements and needs:
 - The input received from customers indicated their demand for trade and economic data. ITA has worked to improve the delivery and use of U.S. export data as a tool in helping U.S. firms realize their export potential.
 - In FY 2002, ITA structured the Global Diversity Initiative and Rural Export Initiative programs to reach under-served communities and to prepare them for exporting.
 - ITA found that 60 percent of U.S. exporters use Web sites as a primary source of Web-based information. Projects underway to help U.S. companies to take advantage of technological advances include outreach seminars and a hotline to resolve customer complaints.

As shown by the examples stated above, ITA has integrated customer feedback into its annual improvement objectives and initiated a strong transition to a customer-focused culture as directed by the President's Management Agenda. ITA frequently receives positive feedback on survey responses from customers praising the attitude taken by ITA staff towards servicing their needs. ITA was pleased that its FY 2002 quarterly survey of the Export.gov website showed that 84.4 percent of customers were satisfied with the portal's ease of use. ITA continues to make improvements as it strives for even higher levels of client satisfaction.

- While ITA sought to achieve all of its FY 2002 targets, several targets were not attained. This is attributable to two key factors: 1) ITA's FY 2002 targets were optimistic when included in the FY 2002 Annual Performance Plan (APP)⁸, and 2) during FY 2002, external factors like the downturn in the U.S. and global economy accounted for shifts that were unforeseen when those targets were originally set.

Initiatives and Priorities

ITA compliance and export expansion efforts were top priorities in FY 2002 and remain a key component of ITA's FY 2003 and FY 2004 programs. During this past year the U.S. economy and the global economy have undergone dramatic shifts. Now, more than ever, ITA's mission is to expand and support the U.S. economy in a worldwide free trade system is essential and relevant. ITA must ensure that it continues to have a free and open trading system. ITA will accomplish this work by:

- Improving the ability of ITA's overseas staff to respond to trade compliance issues, ensuring that U.S. businesses receive the full benefit of negotiated trade agreements, resolving market access problems (foreign restrictive standards and other regulatory measures), and defending U.S. industry against injurious trade practices by enforcing U.S. trade laws.
- Addressing compliance issues in multilateral negotiations such as the WTO talks held in Doha, Qatar, and the FTAA trade negotiations. Today, seventy-four cents of every dollar that Mexicans spend on imported goods goes to buy U.S. products. Imagine the opportunities that potentially can be reaped through a negotiated expansion of the North American Free Trade Area (NAFTA) to cover all of the Americas.⁹

⁸ These targets were published in the FY 2000 Annual Program Performance Report (APPR) and FY 2002 Annual Performance Plan (APP).

⁹ White House Press Release on FTAA, August 2002

- Assessing and addressing ITA's customers' needs. It is critical that ITA considers this a priority since it must respond to shifting economic circumstances. These include the development of novel mechanisms for meeting client needs through e-commerce efforts, use of cooperative agreements to leverage service support for clients, as well as efforts to streamline coordination among trade supportive federal and state government agencies that service ITA customers.

Targets and Performance Summary

See individual Performance Goal section for further description of each measure.

Performance Goal 1: Increase Trade Opportunities for U.S. Firms

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Number of export transactions made as a result of ITA involvement	New	New	11,160	12,300	12,178		X
Number of new or enhanced ITA partnerships with public and private sector entities to promote U.S. exports	New	New	New	36	Not implemented in FY 2002		X
Number of new-to-market firms	67,835	54,307	63,719	54,000	64,263	X	

Performance Goal 2: Broaden and Deepen U.S. Exporter Base

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Number of new-to-export firms	42,351	33,514	20,422	30,000	21,850		X
Percentage of undertaken advocacy actions completed successfully	New	New	New	15% to 20%+	11.8%		X
Dollar value of completed advocacies (U.S. Export Content)	New	New	New	\$3B to \$4B	\$8.64B	X	
Number of U.S. exporters entering new market	New	4,502	5,386	5,900	5,740		X
Number of U.S. firms exporting for the first time	New	673	742	800	699		X

Performance Goal 3: Ensure Fair Competition in International Trade

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Number of AD/CVD cases processed	134	185	136	136	183	X	
Percentage of antidumping or countervailing duty cases completed on time	New	New	New	100%	100%	X	

Performance Goal 4: Advance the United States' International Commercial and Strategic Interest

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Dollar value exports in priority markets	New	New	New	New	\$166.3B		

Performance Goal 5: Improve customer and stakeholder satisfaction

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Employee job satisfaction	New	New	New	3.5 mean rating	Not implemented in FY 2002		X

Performance Goal 6: Improve the U.S. Competitive Advantage through Global e-commerce

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Number of new subscribers using BuyUSA.com E-services	New	New	371	1,500	564		X
Customer perception of portal ease of use	New	New	New	Greater than 50%	84.4%	X	
Percentage of ITA business processes provided electronically to external customers	New	New	New	50%	Not implemented in FY 2002		X

Resource Requirements Summary

(Dollars in Millions. Funding amounts reflect total obligations.)

Information Technology (IT)

Full-Time Equivalent (FTE)

Performance Goal 1: Increase Trade Opportunities for U.S. Firms

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Trade Development	28	28	30	17
Market Access and Compliance	0	0	0	2
Import Administration	0	0	0	0
US&FCS	80	78	84	62
Administration	4	4	5	0
Total Funding	112	110	118	82
IT Funding ¹	7.7	7.7	9.0	6.6
FTE	768	774	744	462

Performance Goal 2: Broaden and Deepen U.S. Exporter Base

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Trade Development	17	16	17	21
Market Access and Compliance	6	6	6	2
Import Administration	0	0	0	0
US&FCS	101	97	100	52
Administration	5	5	5	0
Total Funding	129	124	129	75
IT Funding ¹	8.8	8.9	10.3	5.6
FTE	886	890	858	423

Performance Goal 3: Ensure Fair Competition in International Trade

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Trade Development	4	4	5	7
Market Access and Compliance	14	15	15	24
Import Administration	31	34	39	41
US&FCS	4	4	5	21
Administration	2	2	2	0
Total Funding	55	59	68	93
IT Funding ¹	3.7	3.7	4.3	4.6
FTE	372	375	360	571

Performance Goal 4: Advance the United States' International Commercial and Strategic Interest

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Trade Development	28	28	30	9
Market Access and Compliance	0	0	0	3
Import Administration	0	0	0	0
US&FCS	80	78	84	17
Administration	4	4	5	0
Total Funding	112	110	118	28
IT Funding ¹	7.7	7.7	9.0	1.1
FTE	768	774	744	157

Performance Goal 5: Improve Customer and Stakeholder Satisfaction

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Trade Development	28	28	30	13
Market Access and Compliance	0	0	0	4
Import Administration	0	0	0	5
US&FCS	80	78	84	31
Administration	4	4	5	13
Total Funding	112	110	118	66
IT Funding ¹	7.7	7.7	9.0	4.2
FTE	768	774	744	420

Performance Goal 6: Improve the U.S. Competitive Advantage through Global e-commerce

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Trade Development	7	7	7	2
Market Access and Compliance	0	0	0	4
Import Administration	0	0	0	0
US&FCS	6	6	6	25
Administration	6	5	6	2
Total Funding	43.0	41.0	43	33
IT Funding ¹	3.0	3.0	3.5	3.5
FTE	303	305	294	197

Grand Total	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Total Funding	339	334	358	377
Direct	317	325	342	366
Reimbursable ²	22	9	16	11
IT Funding ¹	23.2	23.8	27.2	25.6
FTE	2,329	2,344	2,256	2,230

¹ IT funding included in total funding.

² Reimbursable funding included in total funding.

Skill Summary

The following list describes ITA's core competencies:

- In-depth knowledge of international and domestic trade laws and regulations
- Country and/or industry-sector expertise
- Specialized knowledge and experience in export marketing and promotion
- Understanding of foreign trade practices, and foreign government trade programs and policies
- In-depth knowledge of trade distorting practices
- Understanding of key trade issue areas such as intellectual property rights and standards
- Knowledge of key U.S. Government positions for country/sector specific bilateral, multilateral, and plurilateral trade negotiations
- Information technology skills — to deliver services to clients; to identify, analyze, and manage information; and to interface with technology to improve productivity and client service
- Leadership skills — to lead and manage ITA's missions and programs
- Customer service skills — to improve delivery of service to customers
- Project management skills — to lead and manage projects and contracted work.

FY 2002 Performance Goals

Performance Goal 1: Increase Trade Opportunities for U.S. Firms

(This goal has been reworded since the publication of the FY 2000 Annual Program Performance Report (APPR) and FY 2002 Annual Performance Plan (APP). This goal was previously worded as: "Increase U.S. Exports by Implementing the National Export Strategy Through Government-Wide Coordination of Trade Promotion and Trade Finance Programs.")

Corresponding Strategic Goal

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

Rationale for Performance Goal

Working to lower trade barriers abroad helps small business exporters. While the goal is to improve services for U.S. companies of all sizes, ITA focuses on the needs of small and medium-sized enterprises (SMEs). SMEs are the engine of growth and job creation in the U.S., but due to their size and limited resources, they also face more hurdles to expanding their business presence abroad than large companies. ITA attempts to obtain market access through bilateral and multilateral trade negotiations and through government-to-government cooperative efforts to remove non-tariff barriers. The passage of Trade Promotion Authority (TPA) offers new challenges and opportunities for the U.S. to open foreign markets and provides the U.S. with an important tool to break down barriers with all countries.¹

With trade playing an important role in the national economy, the National Export Strategy, an annual report submitted to Congress by the Trade Promotion Coordinating Committee (TPCC), focuses on streamlining and strengthening U.S. government trade promotion and finance programs. The TPCC, established by the Export Enhancement Act of 1992 and chaired by the Secretary of Commerce, coordinates nineteen agencies' efforts to strengthen, streamline, and leverage existing programs. Through the TPCC, ITA for example, leverages technology to give firms access to critical information and products; operates a network of one-stop shops for local, hands-on assistance to U.S. exporters; coordinates advocacy on behalf of U.S. companies; reduces obstacles to exporting through the enforcement of U.S. trade laws; monitors and seeks compliance with U.S. negotiated international trade agreements; and pioneers efforts to better serve under-served communities.

FY 2002 Performance

One of ITA's major challenges is addressing customer demand and ensuring that SMEs continue to perform well in today's uncertain economy. During FY 2002, ITA's efforts focused on helping nearly 6,000 U.S. businesses entering new export markets. ITA used public and private sector partnerships in helping SMEs export. For example, the Gold Key Matching Service paired U.S. firms with pre-screened international companies interested in becoming agents, distributors, sales representatives, and strategic business partners. For those companies that desire longer-term, sustained assistance, ITA offered Platinum Key Service, which provides comprehensive, customized market entry support. ITA counseled over 121,000 clients. ITA's involvement with U.S. firms helped produce approximately \$29.7 billion of export successes.

¹ Remarks by the President at Signing of the Trade Act of 2002 (P.L. 107-210), August 6, 2002.

Measure 1a: Number of Export Transactions Made as a Result of ITA Involvement

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	9,253	12,300
Actual			11,160	12,178
Met/Not Met			Met	Not Met

Explanation of Measure

This measure reflects ITA's effectiveness in increasing trade opportunities for U.S. exporters, and it captures information on the number of export transactions executed by U.S. firms that resulted directly from ITA's counseling, matchmaking, research, information products, and other trade promotion activities. An export transaction occurs when ITA facilitates an actual verifiable export sale—shipment of goods or delivery of services—by the client and where the direct link between the assistance provided and the resulting outcome is clearly established for each export action claimed. A transaction also takes place when ITA helps a client identify and sign with an agent or distributor or sign a contract that ensures the expectation of future sales, when there is a direct link between the assistance provided and the resulting outcome. A transaction can also include helping a U.S. firm avoid harm or loss, for example, by helping it obtain payment or resolve some other kind of trade dispute.

FY 2002 Performance

ITA did not meet its target. As in previous performance measures, ITA's efforts were impacted by the worldwide economic slowdown. ITA continues addressing viable opportunities to expand our U.S. market base. Given the risk-averse business climate, U.S. companies were not looking outward as much as they have in previous years.

Measure 1b: Number of New or Enhanced ITA Partnerships with Public and Private Sector Entities to Promote U.S. Exports

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	36
Actual				Not Implemented
Met/Not Met				Not Met

Explanation of Measure

This performance measure quantifies ITA's efforts to form new partnerships and enhance existing partnerships with public and private sector entities in order to increase trade opportunities for U.S. firms. Partnership is a new or enhanced relationship codified in writing through a memorandum or letter of understanding or agreement, reimbursable agreement, grant, cooperative agreement, or contract. A new partnership is defined as being with an entity with which ITA has not had a relationship in the preceding three years. Enhanced partnership is a partnership that is changed so that it more positively affects the achievement of ITA goals and objectives.

FY 2002 Performance

This is a new performance measure that will be implemented in FY 2003. The delay in the implementation occurred due to the amount of information that has to be analyzed to establish a baseline. Once the data is received from offices located in headquarters and domestic field and overseas posts, and identification of reporting requirements is completed, ITA can establish base-line figures that will enable changes from base-line data to be measured.

Measure 1c: Number of New-to-Market Firms				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	45,919	47,437	54,779	54,000
Actual	67,835	54,307	63,719	64,263
Met/Not Met	Met	Met	Met	Met

Explanation of Measure

Collecting statistics on new-to-market firms shows whether or not ITA is achieving its goal of increasing the overall dollar value of U.S. exports. The measure refers to the number of U.S. firms which planned to export to a new market and were assisted by ITA employees.

FY 2002 Performance

ITA met its target. ITA's outreach activities to U.S. firms wanting to export were intensified due to the worldwide economic slowdown and by shifts in foreign policy and security goals. ITA continues addressing viable opportunities to expand its U.S. market base.

Program Evaluation

In support of the "Increase Trade Opportunities for U.S. Firms" performance goal, ITA together with the Trade Promotion Coordinating Committee (TPCC) conducted a survey of U.S. firms which focused on improvement of assistance to U.S. companies to enter and thrive in the world market. The survey also recommended actions that directly address ITA's clients' needs, reflect successful practices of its trading partners, and leverage resources across the agencies. The survey recommendations included a coordinated approach to identifying major projects opportunities early enough that U.S. firms can effectively compete, improved customer service, and a need for a more effective outreach strategy.

Performance Goal 2: Broaden and Deepen U.S. Exporter Base

(This goal has been reworded since the publication of the FY 2000 Annual Program Performance Report (APPR) and FY 2002 Annual Performance Plan (APP). This goal was previously worded as: “Promote Exports by Small and Medium-Sized Enterprises.”)

Corresponding Strategic Goal

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

Rationale for Performance Goal

The International Trade Administration (ITA) seeks to increase export opportunity awareness among U.S. companies by proactively identifying potential exporters who need assistance leveraging electronic and traditional media, centralizing relationships with customers, and developing alliances and partnerships to deliver export messages. ITA’s domestic offices are located to capitalize on high-export activity areas identified by trade patterns and to facilitate aggressive outreach to traditionally under-served rural and minority communities.

ITA focuses on small and medium-sized enterprises (SMEs) with 500 or fewer employees by tailoring existing products and services to their needs; providing technical assistance and matchmaking capability using e-commerce and the Internet; expanding established exporters into additional markets; and coordinating government-wide, collaborative advocacy efforts through the Trade Promotion Coordinating Committee (TPCC). The chief aim of tailoring ITA’s products and services is to consistently deliver the complete package of export assistance to U.S. businesses throughout the country in order to increase the number of U.S. exporting companies, as well as increase the value of U.S. exports to new markets.

FY 2002 Performance

ITA structured its operations to serve SME clients efficiently and to coordinate closely with other organizations that provide export promotions services. SMEs look to ITA for assistance in understanding how the rapidly changing international marketplace impacts U.S. businesses ability to export. ITA offers services that focus on SMEs. Often times the first stop for U.S. businesses seeking federal export help is the ITA’s Trade Information Center (TIC), which in FY 2002 handled over 150,000 inquiries for general and country-specific information. Of these inquiries, over 80,000 received personal service through phone, e-mail, fax, or walk-in. ITA’s Advocacy Center facilitates high-level U.S. government advocacy actions to help U.S. companies compete for foreign government contracts. In FY 2002, the Advocacy Center managed and coordinated U.S. government advocacy action in approximately 680 projects and procurements worth approximately \$110 billion in U.S. exports over the life of the transactions.

ITA also partners with private and non-profit groups that are particularly effective in reaching and assisting SMEs. This effort is embodied in the Market Development Cooperator Program (MDCP). MDCP is a competitive matching grant program that provides federal assistance to non-profit export multipliers such as trade associations and non-profit organizations. Since FY 1997, MDCP award winners have generated over \$227 million in exports annually, which translates into over \$90 in exports for every federal dollar spent. Additionally, over 10,000 SMEs took initial or additional export actions as a result of their participation in MDCP project activities in FY 2002.

ITA administers two specific programs designed to reach under-served communities and prepare them for exporting: the Global Diversity Initiative and Women's Initiative (GDWI). The GDWI is designed to greatly increase the ability of minority and women-owned companies to achieve export success. One hundred sixteen minority companies were selected from ten states and paired with U.S. Export Assistance Centers (USEACs) to receive aggressive one-on-one counseling. Additionally, ITA's USEACs have provided aggressive trade counseling to over 900 minority and women-owned enterprises across the country to help identify business opportunities in overseas markets, and have supported over fifty minority and women events in the U.S., as well as two overseas trade missions to Africa and Europe.

Measure 2a: Number of New-to-Export Firms

	FY 1999	FY 2000	FY 2001	FY 2002
Target	25,260	26,089	30,336	30,000
Actual	42,351	33,514	20,422	21,850
Met/Not Met	Met	Met	Not Met	Not Met

Explanation of Measure

Collecting statistics on new-to-export firms shows whether ITA is achieving its goal of increasing the overall dollar value of U.S. exports. ITA's chief aim is to consistently deliver the complete package of export assistance to U.S. businesses throughout the country in order to increase the number of U.S. exporting companies. The measure refers to the number of U.S. firms, helped by ITA that were planning to export for the first time. However, ITA revised the definition of this performance measure and created a more meaningful measure to capture ITA's success in helping U.S. firms export for the first time. The new measure, "Number of U.S. firms exporting for the first time," will report only on U.S. firms that can document an actual, verifiable export transaction.

FY 2002 Performance

ITA did not meet its target. ITA's efforts were impacted by the worldwide economic slowdown. ITA continues addressing viable opportunities to expand its U.S. market base. Given the risk-averse business climate, U.S. companies were not looking outward for new undertakings as much as they had in previous years.

Measure 2b: Percentage of Undertaken Advocacy Actions Completed Successfully

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	15%-20%
Actual				11.8%
Met/Not Met				Not Met

Explanation of Measure

The success of the U.S.'s export community depends on ITA addressing the challenges in the trade environment and meeting the expectations and needs of ITA's customers. ITA's Advocacy Center helps U.S. exporters win procurement contracts, and each contract creates and retains U.S. jobs over the life of each successful advocacy project. The Advocacy Center advances trade promotion and deal-making to support three basic U.S. firms' needs: (1) access to new markets, (2) entry to markets, and (3) expansion of export activities.

FY 2002 Performance

ITA did not meet its target. The target reported is based on preliminary fourth quarter data, and ITA expects to meet the target for FY 2002 once the Advocacy Center completes a survey of its customers in February 2003. The Advocacy Center facilitates high-level U.S. government advocacy using various tools to help U.S. exporters win foreign government procurement contracts. The results indicate the percentage of successful advocacy contracts/awards made to U.S. firms/interests in a given fiscal year.

Measure 2c: Dollar Value of Completed Advocacies (U.S. Export Content)

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	\$3B to \$4B
Actual				\$8.64B
Met/Not Met				Met

Explanation of Measure

Dollar Value of Completed Advocacies measures the estimated dollar value of U.S. export content of foreign contracts signed or awarded to U.S. companies during a fiscal year. The performance measure reports only on the U.S. export content of the foreign contracts. Through its advocacy program, ITA supports three basic U.S. firms' needs through its advocacy efforts which are access to new markets, entry to markets, and expansion of export activities.

FY 2002 Performance

ITA exceeded its target. The estimated value of U.S. export content amounted to \$8.64 billion. Most of the Advocacy Center's successes were recorded in the FY 2002 third and fourth quarters. There were several big contracts awarded that covered the aerospace and power generation sectors. Additionally, the Advocacy Center saw an increase in the number of requests in the oil and gas, energy, and power generation sectors. Advocacy successes in these sectors typically result in higher dollar values.

Measure 2d: Number of U.S. Exporters Entering New Market

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	4,540	5,900
Actual		4,502	5,386	5,740
Met/Not Met			Met	Not Met

Explanation of Measure

This performance measure helps to assess ITA's success in helping U.S. exporters enter a new overseas market and to measure ITA's effectiveness in promoting trade. ITA will record and report on a number of U.S. exporters entering new markets that transact actual verifiable export sales, which include shipment of goods and delivery of services; signing of legally binding agreements, including agent and distributor, representation, joint venture, strategic alliance, licensing, and franchising agreements; and signing of contracts with future sales expected for the first time. Additional criteria of the definition for this measure are that the firm has not exported in the previous twenty-four months, prior exports have resulted from unsolicited orders, and exports were made through a U.S.-based intermediary. The definition has been revised to create more meaningful data about ITA's success in helping U.S. firms to export. Previously, ITA recorded the number of firms to which ITA provided export assistance services that were planning to export to a new market. Now, ITA will report only on U.S. firms that transact an actual verifiable export sale or other export related activity.

FY 2002 Performance

ITA did not meet its target. ITA's efforts were impacted by the worldwide economic slowdown and by shifts in foreign policy and security goals. ITA continues addressing viable opportunities to expand its U.S. market base. Given the risk-averse business climate, U.S. companies were not looking outward as much as they have in previous years.

Measure 2e: Number of U.S. Firms Exporting for the First Time				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	679	800
Actual		673	742	699
Met/Not Met			Met	Not Met

Explanation of Measure

ITA focuses on small and medium sized enterprises (SMEs) that are export-ready, i.e., firms that have competitive products or services and already possess a level of financial and managerial strength that enables them to export. To assess ITA's success bringing new U.S. businesses into exporting and to measure ITA's effectiveness in promoting trade, ITA will record and report on the number of U.S. firms exporting for the first time that transact an actual verifiable export sale, which includes shipment of goods or delivery of services; signing of a legally binding agreement, including agent or distributor, representation, joint venture, strategic alliance, licensing, and franchising agreements; and signing of a contract with future sales expected for the first time. Other criteria of the definition for this measure are that the firm has not exported in the previous twenty-four months, prior exports have resulted from unsolicited orders, and exports were made through a U.S.-based intermediary. ITA helps identify and qualify agents, distributors, and end users. ITA provides access to timely, product-specific market information and country-specific information about appropriate distribution channels, information, and assistance in the critical area of export financing and payment considerations in order to broaden and deepen U.S. firms' participation in exporting. ITA meets other important needs by organizing market-sensitive trade events and, in a growing number of cases, effective overseas advocacy for U.S. firms' business interests.

FY 2002 Performance

ITA did not meet its target. ITA's efforts were impacted by the worldwide economic slowdown and by shifts in foreign policy and security goals. ITA continues addressing viable opportunities to expand its U.S. market base. Given the risk-averse business climate, U.S. companies were not looking outward as much as they have in previous years.

Program Evaluation

In support of the "Broaden and Deepen U.S. Exporter Base" performance goal, ITA undertook a review of several overseas offices that help U.S. firms find potential distributors and buyers, and conduct extensive market research on best prospects for U.S. goods and services. General reviews of operations were conducted of foreign posts in Venezuela, Greece, and Indonesia, and reviews of administrative operations were conducted in Poland, the Czech Republic and The Hague. Reviews were designed to increase the efficiency and effectiveness of the Foreign Commercial Service. Findings and recommendations called for strengthening internal management processes. Recommendations are implemented at each post upon completion of the management and program reviews.

Performance Goal 3: Ensure Fair Competition in International Trade

(This goal has been reworded since the publication of the FY 2000 Annual Program Performance Report (APPR) and FY 2002 Annual Performance Plan (APP). This goal was previously worded as: "Improve American Competitiveness and Access to Foreign Markets by Enforcing Compliance with U.S. Trade Laws and Agreements.")

Corresponding Strategic Goal

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

Rationale for Performance Goal

The International Trade Administration (ITA) is committed to building a rules-based trading system in which international trade is both free and fair for U.S. firms and workers by combating dumping, when foreign goods are "dumped" at less than market value; evaluating the fairness of the subsidy of imports; and ensuring compliance with negotiated trade agreements. ITA identifies and monitors import surges created by imports that are sold in the U.S. at less than fair market value, foreign subsidy practices, and other harmful import trends. ITA defends U.S. industry against injurious trade practices by administering the antidumping (AD) and countervailing duty (CVD) laws of the U.S. ITA deploys attachés to foreign locations to educate foreign governments and businesses about U.S. AD/CVD laws and supports U.S. AD/CVD proceedings in foreign locations. ITA expedites investigations when warranted by import surges and foreign subsidy practices, defends unfair trade practices before the World Trade Organization (WTO), and coordinates the Department of Commerce's role in the Administration's steel strategy.

As the volume of world trade and investment expands and more countries enter into multilateral and bilateral trade agreements with the U.S., ITA promotes compliance with trade agreements through consultation with foreign governments, quick identification of noncompliance by communicating and establishing a relationship with U.S. exporters, improvement of coordination with other agencies, rapid response to illegal acts by mobilizing strike forces, and close collaboration with the Office of the U.S. Trade Representative (USTR) on enforcement actions. ITA's Trade Compliance Center monitors trade agreements for implementation by foreign governments and identification of compliance problems.

FY 2002 Performance

ITA successfully worked directly with U.S. firms and foreign governments devising strategies in support of the ITA mission and the President's Trade Agenda. President Bush's top trade priority is securing implementation of trade agreements already won at the bargaining table through strengthened compliance and export promotion efforts. ITA conducted a pilot program of training seminars for Chinese officials and U.S. companies on WTO implementation issues and obligations. Secretary Evans announced and ITA carried out WTO-related technical assistance programs for Chinese government officials and businesses in China. ITA has created a Rapid Response Team composed of compliance officers stationed both here and abroad to focus on "hotspot" countries where U.S. firms face long-standing, complex problems with foreign compliance of signed trade agreements. ITA hired additional staff to cover the European Union, Western Hemisphere, Africa, and other regions. This staff will also ensure compliance with the terms of accession of new members to the WTO. ITA improved the ability of its overseas staff to respond to compliance issues associated with existing trade agreements and market access issues, and with antidumping and countervailing duties (WTO subsidies) investigations. ITA responded to the growth in WTO litigation and the need to address the growing number of investigations and reviews from non-market economy countries such as China.

ITA strengthened staff devoted to monitoring foreign subsidy practices, including government support to the steel, semi-conductor and cattle/beef industries. ITA has also established a Trade Remedy Compliance Staff to assist U.S. businesses that believe they encountered unfair practices or improper application of U.S. trade laws. ITA has analyzed complicated enforcement issues such as circumvention, new shipper reviews, and the independence of companies from the government. Because of the dynamic changes that all non-market economy countries are experiencing, ITA was and is constantly refining and re-examining its non-market economy practice and policy.

Measure 3a: Number of Antidumping (AD)/Countervailing Duty (CVD) Cases Processed

	FY 1999	FY 2000	FY 2001	FY 2002
Target	141	103	185	136
Actual	134	185	136	183
Met/Not Met	Not Met	Met	Not Met	Met

Explanation of Measure

Unfair foreign pricing and government subsidies distort the free flow of goods and adversely affect U.S. business in the global marketplace. Dumping occurs when a foreign producer sells a product in the United States at a price that is below that producer's sales price in the country of origin, or at a price that is lower than the cost of production. Foreign governments subsidize industries when they provide financial assistance to benefit the production, manufacture, or exportation of goods. Subsidies can take many forms, such as direct cash payments, credits against taxes, and loans at terms that do not reflect market conditions. If a U.S. industry believes that it is being injured by unfair competition through dumping or subsidization of a foreign product, it may request the imposition of antidumping or countervailing duties by filing a petition. The number of AD/CVD cases processed depends on the number of injurious trade actions taken by foreign governments and/or foreign companies. Workload is thus totally controlled by the parties who participate in the AD/CVD cases. While the Department of Commerce has the legal authority to initiate AD/CVD investigations, it rarely does. Thus, domestic industry generates virtually all AD/CVD cases. There is no way to anticipate whether a party would petition for an investigation or request an administrative review in any given year. ITA cannot solicit AD/CVD cases and, therefore, the use of the term "target" is inappropriate. Rather, the stated target simply reflects management's best estimate of what the caseload might be in a given year. No valid methodology exists to project caseload in future years, and the measure will be discontinued.

FY 2002 Performance

ITA met its target. In FY 2002, all filed petitions and reviews have been completed within the statutory time. The AD/CVD laws provide U.S. domestic industry with means by which to petition the U.S. government for relief from unfair foreign trade practices. ITA does not solicit AD/CVD petitions for relief from unfair foreign trade practices, but rather conducts investigations as petitions are accepted. ITA also initiates and conducts administrative reviews of AD/CVD orders if petitioners and respondents in the various cases request administrative reviews.

Measure 3b: Percentage of AD/CVD Cases Completed On Time

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	100%
Actual				100%
Met/Not Met				Met

Explanation of Measure

The number of AD/CVD cases completed on time is a reflection of the vigilance of Import Administration (IA) staff to complete its casework within the statutory timeframe. U.S. domestic industry generates AD/CVD cases, and timeliness of case activity is a critical factor for delivering customer satisfaction. Timeliness of casework is also essential for upholding the integrity of the AD/CVD laws as a credible and fair legal mechanism to address unfair trade actions by foreign interests. The stated target reflects management's prioritization of adherence to statutory requirements. ITA must always complete these cases within the limits set forth in law.

FY 2002 Performance

ITA met its target. Timely completion of AD/CVD investigations and administrative reviews is dictated by statutory timeframes. The number of investigations and administrative reviews conducted in any given year reflects the volume of petitions for investigations and requests for administration reviews submitted. AD/CVD cases are completed within statutory deadlines in order to ensure U.S. firms receive timely relief promised under the law.

Program Evaluation

In support of the "Ensure Fair Competition in International Trade" performance goal, the Office of Inspector General issued an inspection report on ITA's trade compliance efforts, with a specific focus on the activities of the Trade Compliance Center, dated March 2002. The report sought to determine whether the trade agreement compliance process, as managed by the center, was efficient, effective, and responsive to client needs. The findings and recommendations included a call for better coordination within ITA of trade agreement compliance work, creation of a central compliance database to capture work performed by various ITA units, reexamination of compliance performance measures, and additional improvements to the complaint process.

Performance Goal 4: Advance the United States' International Commercial and Strategic Interests

Corresponding Strategic Goal

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

Rationale for Performance Goal

Changing economic, technological, and social conditions in the last decade have altered how international trade is conducted. This changing international trading environment presents American exporters with numerous challenges and opportunities. There are new markets to target, new trade barriers to overcome, a need for differing types of export assistance, shifts in industry dynamics, a stronger role for international organizations and alliances, and various policy mandates to be considered, including foreign policy and U.S. security goals.

The International Trade Administration (ITA) advances U.S. international commercial and strategic interests by creating an infrastructure that encourages economic growth, technological competitiveness, and sustainable development. This is achieved through mobilization of financing and development of commercial infrastructure in target countries, increased information flow to U.S. exporters about target countries, increased facilitation of business-to-business exchange or contact in target countries, and increased compliance with accepted business standards and potential sanctions.

ITA works with other U.S. Government agencies to encourage foreign policy and assistance programs to include a role for expanding U.S. business in economic development. ITA has had significant success in expanding U.S. exports while supporting U.S. Government foreign policy initiatives. To quote President Bush, "...Free trade is also a proven strategy for building global prosperity and adding to the momentum of political freedom..." By generating U.S. exports, ITA simultaneously supports the development of a stronger market-oriented economic system in areas of the world (for example, Africa), contributing both to U.S. economic goals and global stability.

FY 2002 Performance

ITA's unique relationship with U.S. industry enables it to participate in shaping and implementing U.S. trade policy and to take a leadership role in trade negotiations. ITA employees, in addition to supporting U.S. trade negotiators in the WTO, Free Trade Agreement of the Americas (FTAA), and through bilateral Free Trade Agreements, worked to encourage foreign policy and assistance programs to include a role for expanding U.S. business in economic development programs. ITA has had a significant success in expanding U.S. exports while supporting U.S. Government foreign policy initiatives in China, Russia and the other Newly Independent States, Central American, Northern Ireland, Central and Eastern Europe and South Africa. ITA continued the commercial energy dialogue with the Russia, China and Kazakhstan, by providing a forum for energy companies to identify and overcome specific barriers and promote greater cooperation in energy trade and investment. ITA's actions facilitated increased exports and simultaneously supported a stronger, market-oriented economic system in these areas of the world, which contributed both to U.S. economic goals and global stability.

Measure 4a: Dollar Exports in Targeted Products and Markets

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	New
Actual				\$166.3B
Met/Not Met				

Explanation of Measure

Exports have accounted for almost one-quarter of U.S. economic growth during the past decade¹. ITA promotes U.S. business abroad, supports trade policy development, ensures compliance with trade agreements, and creates market access through trade negotiations and trade agreements. ITA management identified energy, telecommunications, services, and environment as targeted market or sectors. This measure tracks dollar exports in priority markets, captures the dollar value of exports generated by U.S. businesses in targeted sectors both in total and for individual foreign markets that are attributable to ITA programs. The FY 2003 and FY 2004 targets have been adjusted based on the actual exports data collected in FY 2002.

FY 2002 Performance

This is a new performance measure for which FY 2002 targets were not available. ITA started data collection in FY 2002. The FY 2003 and FY 2004 targets have been derived based on the reports received for FY 2002 and projected state of the world economy.

Program Evaluation

On November 14, 2001 in Doha, Qatar, the members of the World Trade Organization (WTO) agreed on a new work program that includes comprehensive multilateral trade negotiations, which will take place over the next three years. ITA plays three significant roles in the trade negotiating process: 1) ITA's goal is to ensure that our negotiating objectives reflect the current and future needs of American industry; 2) ITA's units participate in trade negotiations; and 3) ITA is a key player in World Trade Organization (WTO) accession negotiations. Future WTO work will cover a variety of areas affecting international business and commerce, including industrial tariff and non-tariff barriers, agriculture, services and trade rules. The members will take up additional areas of negotiation, such as investment rules and competition, after the second half of 2003. At the end of the negotiations, American exporters of industrial and agricultural goods and services should find that they have improved access to overseas markets.

¹ Radio Address of the President to the Nation, April 27, 2002.

Performance Goal 5: Improve Customer and Stakeholder Satisfaction

Corresponding Strategic Goal

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

Rationale for Performance Goal

In August 2001, President Bush announced his management agenda, which describes initiatives designed to create a government that is focused on results, is more accessible to its citizens and is client-centered. In support of the Administration's vision for government that is client-oriented, the International Trade Administration (ITA) is committed to improving both customer and stakeholder satisfaction.

ITA's customers are U.S. businesses. U.S. firms expressed several needs for enhanced products and service offerings and service delivery capabilities from ITA to export more successfully in a fair trade environment. As we are finding from program analysis, U.S. businesses want on-line customized information products and simplified access to ITA services. ITA cannot always address the needs of its customers, as a single agency, but, ITA often partners with other agencies, both public and private, to meet its customers' needs. Other government agencies frequently join ITA in its efforts to promote trade or expand market access. ITA also works with nongovernmental organizations such as trade groups, or other private sector organizations to deliver its mission and to address the needs of U.S. businesses.

ITA's policy and promotion efforts, ranging from information to hands-on assistance, help small and medium-sized enterprises (SMEs) through every stage of the export process. ITA promotes the use of technology to speed up access to relevant information for customer and service staff and assesses the effectiveness of its products and services in meeting customer needs. Collectively, these efforts assure timely, responsive, high-quality service to the customers and stakeholders, promote continuing program improvement, and ensure efficient operations. The success of ITA efforts depends upon effectively addressing the challenges in the trade environment, but also meeting the expectations and needs of its stakeholders and customers.

FY 2002 Performance

Through its liaison with U.S. businesses, ITA provides integrated, comprehensive services for strengthening U.S. competitiveness and promoting U.S. export growth. The input received from customers indicated their demand for trade and economic data. During FY 2002, ITA continued to improve the delivery and usefulness of U.S. export data as a tool in helping U.S. firms realize their export potential. Since ITA found that 60 percent of U.S. exporters use Web sites as a primary source of Web-based information, ITA has accelerated the process of "unlocking" Department of Commerce data now residing on in-house systems by expanding the use of powerful Web technologies like the Export Statistics Express <http://ese.export.gov>. This technology—which featured interactive data retrieval, user customization, data visualization on map-based interfaces, and flexible downloading and printing—vastly expands data accessibility while sharply reducing the costs of serving ITA customers. Additionally, ITA structured the Global Diversity Initiative and Rural Export Initiative programs, which reached over 200 minority/women-owned firms and funded over 58 trade shows, training sessions, conferences and small projects in the first half of FY 2002 providing rural SMEs with export opportunities.

ITA has integrated customer feedback into its annual improvement objectives and initiated a strong transition to a customer-focused culture as directed by the President's Management Agenda. ITA frequently receives positive feedback on survey responses from customers praising the attitude taken by ITA staff towards servicing their needs. ITA was pleased that its FY 2002 quarterly survey of the Export.gov website showed that 84.4 percent of customers were satisfied with the portal's ease of use. ITA continues to make improvements as it strives for even higher levels of client satisfaction. Projects underway to help U.S. companies to take advantage of technological advances include outreach seminars and a hotline to resolve customer complaints.

Measure 5a: Employee Job Satisfaction

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	3.5 mean
Actual				Not Implemented
Met/Not Met				Not Met

Explanation of Measure

ITA seeks to improve individual and organizational performance by recruiting and retaining a high-quality, diverse workforce that is satisfied with the quality of their work lives. This measure will help to ensure effective management of human resources and will improve ITA's organizational capabilities and flexibilities. The ultimate objective of measuring employee job satisfaction is to improve individual and organization performance by putting people first.

The measure is broadly defined. While the primary source of data will be answers to questions on the employee perception survey, other data, which can gauge the level of employee training and development and awards and recognition, will supplement this source. The measure will also involve evaluating the effectiveness of quality-of-work-life programs (for example, telework, Alternate Work Schedules, and so on) to determine the extent to which these programs have an impact on overall job satisfaction.

FY 2002 Performance

Originally, ITA reported a target of 3.5 mean range. Due to FY 2002 budgetary constraints, ITA did not conduct a survey to measure employee job satisfaction. Permitting funds availability, one is planned for FY 2003.

Program Evaluation

ITA undertook a study of fees charged for services provided to America's small and medium-sized enterprises. One of the most significant findings is that ITA is the low cost provider of export promotion services to the exporting community. ITA needs to develop a more sophisticated approach to marketing management to better deliver needed products and services to the SME community at a reasonable cost and in a uniform manner. ITA needs to realize greater efficiencies in its organizational and cost structures by improving its focus on its core products with the goal of developing production and distribution economies. ITA is considering the findings and will develop an action plan to address the findings and recommendations presented in the study.

Performance Goal 6: Improve the U.S. Competitive Advantage through Global E-Commerce

Corresponding Strategic Goal

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

Rationale for Performance Goal

The International Trade Administration (ITA) continues its focus on e-commerce, a major channel to further U.S. exports. ITA's e-commerce export promotion program has four main goals: helping small businesses use the Internet to find markets overseas, helping established U.S. information technology companies to expand overseas, helping emerging economies make the transition to the digital age, and, through negotiations ensuring that both the Internet and foreign markets are open and accessible.

ITA provides exporters that have Internet access with information on the international marketplace through the use of electronic products and services such as Export.gov and BuyUSA.gov. These two major web sites provide basic information on navigating through the steps in the export process, in addition to international market research and online matchmaking services with foreign buyers. Through Export.gov, ITA's export portal, users obtain information on regulatory matters and policies, and access a broader array of U.S. government trade-related information from the Department. BuyUSA.com and Export.gov work in partnership to help SMEs complete export transactions. Using a wide variety of e-commerce tools and service from both public and private sector sources, ITA employees help U.S. business evaluate new overseas markets and take advantage of foreign sales opportunities.

On the policy side of e-commerce, ITA is working in a range of international forums, such as the Free Trade Area of the Americas, and other Department of Commerce bureaus and government agencies to develop and advocate U.S. policy positions on a range of e-commerce issues. They include privacy, consumer protection, infrastructure access, telecommunications liberalization, diffusion of information technology (IT) to small and medium-sized enterprises (SMEs), standards, IT tariff elimination, and expanded IT market access.

FY 2002 Performance

ITA constantly updates its programs, products, and services to reflect the changing needs of clients in an evolving world economy. ITA employees used a wide variety of e-commerce tools and services from both public and private sector sources to help U.S. business evaluate new overseas markets and take advantage of foreign sales opportunities. ITA has developed tools to increase the accessibility of exporting information to potential exporters. Major Web sites, such as BuyUSA.com, offer U.S. exporters the unique ability to promote their products and services, create an online catalog, and respond to trade lead inquiries from a pool of over 18,000 foreign buyers, provide basic information on navigating through the steps in the export process, in addition to international market research and online matchmaking services with foreign buyers.¹ Through Export.gov, ITA's export portal, users obtain information on regulatory matters and policies, and access a broader array of U.S. government trade-related information. In early 2002, Export.gov is a key component in the "International Trade Process

¹ BuyUSA.com database maintained by the U.S. and Foreign Commercial Service

Streamlining Initiative,” one of only twenty-four Presidential e-government initiatives across the federal government. BuyUSA.com and Export.gov work in partnership to help SMEs complete export transactions. Providing information and services electronically and utilizing video conferencing freed ITA trade specialists to focus more on working in-depth with clients. In addition, an international electronic data network “E-menu” and a series of Lotus Notes databases allow overseas posts to deliver specific information requests almost instantly to meet the needs of U.S. companies and support the export counseling program of the domestic network.

Measure 6a: Number of New Subscribers Using BuyUSA.com E-services

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	5,000	1,500
Actual			371	564
Met/Not Met			Not Met	Not Met

Explanation of Measure

BuyUSA.com offer U.S. exporters the unique ability to promote their products and services, create an online catalog, and respond to trade lead inquiries from a pool of foreign buyers. The site also provides the U.S. firms with information on a host of export assistance and counseling services offered in over 104 domestic offices and over eighty countries worldwide.

FY 2002 Performance

ITA did not meet its target. The actual number of new subscribers to BuyUSA.com e-services declined due to the delay in the launch of the Web site from March 2001 to late September 2001. Additionally, the slowdown in the U.S. economy and the resulting foreign and domestic economic uncertainty has caused a number of SMEs to be cautious and risk-averse in their international business activities and investments. This includes even a small investment in the subscription cost to the BuyUSA.com e-services.

Measure 6b: Customer Perception of Portal Ease of Use

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	>50% Satisfaction Rate
Actual				84.4%
Met/Not Met				Met

Explanation of Measure

Customers’ perceptions of the portal ease of use ties directly to the ITA performance goal that seeks to improve U.S. competitive advantage through global e-commerce. The rise of the Internet and e-commerce should make global markets increasingly accessible to even the smallest of U.S. companies. However, only 2 percent of small companies currently export. The online information on overseas markets and export services available through the U.S. government has historically left something to be desired. ITA’s Export.gov is a first step toward consolidating export information into a single, customer-focused site where anyone can find every online federal resource related to exporting. ITA will survey online customers

visiting Export.gov on an ongoing basis. Two weeks before the end of each reporting quarter, customers will be asked to fill out the questionnaire before leaving the site. The customers' responses will be optional. This new performance measure will allow ITA to gauge customers' perception of portal ease of use and to increase the quality and navigability of the ITA portal based on customer feedback. ITA will seek a target of greater than 50 percent satisfaction when ordinal scores of 3 or higher occur on a scale of 1-5 (five being best) for overall portal ease-of-use.

FY 2002 Performance

ITA met its target. This is a new performance measure that ITA implemented in March 2002. The delay in implementation occurred due to the time required for design and approval of the portal OMB survey form and to some technical difficulties in collecting the information. The problems associated with the collection of data have been resolved and a representative number of responses were received for the second half of FY 2002. 84.4 percent of respondents perceived the portal is sufficiently easy to use. ITA plans to shorten the online survey and to offer it as a pop-up to every thirtieth visitor during the last month of every quarter in order to obtain more feedback.

Measure 6c: Percentage of ITA Business Processes Provided Electronically to External Customers

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	50%
Actual				Not Implemented
Met/Not Met				Not Met

Explanation of Measure

Based on Government Paperwork Elimination Act requirements, ITA is required to offer business processes electronically by October 2003, where practicable. U.S. exporters expressed a need for fast access to ITA products and services. This performance measure will track ITA's progress in taking advantage of IT opportunities to deliver products electronically to external customers and, in doing so, to create process efficiencies and improved services to customers.

FY 2002 Performance

Collection of the information was delayed due to the establishment of controls for this performance measure. As soon as collection parameters were established, ITA identified sixty-two "significant" products and services that are provided to external customers. Initial tracking of those products and services began in September 2002. Targets and actual performance will be recorded in FY 2003.

Program Evaluation

A recent study conducted by the TPCC revealed two primary reasons why SMEs don't export: lack of information on how to export, and lack of information about foreign markets. The study also revealed that the federal government was the leading source of four of the top ten export services used, and thus is a significant resource for SMEs. ITA has assessed the effectiveness of the Export.gov Web portal in the quality and efficiency of the delivery of trade-related market research and program information. The findings include recommendation for centralization of the Web development office, improved security and higher quality server, creation of centralized market research databases, and development of a long-range strategic plan for Export.gov.

ITA Data Validation and Verification

In FY 2002, ITA implemented a newly defined set of outcome oriented performance measures, tracking and reporting performance in a network-based performance management data reporting system utilizing a software application called “Panorama Business Views (pbviews). With the implementation of pbviews in January 2002, ITA has made tremendous strides in fully integrating the performance management approach into ITA’s day-to-day operations and annual planning cycle. Every performance measure has a designated measure owner who gathers data and validation information; maintains individual measure documentation; leads cross-organizational coordination of data collection; performs quality control, including error checking and elimination of duplicates; and acts as program unit point of contact for ITA managers. Individual program unit managers are held accountable for the quality of the data that its staff collects and the timeliness with which the data is input into the performance management system, pbviews. Every quarter, the ITA Strategic Planning Leadership Team (SPLT) composed of senior career ITA line managers reviews the reports published on pbviews for data integrity and accomplishments, and recommends corrective actions as necessary. This peer review approach also serves as a validation process of whether data are appropriate for the performance measures. The ITA Data Validation and Verification table can be found starting on the following page.

ITA Data Validation and Verification

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 1a: Number of export transactions made as a result of ITA involvement	Customer survey	Annually	Client management system	ITA will perform client survey verification and periodic auditing of survey data and results.	Responses to the survey depend on U.S. business cooperation and willingness to provide data, and on sample size and response rate of periodic surveys of product users.	ITA reports data recorded in the client management system.
Measure 1b: Number of new or enhanced ITA partnerships with public and private sector entities to promote U.S. exports	Database of domestic or foreign; for-profit or not-for-profit; federal, state, or local government agency; private sector firm or industry organization partners (currently under development by measure owner.)	Annually	ITA, wide source data to be input into panorama business views.	ITA will perform client verification survey. (Data will be collected manually of written evidence of new or enhanced partnership with accompanying certification that written evidence qualified to be included as a new or enhanced partnership.)	Global trends, political developments, and ITA resources could affect the actual numbers.	ITA is currently establishing a baseline of existing partnerships and will use this baseline to measure marginal changes occurring during FY 2002 to assess progress and set meaningful targets. Targets established for FY 2002 and FY 2003 are based on best available data at the time of this publication.
Measure 1c: Number of new-to-market firms	U.S. exporters	Annually	Client management system	ITA data on client contacts, activities, including new-to-market firms, are collected quarterly using internal procedures. ITA performs quality controls to assess information in the client management system.	ITA's collection of data to measure the numbers of clients that successfully export to a new market is wholly dependent on a client's willingness to provide such information.	ITA has redefined this measure and will factor out previously counted firms that received counsel but did not generate a sale as a result of counseling.
Measure 2a: Number of new-to-export firms	U.S. exporters	—	Client management system	ITA collects quarterly data on client contacts, activities, including new-to-market firms, using internal procedures. ITA performs quality controls through periodic audit and calls to data reporters.	ITA's collection of data to measure the numbers of clients that successfully export for the first time is wholly dependent on a client's willingness to provide such information.	ITA will continue to review its measures to promote the President's goal of expanding free trade while maintaining ITA's goal of expanding markets for U.S. goods and services through new-to-export firms.
Measure 2b: Percentage of undertaken advocacy actions completed successfully	U.S. companies that benefit from U.S. government advocacy	Annually	Advocacy database, advocacy success database, client management system.	The advocacy center conducts annual verifications with follow-up calls to a significant sample of customers to verify the dollar value of exports generated through the support of U.S. government effort.	In some cases contract a host government overturns awards, and the winning U.S. company then loses the project. Quality of data is dependent on client's willingness to provide the data. Some clients elect not to provide information to ITA due to business proprietary concerns. U.S. embassies in some instances do not report all advocacy projects they have worked on in a given fiscal year.	Advocacy actions reported are those recorded by the Advocacy Center thus eliminating any possible duplications in the data reported by various ITA entities.

ITA Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 2c: Dollar value of completed advocacies (U.S. export content)	U.S. companies that benefit from U.S. government USG advocacy.	Annually	Advocacy database, advocacy success database, client management system.	The advocacy center conducts annual verifications with follow-up calls to a significant sample of customers to verify the dollar value of exports generated through the support of U.S. government effort.	Quality of data is dependent on client's willingness to provide the data. U.S. companies provide dollar estimates regarding export content. The advocacy center has found that after these estimates were reviewed in random audits conducted in the past three years, the individual project export content values did vary. However, these fluctuations had little or no effect on the total aggregate value of the export content claimed at the end of each fiscal year. Additionally, some clients elect not to provide information to ITA due to business proprietary concerns.	ITA has taken steps to ensure that all completed advocacies are reported and verified in the advocacy center database.
Measure 2d: Number of U.S. exporters entering new market	U.S. exporters	Annually	Client management system	ITA data on client contact activities, including U.S. exporters entering new market, are collected quarterly using internal procedures. ITA performs quality control, including error checking and elimination of duplicates, and verifies results through peer review of verifiable documentation.	ITA's collection of data to measure a number of clients that successfully export for the first time to a new market as a result of ITA assistance is wholly dependent on a client's willingness to provide such information.	ITA reports data recorded in the client management system.
Measure 2e: Number of U.S. firms exporting for the first time	U.S. exporters	Annually	Client management system	ITA data on client contacts, including U.S. firms exporting for the first time, are collected quarterly using internal procedures. ITA performs quality control, including error checking and elimination of duplicates and, through peer review, verifies documentation.	ITA's collection of data to measure the numbers of clients that successfully export for the first time as a result of ITA assistance is wholly dependent on a client's willingness to provide such information.	ITA has redefined this measure and will factor out previously counted firms that had been counseled but did not export as a result of counseling. ITA will report on newly exporting firms whose new status can be attributed to ITA assistance. This may change projections and actuals significantly. Over time the new figure will constitute a far more accurate and verifiable depiction of ITA performance.

ITA Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 3a: Number of AD/CVD cases processed	U.S. companies defended against injurious trade practices.	Daily	Case management system	Final determinations, including Federal Register notices, support each case. ITA employs Lotus Notes software to operate the IA-wide AD/CVD case tracking and management system. ITA's case management system is updated daily and statistics are available at a moment's notice. Performance data is monitored and certified internally.	Depends on the number of injurious trade actions taken by foreign governments and/or foreign companies. Workload is totally controlled by U.S. firms petitioning for AD/CVD investigations and foreign companies who are respondents in the AD/CVD cases.	Data for this measure will continue to be collected as necessary source data for ITA's new measure percentage of AD/CVD cases completed on time.
Measure 3b: Percentage of antidumping or countervailing duty cases completed on time	Import Administration (IA) cases completed in accordance with the statutory deadline.	Timeliness is measured as a percentage of all completed cases and will be reported annually. Computation is "total number of cases completed by statutory deadline/total number of cases."	Case management system	Each case is supported by final determinations, including Federal Register notices. Lotus Notes software is employed to operate the IA-wide AD/CVD case tracking and management system. ITA's case management system is updated daily and duration statistics are available at a moment's notice. Performance data are monitored and certified internally.	Depends on the accurate tracking of case assignment and case completion.	None. Timely completion of AD/CVD investigations and administrative reviews is dictated by statutory timetables. AD/CVD cases are completed within statutory deadlines in order to ensure U.S. firms receive timely relief promised under the law.
Measure 4a: Dollar exports in targeted products and markets	Census Bureau and Bureau of Economic Analysis trade data and U.S. export promotion participants.	Annually	Electronic retrieval of detailed Census Bureau and Bureau of Economic Analysis trade data.	ITA collects data on dollar exports in targeted markets quarterly using internal procedures. ITA performs quality control, including error checking and elimination of duplicates, and, through peer review, verifies collected data.	Data present estimates of result-ant exports, but global economic variables and political or administrative developments may affect the future growth in U.S. exports to targeted markets. Data for the service sector are limited in the detail available and frequency of publication, and there is a substantial lag (three to four months) in its publication.	Data are compiled from several sources which include lagging indicators. ITA is working to resolve or redress this situation.
Measure 5a: Employee job satisfaction	Employee perception survey; human resources (HR) reports on recruitment, attrition, exit interviews, awards and recognition, and training and development; the Office of Personnel Management's government-wide survey.	Annually	Office of Human Resources Management database, hard copies.	Results of annual employee perception survey will be determined and validated by an outside contractor. HR reports are generated from data stored in HR systems, which are updated biweekly; errors are identified and corrected through quality audits.	Response rate to surveys; quality of survey questions; willingness of employees to articulate concerns; accuracy of data entered into HR system.	Assessment is underway to determine if action is needed to develop an employee satisfaction score as well as proxy measures (for example, retention rates and number of complaints).

ITA Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 6a: Number of new subscribers using BuyUSA.com E-services	U.S. subscribers using the BuyUSA.com Web site.	Annually	Web trends (Internet-based software tracking system.)	Clients visiting the Web site or domain during a specific period of time. The U.S. and Foreign Commercial Service collects, reviews, verifies, and signs the reports.	None. A subscriber is identified by a registered user name.	ITA will refine and revamp targets, which are far less accurate than originally anticipated.
Measure 6b: Customer Perception of Portal Ease of Use	ITA customer portal survey.	Annually	Data to be logged and stored on a database such as Microsoft Access and/or Excel spreadsheet.	ITA employees will harvest the data from ITA's Export.gov portal.	Level of response to the survey; sample size and customer misinterpretation of survey questions.	ITA has developed a portal survey that is posted online.
Measure 6c: Percentage of ITA business processes provided electronically to external customers	ITA customer portal or Web based survey.	Biannually	Microsoft Excel or Microsoft Access database.	ITA's program staff will verify the survey data through periodic assessments of representativeness of respondents.	Level of response to the survey, sample size, and customer misinterpretation of survey questions.	ITA has finalized the type of business process, the accuracy of current targets and definitions in the measure. ITA will collect actuals for the fourth quarter of FY 2002.



Bureau of Industry and Security

Mission Statement

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

BIS's primary activities include:

- *Administering the Export Administration Act (EAA).* The EAA (which expired on August 19, 2001, but the provisions of which remain in force under Executive Order 13222) provides for export controls on dual-use goods and technology to counter proliferation of weapons of mass destruction (WMD) and to pursue other national security and foreign policy goals (such as combating terrorism). BIS administers the provisions of the EAA through the promulgation and implementation of a regulatory, licensing, and reporting regime. A major goal of the Administration is to simplify and update export controls. The Administration also seeks to develop a long-term legal framework that will allow exports of new technologies, while protecting national security.
- *Enforcing the export control and antiboycott provisions of the EAA.* BIS investigates potential violations of U.S. export control and antiboycott laws which can result in the imposition of administrative, civil, and criminal sanctions. BIS also engages in preventive enforcement to detect and deter potential violations of the EAA.
- *Ensuring compliance with arms control treaties imposing requirements on U.S. industry.* BIS serves as the lead agency for ensuring U.S. industry compliance with the Chemical Weapons Convention (CWC). BIS is executive agent for management of inspections by the Organization for the Prohibition of Chemical Weapons at U.S. industrial sites and works on measures to strengthen the Biological and Toxin Weapons Convention.
- *Analyzing and protecting the defense, industrial and technology base, pursuant to the Defense Production Act and other laws.* As the Defense Department increases its reliance on dual-use high technology goods, BIS seeks to ensure that the U.S. remains competitive in those industry sectors and sub-sectors critical to the national security. To this end, BIS discharges responsibilities under the Defense Production Act, and other acts, including administration of the federal government's Defense Priorities Allocations System, assessing threats to U.S. national security deriving from imports, and monitoring the viability of the U.S. defense industrial base.

- *Helping key nations that export or serve as transit points for sensitive commodities and technologies to develop effective export control systems.* The effectiveness of U.S. export controls can be severely undercut if other nations export sensitive goods and technology or permit re-export or transshipment of such items to countries that pose proliferation risks. A number of nations that pose risks for re-export or transshipment of sensitive goods and technologies require assistance to establish effective export control programs of their own. BIS directly provides technical assistance to this end in cooperation with other U.S. government agencies.
- *Managing critical infrastructure protection efforts.* The Critical Infrastructure Assurance Office (CIAO), established on May 22, 1998, under the authority of the Presidential Decision Directive 63 (PDD-63) and located in BIS¹, is responsible for coordinating interagency activities related to critical infrastructure protection. BIS, in partnership with other federal agencies and the private sector, coordinates and encourages the development and implementation of a comprehensive plan for the protection of U.S. infrastructures and, ultimately, the use of that plan by the government and the private sector to secure the U.S.'s critical infrastructures. The CIAO's Project Matrix identifies the critical infrastructure of federal agencies so appropriate vulnerability assessment and mitigation steps can be taken. Protecting critical infrastructures and cyber assets took on a new urgency following September 11, 2001.

Priorities/Management Challenges

Obtaining Passage of a New Export Administration Act (EAA) —There has not been a comprehensive rewriting of the EAA since 1979. A revised EAA that seeks to provide a balanced framework for administering and enforcing export controls in the twenty-first century would enhance both U.S. national security and U.S. economic interests. The need for the passage of a renewed EAA has increased after the recent terrorist attacks aimed at the U.S. Such legislation would help BIS more effectively prevent the proliferation of weapons of mass destruction by controlling the export of dual-use items that could contribute to the development of such programs by terrorist-supporting states and other terrorist organizations.

Enhancing Multilateral Cooperation with Regard to Export Controls—BIS believes it is worthwhile to explore with key allies and partners whether we can reach agreement on uniform restrictions of certain critical technologies. U.S. companies would be benefited by no longer being “undercut” by foreign competitors competing for the same export sales. It would, moreover, strengthen overall national security. BIS also seeks to improve the effectiveness of the multilateral export control regimes by pursuing other initiatives within the regimes.

Enhancing the Interagency Licensing Process — BIS wants to strengthen its working relationships with the Departments of Energy, State, and Defense and the intelligence community to improve the licensing process while ensuring that national security concerns are fully considered. We aim to shorten the time period for licensing decisions and to increase the level of exporter understanding of BIS export control requirements.

Transshipment Country Export Control Initiative — BIS seeks to strengthen the effectiveness of U.S. and foreign country export control systems by preventing diversion of controlled items through key global transshipment hubs. This multi-pronged initiative seeks to counter diversion through transshipment hubs by working with (1) foreign governments to strengthen indigenous control systems and capabilities, and to work cooperatively with U.S. agencies to enhance export control enforcement, and (2) those private sector institutions with significant presences in transshipment hubs to promote greater awareness of and compliance with U.S. export and re-export controls. Specific components of the initiative may include technical assistance programs, private sector outreach, the adoption of best practices adapted to transshipment business environments, and, as needed, revised regulations.

Develop New Export Enforcement Priorities and Procedures Strategy — BIS seeks to strengthen its enforcement of export controls by developing and implementing a new comprehensive enforcement strategy, including procedures and priorities for criminal and administrative cases. Development and implementation of this strategy would facilitate speedier, more effective processing of cases. The strategy will require close cooperation with the Commerce Department's Office of General Counsel and with U.S. Attorneys' offices around the U.S.

FY 2002 Performance

In FY 2002, BIS had five goals and ten performance measures. BIS met nine of those ten measures. This reflected a substantial improvement from 2001 when BIS met four of ten measures.

BIS performance measures focused on the following areas:

- Decreasing processing times on license applications and revising evaluation procedures to more closely monitor the effectiveness of its seminar outreach programs
- Conducting industry site assistance visits to help prepare covered facilities for CWC international inspections
- Tracking enforcement investigations accepted for criminal prosecution
- Conducting post-shipment verifications to ensure that exported items are used in accordance with the terms of the export license, and making prompt recommendations on license applications
- Working with key countries to develop or strengthen their export control systems; and
- Promoting national education and awareness by conducting conferences and seminars and assisting federal agencies to analyze their own risk exposure and critical infrastructure dependencies.

BIS was successful in meeting many of the measures associated with these performance goals. While BIS sought to achieve all of its FY 2002 measures, BIS did not meet the measure, "Number of large, civilian federal departments and agencies working towards completion of the three step Project Matrix process." It is extremely difficult to identify strategies or steps to ensure that this measure will be met in the future. Success depends largely on the engagement and commitment of other federal agencies participating in the Project Matrix process. Also, BIS continued to refine its performance measures to: (1) focus on results instead of outputs, (2) measure work under BIS control, (3) use representative instead of distorted data (median versus average), and (4) create new measures to support new initiatives/programs and budget increases. For a detailed description of each goal and its performance, please see the appropriate goal(s) on the following pages.

In addition to meeting its performance measures, BIS had many significant accomplishments in FY 2002.

- BIS changed its name from the Bureau of Export Administration to the Bureau of Industry and Security to better represent the total scope of its work and mission, (i.e., to advance U.S. national security, foreign policy, and economic interests).
- BIS published a rule that implemented the agreement with the Departments of State and Defense resolving jurisdiction issues over several classes of space qualified items.
- BIS also published a rule to implement changes in the controls over encryption items agreed to in the Wassenaar Arrangement.

- BIS furthered a primary goal of rationalizing export controls and enhancing U.S. competitiveness in high technology sectors such as High Performance Computers (HPC), products and services requiring encryption, and microprocessors.
- BIS also made progress in the enforcement arena by investigating cases that resulted in significant fines and penalties, conducting new agent training, and selecting new attaches for Egypt and UAE.
- BIS published a notice establishing the Unverified List, which is a list of companies for which U.S. exporters should exercise heightened due diligence.
- BIS established the Administrative Case Review Board, an internal BIS Committee, to advise the Assistant Secretary for Export Enforcement at important stages of administrative enforcement cases to ensure that all positions taken by Export Enforcement (EE) are consistent, fair, and in line with the overall BIS program and enforcement goals. The Board reviews such matters as whether to issue a proposed charging letter and the proposed charges to be included, the penalties to seek in prosecuting a case, and the settlement parameters in case negotiations.

Targets and Performance Summary

See individual Performance Goal section for further description of each measure.

Performance Goal 1: Enhance the Efficiency of the Export Control System While Protecting U.S. National Security Interests

Measure	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Average processing time for export licenses (Days)	40	38.8	40.4	39	39	X	
Level of exporter understanding of BIS export control requirements	New	New	New	Establish Baseline	Baseline Established (4.2)	X	
Knowledge gained indicator (scale of 0-4) ¹	New	New	New	Establish Baseline	Baseline Established (1.0)		

Performance Goal 2: Ensure U.S. Industry Compliance With the Chemical Weapons Convention (CWC)

Measure	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Number of site assistance visits conducted to assist companies prepare for CWC international inspections	New	New	New	12	16	X	

Performance Goal 3: Detect Illegal Export Transactions and Penalize Violators

Measure	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Number of investigations accepted for administrative or criminal remedies	68	93	81	75	82	X	
Number of post-shipment verifications completed	New	New	New	300	415	X	
Timely recommendations made on license applications by enforcement analysts (Days)	New	New	New	6	6	X	

Performance Goal 4: Assist Key Nations to Establish Effective Export Control Programs

Measure	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Number of nonproliferation and export control international cooperative exchange activities conducted	45	39	43	44	53	X	
Number of targeted deficiencies remedied in the export control systems of key nations	New	New	New	20	25	X	

Performance Goal 5: Coordinate Activities for the Protection of Critical Infrastructures, and to Assure that the Federal Government Continues to Be Able to Deliver Services Essential to the Nation's Security, Economy, and the Health and Safety of its Citizens

Measure		FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Number of outreach conferences/seminars	PCIS conference	New	New	New	1	1		
	Best practice conference	New	New	New	3	2	X	
	Audit seminars	New	New	New	40	46		
	Total	New	New	New	44	49		
Number of large, civilian federal departments and agencies working towards completion of the three step Project Matrix process	Step 1	New	New	New	9	3		
	Step 2	New	New	New	3	2		X
	Step 3	New	New	New	0	0		
	Total	New	New	New	12	5		

¹ Caution should be exercised before making judgment on this score prior to reading the method used to calculate the knowledge gained indicator under performance goal 1.

Resource Requirements Summary

(Dollars in Millions. Funding amounts reflect total obligations.)

Information Technology (IT)

Full Time Equivalent (FTE)

Performance Goal 1: Enhance the Efficiency of the Export Control System While Protecting U.S. National Security Interests

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Management and Policy Coordination	1.0	0.8	0.8	2.0
Export Administration	19.1	16.1	18.8	24.7
Reimbursable	0.8	0.5	0.0	0.7
Total Funding	20.8	17.4	19.6	27.4
IT Funding ¹	0.6	0.7	0.8	1.6
FTE	148	136	136	153

Performance Goal 2: Ensure U.S. Industry Compliance With the Chemical Weapons Convention (CWC)

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Management and Policy Coordination	New	0.0	0.0	0.0
Export Administration	New	4.2	6.5	4.5
Reimbursable	New	0.0	0.0	0.0
Total Funding	New	4.2	6.5	4.5
IT Funding ¹	New	0.0	0.0	0.0
FTE	New	30	22	22

Performance Goal 3: Detect Illegal Export Transactions and Penalize Violators

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Management and Policy Coordination	1.2	1.2	1.1	2.2
Export Enforcement	23.9	24.6	25.9	27.3
Reimbursable	0.0	0.1	0.1	0.3
Total Funding	25.2	25.9	27.1	29.8
IT Funding ¹	0.7	1.0	1.0	1.8
FTE	183	175	178	169

Performance Goal 4: Assist Key Nations to Establish Effective Export Control Programs

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Management and Policy Coordination	1.2	1.4	1.5	1.4
Reimbursable	3.0	2.9	3.8	4.1
Total Funding	4.2	4.3	5.3	5.5
IT Funding ¹	0.1	0.4	0.4	0.3
FTE	9	9	9	9

Performance Goal 5: Coordinate Activities for the Protection of Critical Infrastructures, and to Assure that the Federal Government Continues to Be Able to Deliver Services Essential to the Nation's Security, Economy, and the Health and Safety of its Citizens

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Management and Policy Coordination	0.2	0.2	0.2	0.5
Critical Infrastructure	4.4	4.5	4.8	6.8
Homeland Security and Information				
Intelligence	0.0	0.0	0.0	0.0
Reimbursable	0.0	0.2	0.0	0.1
Total Funding	4.6	4.9	5.0	7.5
IT Funding ¹	0.1	0.2	0.2	0.4
FTE	7	16	16	21

Discontinued Performance Goal: The U.S. Defense Industrial Base is Healthy and Competitive

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Management and Policy Coordination	0.2	0.2	0.2	Discontinued
Export Administration	3.7	3.8	4.0	
Reimbursable	0.3	0.2	0.1	
Total Funding	4.2	4.2	4.3	
IT Funding ¹	0.1	0.2	0.2	
FTE	30	32	27	

Grand Total	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Operations and Administration				
Management and Policy Coordination	3.8	3.8	3.7	6.1
Export Administration	22.8	24.2	29.5	29.2
Export Enforcement	23.9	24.5	25.9	27.3
Critical Infrastructure	4.4	4.4	4.8	6.8
Homeland Security and Information Intelligence	0.0	0.0	0.0	0.0
Total Funding	58.9	60.9	67.8	74.6
Direct	54.9	57.0	63.8	69.4
Reimbursable ²	4.0	3.9	4.0	5.2
IT Funding ¹	1.7	2.6	2.6	4.2
FTE	378	398	388	374

¹ IT funding included in total funding.

² Reimbursable funding included in total funding.

Note: Totals may differ slightly due to rounding.

Skills Summary

- Extensive working knowledge of the EAA, Export Administration Regulations, and related Executive Orders pertaining to the control of dual-use commodities
- Knowledge of world political/economic systems and current trends in U.S. trade and national security and foreign policy issues
- Superior analytic abilities for complex licensing/policy decisions and regulatory interpretations

IT Requirements

- Computer programmers, system analysts, database managers, and network engineers

FY 2002 Performance Goals

Performance Goal 1: Enhance the Efficiency of the Export Control System While Protecting U.S. National Security Interests

(This goal has been reworded since the publication of the FY 2000 Annual Program Performance Report (APPR) and FY 2002 Annual Performance Plan (APP). This goal was previously worded as: "By use of a dual-use export control system that continuously is refined to respond to changing requirements, transactions that are contrary to U.S. security interests are deterred and transactions without proliferation potential are facilitated.")

Corresponding Strategic Goal

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

Rationale for Performance Goal

BIS serves U.S. companies engaged in international trade by analyzing export license applications for controlled commodities in accordance with Export Administration Regulations (EAR). BIS also serves U.S. companies in conjunction with the Departments of Defense, Energy, and State, by making prompt decisions on license and related applications, and by providing guidance to exporters on how to conform to applicable laws and regulations. BIS is particularly vigilant in evaluating transactions involving advanced technologies and dual-use products that potentially can be diverted to use in missile programs or in chemical, biological, nuclear, or conventional weapons programs. BIS also implements the Defense Production Act by analyzing the defense industrial and technology base to ensure that the U.S. remains competitive in sectors that are critical to the national security.

Responding to increased concern about the proliferation of weapons of mass destruction, BIS continues to refine U.S. export controls in light of geopolitical and business realities. BIS also seeks to enhance the effectiveness of the EAR by educating exporters and other stakeholders in the export licensing process thereby improving industry compliance with export control regulations. These efforts will increase the efficiency of the license processing system and thus enable exporters to be more competitive in the global economy while deterring transactions that threaten U.S. security interests.

FY 2002 Performance

In FY 2002, BIS made significant achievements for this goal by meeting all its performance targets. This was accomplished by reducing the average processing time on all completed license applications and by establishing a formal methodology to evaluate exporters' level of understanding of BIS's export control requirements.

Measure 1a. Average Processing Time for Export Licenses (Days)

	FY 1999	FY 2000	FY 2001	FY 2002
Target	33	33	32	39
Actual	40	38.8	40.4	39
Met/Not Met	Not Met	Not Met	Not Met	Met

(This measure has been reworded since the publication of the FY 2000 Annual Program Performance Report (APPR) and FY 2002 Annual Performance Plan (APP).)

This measure was previously worded as: "Average processing time for license applications (days)."

Explanation of Measure

This measure reflects the average number of processing days that elapse between registration (date license application is entered in ECASS) and final action (date license is approved, denied, or returned without action) for all applications processed during the fiscal year. A reduction in the processing of export license applications allows U.S. exporters to maintain a more competitive edge by reducing their loss of contracts to foreign competitors who are subject to less stringent export controls.

BIS is seeking ways to reduce processing time for cases that undergo interagency review, including developing standard license conditions acceptable to all agencies that will apply to certain categories of cases. Because most applications are approved with conditions, defining pre-approved conditions acceptable to all export control agencies would significantly reduce the time it takes to craft agreements that are now done on a on a case-by-case basis.

FY 2002 Performance

The average processing time in FY 2002 for all completed applications was thirty-nine days, down from 40.4 days in FY 2001. This 1.4 percent decrease can be attributed to the continued decline in the processing time for non-referred applications. In FY 2001, non-referred applications were completed in twelve days. In FY 2001, BIS reduced the time frame for non-referred applications to eleven days. The challenge still remains to reduce the average processing time for cases that, pursuant to Executive Order, are required to undergo interagency review. In FY 2002, 86 percent of all completed licensing decisions were referred with an average processing time of forty-four days.

Measure 1b. Level of Exporter Understanding of BIS Export Control Requirements

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	Establish Baselines
Actual	Value of information (average score on scale of 1-5)			Baseline Established (4.2)
	Knowledge gained indicator (scale of 0-4)			Baseline Established (1.0)
Met/Not Met				Met

Explanation of Measure

This measure indicates the effectiveness of BIS's export control outreach program. BIS's export control outreach program is a means for transferring knowledge from the government to the private sector regarding export control requirements. The BIS outreach program to the domestic and international business communities is a form of preventive enforcement that encourages compliance with the Export Administration Regulations (EAR). Seminars also help to: (1) heighten business awareness of the Bush Administration's export control policy objectives and (2) improve compliance with regulatory requirements. BIS established a baseline for the level of exporter understanding of the EAR using the results of surveys conducted in FY 2002. These survey results will be used to establish future targets to enhance BIS services and to strengthen exporter understanding of BIS export control requirements.

FY 2002 Performance

BIS has always believed that its export control seminars convey information necessary for exporters to understand and comply with U.S. export controls; however, we had no data to validate this assumption. A survey was developed and implemented to determine if the seminars enhanced an exporter's level of understanding of export controls. The results of the FY 2002 surveys provide BIS with a baseline measurement of the effectiveness of its seminar program.

In FY 2002, BIS evaluated the results of seminars conducted during the year and created two metrics that measure the level of exporter understanding of BIS export control requirements. The first metric measures the overall value of information presented on a scale of 1 to 5 by calculating an average of all scores given to a set of questions. The FY 2002 average score is 4.2. We will use this baseline of 4.2 to measure progress in future years. The second metric is an index that reflects the knowledge gained by exporters who attend the seminar. This is done by looking at the scores of respondents' answers to knowledge they had on export control requirements before the seminar and the knowledge gained after the seminar.

Questions are ranked on a scale of 1-5 (1 for "not at all" comfortable with the subject matter and 5 for "completely" comfortable with the subject matter). The before and after scores are compared to measure the knowledge gained. The resulting index is on a scale of 0-4. For example, an exporter could rate himself a 5 before the seminar and a 5 after the seminar, meaning that he was completely comfortable with the information before and after the program, giving him a difference of 0. The score of 1.0 represents the knowledge gained after attendance at the seminar. Showing improvement in knowledge by a score of 1.0 will be the basis for future targets.

Program Evaluation

In FY 2002, the General Accounting Office (GAO) and the Office of the Inspector General (OIG) continued their ongoing reviews of BIS's programs and activities. BIS's Office of Planning, Evaluation and Management (OPEM) conducted an annual review of the performance data to ensure that it was complete and accurate. During this process, significant deviations from projected targets, if any, were discussed with the appropriate office so that program changes could be made to help meet BIS performance goals.

Performance Goal 2: Ensure U.S. Industry Compliance With the Chemical Weapons Convention (CWC)

(This goal has been reworded since the publication of the FY 2000 Annual Program Performance Report (APPR) and FY 2002 Annual Performance Plan (APP). This goal was previously worded as: "The United States is in full compliance with the Chemical Weapons Convention (CWC) and all confidential business information of U.S. companies subject to inspection under the CWC is effectively protected.")

Corresponding Strategic Goal

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

Rationale for Performance Goal

BIS is responsible for ensuring U.S. industries' compliance with the treaty requirements of the CWC. BIS collects, validates, and aggregates data from those U.S. companies that manufacture or use chemicals covered by the convention; educates those companies on their treaty rights and obligations; and serves as the lead U.S. government agency for hosting international inspectors who are inspecting U.S. business facilities subject to convention requirements. BIS's primary host team role is to ensure that confidential business information is protected during inspections of U.S. firms.

FY 2002 Performance

During FY 2002, BIS collected and verified 960 declarations and reports from 294 private facilities in the U.S. Pursuant to CWC reporting obligations and timelines, BIS submitted information from 908 of these declarations and reports to the Organization for the Prohibition of Chemical Weapons (the others were returned without action). As Lead Agency for industry inspections, BIS hosted eight inspections of Schedule 2 plant sites. BIS's CWC outreach and education efforts included one outreach seminar in New Orleans, LA, and sixteen site assistance visits at Schedule 2, Schedule 3, and unscheduled discrete organic chemical facilities.

Measure 2a. Number of Site Assistance Visits Conducted to Assist Companies Prepare for CWC International Inspections

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	12
Actual				16
Met/Not Met				Met

Explanation of Measure

BIS is responsible for overseeing industry compliance with the CWC. This responsibility includes facilitating domestic visits of international inspection teams to determine compliance with the multilateral treaty obligations by covered U.S. facilities, and informing industry of its obligations under the treaty. Industry site assistance visits prepare covered facilities to receive a team of international inspectors. These visits are to ensure that the inspections run smoothly with no potential loss of proprietary business information.

FY 2002 Performance

BIS conducted sixteen site assistance visits at CWC-declared facilities during FY 2002. Due to heightened interest of declared facilities, BIS conducted four more visits than anticipated in the fiscal year. The site assistance visits addressed facilities' heightened attention to security issues associated with the protection of national security and confidential business information.

Program Evaluation

In FY 2002, the General Accounting Office (GAO) and the Office of the Inspector General (OIG) continued their ongoing reviews of BIS's programs and activities. BIS's Office of Planning, Evaluation and Management (OPEM) conducted an annual review of the performance data to ensure that it was complete and accurate. During this process, significant deviations from projected targets, if any, were discussed with the appropriate office so that program changes could be made to help meet BIS performance goals.

Performance Goal 3: Detect Illegal Export Transactions and Penalize Violators

(This goal has been reworded since the publication of the FY 2000 Annual Program Performance Report (APPR) and FY 2002 Annual Performance Plan (APP). This goal was previously worded as: "Violations of dual-use export control laws are identified and violators are sanctioned.")

Corresponding Strategic Goal

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

Rationale for Performance Goal

To be effective, export controls must be enforced and violators punished. BIS enforces dual-use export controls for reasons of national security, foreign policy, nonproliferation, anti-terrorism, and short supply. The Bureau also enforces the antiboycott provisions of the EAR, the Chemical Weapons Convention Implementation Act (CWCIA), and the Fastener Quality Act. BIS special agents investigate potential violations of these laws, and build and present cases for criminal or administrative prosecution.

BIS enforcement personnel also conduct outreach and education programs to train U.S. exporters to identify and avoid illegal transactions. A key element of BIS's preventive enforcement program is the onsite visits made to both current and potential foreign end-users of sensitive technology. In addition, BIS works with its foreign counterpart agencies to encourage other governments to implement enforcement measures to complement the Bureau's export enforcement efforts.

FY 2002 Performance

Export Enforcement met or exceeded its targets for each of its performance measures in FY 2002. For FY 2003, there are two changes to the measures. First, the "Number of Cases Opened That Result in the Prevention of a Criminal Violation or the Prosecution of a Criminal or Administrative Case" will replace the "Number of Investigations Accepted for Administrative or Criminal Remedies" to measure BIS's preventive enforcement activities. The target will increase from 75 to 85 percent to reflect this change. In addition, the target for the "Number of Post Shipment Verifications Completed" will increase from 300 to 375 based in part on a new focus on the end-use of certain sensitive commodities. (These changes are described in greater detail below.)

Measure 3a: Number of Investigations Accepted for Administrative or Criminal Remedies

	FY 1999	FY 2000	FY 2001	FY 2002
Target	73	80	70	75
Actual	68	93	81	82
Met/Not Met	Not Met	Met	Met	Met

Explanation of Measure

This measure tracks the number of investigations that are accepted by the Office of Chief Counsel for Industry and Security (OCC/IS) for administrative remedy and by the Department of Justice (DOJ) for criminal prosecution. Acceptance denotes that a specific threshold of evidence has been met to proceed with prosecution. BIS will continue to devote its current level of enforcement resources to investigations that have the highest probability of leading to prosecution of export violators.

FY 2002 Performance

The FY 2002 target of seventy-five cases accepted for administrative or criminal remedies was exceeded by completing eighty-two cases. The higher number of accepted cases reflects the growing level of experience of newer agents and a concerted effort on the part of EE senior agents to concentrate on developing investigations that lead to criminal and/or administrative remedies.

Measure 3b. Number of Post-Shipment Verifications Completed				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	300
Actual				415
Met/Not Met				Met

Explanation of Measure

BIS enforcement agents and U.S. and Foreign Commercial Service (US&FCS) officers conduct post-shipment verifications (PSVs) to ensure that exported items are used in accordance with the terms of the export license. PSVs are conducted to ensure that the products are being used by the authorized end-users (as approved on the export license application). A significant number of PSVs are conducted on high-performance computers as mandated by the National Defense Authorization Act of 1998.

FY 2002 Performance

The FY 2002 target of 300 PSVs was met by completing 415 PSVs. This significantly higher number is due to a combination of factors. First, BIS enforcement agents were able to complete double the number of checks than expected on a Safeguards trip to Hong Kong. Second, two Safeguards trips were conducted in the same country, saving time in travel and preparation so that more checks could be completed at other locations. In addition, based on a new initiative this year that focused on the end-use of particular sensitive commodities, more PSVs were initiated and completed than expected.

Measure 3c. Timely Recommendations Made on License Applications by Enforcement Analysts (Days)				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	6
Actual				6
Met/Not Met				Met

Explanation of Measure

The Office of Enforcement Analysis (OEA) screens all export license applications to detect potential illegal exports, employing a process that includes screening exports of license applications against several databases. Although OEA will continue to perform this function, this performance measure will be discontinued in FY 2003 to enable BIS to focus on a limited number of measures that better represent its work and priorities in the enforcement area.

FY 2002 Performance

In FY 2002, OEA analysts processed all of their license reviews within an average of six days, thus meeting the established target for this performance measure.

Program Evaluation

In FY 2002, the General Accounting Office (GAO) and the Office of the Inspector General (OIG) continued their ongoing reviews of BIS's programs and activities. Specifically, the OIG conducted a review of Export Enforcement that was not complete at the end of FY 2002. BIS's Office of Planning, Evaluation and Management (OPEM) conducted an annual review of the performance data to ensure that it was complete and accurate. During this process, significant deviations from projected targets, if any, were discussed with the appropriate office so that program changes could be made to help meet BIS performance goals.

Performance Goal 4: Assist Key Nations to Establish Effective Export Control Programs

(This goal has been reworded since the publication of the FY 2000 Annual Program Performance Report (APPR) and FY 2002 Annual Performance Plan (APP). This goal was previously worded as: "Export controls of key nations are strong and effective.")

Corresponding Strategic Goal

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

Rationale for Performance Goal

Strong enforcement of U.S. export regulations is critical to protect U.S. security interests. However, U.S. national interests can also be jeopardized if sensitive materials and technologies from other nations reach countries of concern or terrorists. For this reason, BIS's strategy includes promoting the establishment of effective export control systems by other nations. BIS has been assisting the countries of the former Soviet Union and the former Warsaw Pact nations of Central Europe to strengthen their export control and enforcement regimes. BIS is also now extending technical assistance to other countries considered export or transit proliferation risks.

Through a series of bilateral and regional cooperative activities co-sponsored with the State Department, BIS helps the nations with which it works to (1) develop the procedures and requirements necessary to regulate the transfer of sensitive goods and technologies, (2) enforce compliance with these procedures and requirements, and (3) promote the industry-government partnerships necessary for an effective export control system to meet international standards.

FY 2002 Performance

In FY 2002, BIS made significant strides in this goal by working with key countries of the world to develop or strengthen their national export control systems. BIS's Nonproliferation and Export Control (NEC) Cooperation program plays a key role in the Bureau's bilateral and multilateral initiatives. NEC, with the assistance of other offices of BIS and other U.S. government agencies, organized and coordinated technical exchange workshops and multilateral conferences. This enabled BIS to meet its targets associated with this goal.

Measure 4a: Number of Nonproliferation and Export Control International Cooperative Exchange Activities Conducted

	FY 1999	FY 2000	FY 2001	FY 2002
Target	42	30	37	44
Actual	45	39	43	53
Met/Not Met	Met	Met	Met	Met

Explanation of Measure

This measure includes technical exchanges, executive exchanges, symposiums, workshops, training courses, system capability assessment visits, and other multilateral and bilateral activities in which BIS has the lead or a significant role. This performance measure is being discontinued beginning in FY 2003 in order to focus on measure 4b, which tracks the outcomes of these activities. The new measure—focused on deficiencies remedied, rather than simply conferences held—reflects a results-oriented approach to management of this program.

FY 2002 Performance

BIS met this target by completing fifty-three exchange activities. Heightened global awareness and sensitivity to the need for improving national export control systems resulted in a higher level of interest in and willingness on the part of program countries to participate in these export control technical cooperative programs.

Measure 4b. Number of Targeted Deficiencies Remedied in the Export Control Systems of Key Nations

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	20
Actual				25
Met/Not Met				Met

Explanation of Measure

This performance measure is intended to measure the achievement of BIS's international cooperation program in remedying deficiencies in the export control systems of key nations. The BIS program aims to enhance the export and transit control systems of nations that lack effective control arrangements. Each targeted deficiency represents a specific facet of an export or transit control system that BIS seeks to strengthen through its cooperative activities in participating countries. BIS's Model Country Program has identified fifty-six possible targeted deficiencies and matching remedial activities that are used to assess each country's export control program. Each targeted deficiency remedied shows how BIS can document the influence of its extensive bilateral and regional cooperative activities.

FY 2002 Performance

This outcome measure was met as a result of actions taken by program countries to remedy deficiencies in their national export control system capabilities. There is a considerable lag between the date of the activity and the date evidence is found verifying that the desired outcome has occurred. BIS's best assessment of the reason for the increase is that the same heightened awareness that led countries to be more willing to participate in these programs led to completing more than anticipated.

Program Evaluation

BIS's Office of Planning, Evaluation and Management (OPEM) conducted an annual review of the performance data to ensure that it was complete and accurate. During this process, significant deviations from projected targets, if any, were discussed with the appropriate office so that program changes could be made to help meet BIS performance goals.

In addition, two audits were conducted by Department of State independent contractors on BIS's NEC program during FY 2002, including: (1) a programmatic audit conducted by Los Alamos Technical Associates; and (2) a financial audit conducted by Leonard G. Birnbaum & Company.

Performance Goal 5: Coordinate Activities for the Protection of Critical Infrastructures, and to Assure that the Federal Government Continues to Be Able to Deliver Services Essential to the Nation's Security, Economy, and the Health and Safety of its Citizens

Corresponding Strategic Goal

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

Rationale for Performance Goal

The Critical Infrastructure Assurance Office (CIAO) is an interagency office housed in BIS¹ to coordinate federal government policy and initiatives on critical infrastructure protection. CIAO is responsible for (1) promoting national outreach, education, and awareness; (2) assisting federal agencies to analyze their own risk exposure and critical infrastructure dependencies; (3) coordinating and facilitating the integration of strategies for critical infrastructure assurance into the national strategies for homeland security and cyberspace security; and (4) developing initiatives to promote coordinated use of information technology for homeland security purposes.

FY 2002 Performance

Overall, in FY 2002, CIAO made important strides toward achieving its established goals while also meeting many of the exigent challenges that accompanied a year of extraordinary shifts in the U.S. national security threat environment. CIAO's Project Matrix assisted federal agencies to analyze critical infrastructure dependencies, assess vulnerabilities, and take mitigating steps to ensure the delivery of federal government services essential to the nation's security, economy, and the health and safety of its citizens.

Progress toward this mission was also realized this past year by CIAO's Outreach Program as it reshaped the corporate governance mindset and agenda of senior officers and auditors in boardrooms throughout the nation. Beyond measurable achievements, CIAO has also learned to think of its activities and performance in terms of meaningful outcomes rather than by strictly counting outputs. For example, CIAO's policy staff provided core support for important national policy initiatives, including publication of the President's *National Strategy to Secure Cyberspace*, released for public comment on September 18, and contributed to the *National Strategy on Homeland Security*, released in July 2002.

To sustain its exceptional and vital contributions to the U.S. made possible by a highly experienced and exceptionally talented workforce, CIAO must soon obtain the authority to incorporate full-time equivalent positions into its present staff complement, which consists largely of temporary contractors and interagency detailees.

¹ On November 25, 2002, the President signed the Homeland Security Bill into law. The new law creates the Department of Homeland Security, to which the CIAO will be transferred.

Measure 5a: Number of outreach conferences/seminars

		FY 1999	FY 2000	FY 2001	FY 2002
PCIS Conf.	Target	New	New	New	1
	Actual	New	New	New	1
Best Practice Conf.	Target	New	New	New	3
	Actual	New	New	New	2
Audit Seminars	Target	New	New	New	40
	Actual	New	New	New	46
Total	Target	New	New	New	44
	Actual	New	New	New	49
Met/Not Met					Met

Explanation of Measure

These conferences and seminars target two specific groups of stakeholders: (1) private and public (state and local government) owners and operators of critical infrastructures, and (2) professional risk managers, such as the auditing community. With respect to infrastructure owners and operators, CIAO sponsored the 2002 Third Annual Membership meeting of the Partnership for Critical Infrastructure Security (PCIS). The PCIS comprises more than 70 Fortune-500 companies representing a cross-section of the critical infrastructure industries. The mission of PCIS is to identify and address infrastructure security matters common to all the sectors because of increased reliance on information systems and networks.

FY 2002 Performance

In 2002, the CIAO met this measure by conducting forty-nine seminars and conferences. As a component of this measure, CIAO completed forty-six nationwide seminars in conjunction with a consortium of risk management leaders. The seminars focused on building awareness and educating auditors and corporate executives on assessing and managing risk arising from increased information technology dependency. The CIAO received positive feedback on the effectiveness of the seminars from participants and, as a result, the risk management community has taken on educating auditors and corporate executives on the importance of security practices.

This year the CIAO also convened two conferences at major U.S. cities that involved critical infrastructure companies and state and local government officials who discussed lessons learned from the events of September 11, 2001. The CIAO, in cooperation with other stakeholders, formed steering groups to gather effective business practices for securing critical infrastructures. Effective critical infrastructure assurance practices will be published in a compendium for local communities to use as a guide.

As part of its mandate, the CIAO continues to provide leadership support and facilitate discussion by members of cross-sector groups to improve communication and cooperation. In September 2002, CIAO held the third annual membership meeting of the PCIS.

Moreover, although not directly projected and tracked by this measure, the CIAO conducted additional outreach efforts in FY 2002. The CIAO held two policy forums and two CXO executive forums in cooperation with one of its partners, CXO Media. These policy forums on key critical infrastructure security and leadership topics were open to the public and attracted media attention. The forums were aimed at raising the level of awareness of state and local communities, and preceded national-level conferences the CIAO co-sponsored with governors from Texas and New Jersey.

As part of the CIAO’s national strategy efforts the President asked the government to provide a roadmap on how best to secure Digital Control Systems (DCS) that underpin the U.S.’s critical services. DCS manage the delivery of key services including electricity, water, and transportation. In February 2002, government leaders with technical expertise and/or applicable policy and regulatory jurisdiction met to discuss security shortcomings in existing systems, ways to improve the security of those systems, and the government’s role. In April 2002, the CIAO, in conjunction with the White House and PCIS, hosted a meeting with stakeholders to determine ways to strengthen the security of DCS.

Last, the CIAO, in conjunction with the White House’s Office of Cyberspace Security, hosted the second annual conference in July 2002 for Inter-Information Sharing and Analysis Centers (ISACs). The purpose of the meeting was to present updates on the current status of ISAC formulation, information sharing and cross-sector exchange efforts, and to plan next steps. Cross-sector coordination and information sharing is essential to the effective protection of critical infrastructures. The CIAO convenes the sectors periodically to share experiences and practices. The ISACs are growing examples of cooperation between government and industry. Support of PCIS and ISAC development is not a new effort; after the events of September 11, 2001, the CIAO accelerated its activities with PCIS and has encouraged the creation of new ISACs.

Measure 5b: Completion of an Integrated National Strategy for Securing the Nation’s Critical Infrastructures

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	First version completed
Actual				Discontinued ¹
Met/Not Met				N/A

¹ This measure was discontinued in FY 2002. Per Executive Order, 13228, the Office of Homeland Security “shall work with executive departments and agencies, State and local governments, and private entities to ensure the adequacy of the national strategy for detecting, preparing for, preventing, protecting against, responding to, and shall periodically review and coordinate revisions to that strategy as necessary.”

Explanation of Measure

This measure tracks the development and publication of a government-private sector national strategy for securing U.S. critical infrastructures. The White House initially assigned the task of coordinating the development and final integration of this strategy to the CIAO. Incident to a post-September 11 reorganization of responsibilities for developing strategies to respond to the new, expanded threat environment, effective October 8 and 16, 2001, the White House reassigned responsibility to the Office of Homeland Security (OHS) to “develop and coordinate the implementation of a comprehensive national strategy to secure the United States from terrorist threats or attacks;” whether physical or cyber in nature. That office, in conjunction with the President’s Critical Infrastructure Protection Board, is now developing strategies to address each of these threat environments that when completed will collectively comprise an integrated national strategy for protecting U.S. critical infrastructures.

Because the CIAO is no longer responsible for completing or revising the national strategy, this performance measure is no longer applicable and will be discontinued in FY 2003. However, CIAO remains deeply involved in the development of each of these strategies. At the request of OHS, CIAO has provided significant support to these efforts and remains the primary interface between OHS and the private sector on matters of cross-sectoral concern.

FY 2002 Performance

In keeping with the realignment of responsibilities discussed above, during FY 2002 CIAO provided significant staff and logistical support to OHS in connection with the national strategies for physical and cyberspace security that it is developing. In addition, CIAO’s work with lead agencies and private sector partners, including the PCIS, was instrumental to compiling considerable private sector information relevant to both the draft *National Strategy to Secure Cyberspace*, which was released for public comment on September 18, 2002, and the *National Strategy for the Physical Protection of Critical Infrastructures and Key Assets*, which OHS expects to release early in 2003.

Measure 5c: Number of large, civilian federal departments and agencies working towards completion of the three step Project Matrix process					
		FY 1999	FY 2000	FY 2001	FY 2002
Step 1	Target	New	New	New	9
	Actual	New	New	New	3
Step 2	Target	New	New	New	3
	Actual	New	New	New	2
Step 3	Target	New	New	New	0
	Actual	New	New	New	0
Total	Target	New	New	New	12
	Actual	New	New	New	5
Met/Not Met					Not Met

Project matrix process steps:

Step 1: critical assets.

Step 2: other federal government assets, systems and networks on which those critical assets depend to operate.

Step 3: all associated dependencies on privately owned and operated critical infrastructures.

Explanation of Measure

The CIAO seeks to assist civilian federal departments and agencies to analyze their dependencies on critical infrastructures so that appropriate vulnerability assessment and mitigation steps can be taken to ensure the delivery of federal government services that are essential to the nation’s security, economy, and the health and safety of its citizens.

Project Matrix is a time-intensive, multistage analytic process in which selected civilian federal departments and agencies identify: (1) their critical assets; (2) other federal government assets, systems, and networks on which those critical assets depend to operate; and (3) all associated dependencies of those assets on privately-owned and operated critical infrastructures.

FY 2002 Performance

Although the CIAO did not meet the target, Project Matrix made progress toward completion of the Project Matrix process with seventeen agencies. The Step 1 analyses and the reports on those analyses were completed for three agencies, and two Step 2 analyses and reports on those analyses were completed (for a total of five Step completions). In addition, after it completed the discovery process with one agency, Project Matrix determined the agency possesses no nationally-critical assets, and so no Step 1 or Step 2 analysis was appropriate for it. Further, Project Matrix also completed four Step 2 analyses during FY 2002 for which the reports were in draft stage but not yet complete at the end of the fiscal year. In summary, even though the goal of fully completing twelve Step activities was not attained, nine Step activities were either completed or very near completion.

CIAO fell short of its performance target for Project Matrix step completions principally because: (1) Project Matrix, (at the direction of the Office of Homeland Security to increase its completion rate in the aftermath of September 11, 2001), reduced the pace of agency assessment and reporting work temporarily in order to reformulate, reorder, and document changes to its established methodology; (2) inadequate staff resources existed; and (3) lack of engagement on Project Matrix by some federal agencies combined with a failure of these agencies to provide essential inputs to the process in accordance with projected timetables.

Program Evaluation

In FY 2002, the General Accounting Office (GAO) and the Office of the Inspector General (OIG) continued their ongoing reviews of BIS's programs and activities. BIS's Office of Planning, Evaluation and Management (OPEM) conducted an annual review of the performance data to ensure that it was complete and accurate. During this process, significant deviations from projected targets, if any, were discussed with the appropriate office so that program changes could be made to help meet BIS performance goals.

BIS Data Validation and Verification

BIS's Office of Planning, Evaluation and Management (OPEM) conducts an annual review of the performance data to ensure that it is complete and accurate. During this process, significant deviations from projected targets, if any, are discussed with the appropriate office so that program changes can be made to help meet BIS performance goals.

The actual validation process is conducted following procedures similar to audit principles including sampling and verification of data. Case information is regularly downloaded from the management information systems and imported into databases and spreadsheets for analysis. In some cases, information is manually checked against actual paper files (when available) to ensure the accuracy of information in the management information systems. Additionally, documentation is reviewed and a determination is made on its adequacy and sufficiency to support claims that outcomes and outputs have been achieved. The BIS Data Validation and Verification table can be found on the following page.

BIS Data Validation and Verification

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 1a: Average processing time for export licenses (days)	ECASS	Annual	ECASS	BIS's OPEM will perform two types of checks to ensure data are entered where they should be (system integrity) and to ensure that the data are accurate and valid.	None	None
Measure 1b: Level of exporter understanding of BIS export control requirements	Survey	Annual	Survey results database	BIS's OPEM will validate the performance measure against supporting documentation.	None	None
Measure 2a: Number of site assistance visits conducted to assist companies prepare for CWC international inspections	Paper records such as trip reports.	Annual	Office files	BIS's OPEM will validate the performance measure against supporting documentation.	None	None
Measure 3a: Number of investigations accepted for administrative or criminal remedies	ECASS	Annual	ECASS	BIS's OPEM will perform two types of checks to ensure data are entered where they should be (system integrity) and to ensure that the data are accurate and valid.	None	None
Measure 3b: Number of post-shipment verifications completed						
Measure 3c: Timely recommendations made on licenses applications by enforcement analysis (days)						
Measure 4a: Number of nonproliferation and export control international cooperative exchange activities conducted	Paper records such as reporting cables and BIS after activity reports.	Annual	Electronic or office files	BIS's OPEM will validate the performance measure against supporting documentation.	None	None
Measure 4b: Number of targeted deficiencies remedied in the export control systems of key nations	Paper records such as official publications and academic/intelligence community analyses.	Annual	Electronic or office files	BIS's OPEM will validate the performance measure against supporting documentation.	None	None
Measure 5a: Number of outreach conferences or seminars	Paper records such as agendas, travel vouchers, and thank you letters.	Annual	Office files	BIS's OPEM will validate the performance measure against supporting documentation.	None	None
Measure 5b: Completion of an integrated national strategy for securing the Nation's critical infrastructures (discontinued measure)	N/A	N/A	N/A	N/A	N/A	N/A
Measure 5c: Number of large, civilian federal departments and agencies working towards completion of the three step Project Matrix process	Paper records	Annual	Office files	BIS's OPEM will validate the performance measure against supporting documentation.	None	None



Economic Development Administration

Mission Statement

Help our partners across the nation (states, regions, and communities) create wealth and minimize poverty by promoting a favorable business environment to attract private capital investment and higher-skill, higher-wage jobs through world-class capacity building, planning, infrastructure, research grants, and strategic initiatives.

The Economic Development Administration's (EDA) mission statement clearly articulates EDA's role "to create an environment where the role of the public sector is to leverage resources in which the private sector will risk capital investment."

Economic development supports two important public policy objectives: creating wealth and minimizing poverty. The creation of wealth enables people to become economically self-sufficient and provides the resources needed for building safe, healthy, convenient, and attractive communities in which people want to live, work, and raise their families. Minimizing poverty is important because poverty is not only dehumanizing, but it is also extremely costly in terms of underutilized human resources, welfare transfer payments, soaring public healthcare costs, high crime rates, and declining neighborhoods that lose their value. Thus, the public sector has a legitimate interest in supporting efforts and strategies that bring economic opportunity to all segments of society.

EDA's policy investment guidelines focus on results rather than processes. Application of these guidelines encourages investment in U.S. communities based on risk and the expected return on the taxpayer's investment. EDA's investments through these guidelines aim to attract private sector investment, have a high probability of success, and ultimately result in an environment where higher-skill, higher-wage jobs are created.

Strategic investments by EDA in public infrastructure and local capital markets provide lasting benefits for economically disadvantaged areas. Acting as catalysts to mobilize public and private investments, EDA's investments address problems of high unemployment, low per capita income, and other forms of severe economic distress in local communities. EDA also provides special economic adjustment assistance to help communities and businesses respond to major layoffs, plant shutdowns, trade impacts, natural disasters, military facility closures, and other severe economic dislocations. Through its investments, EDA will contribute to the Administration's goal of leaving no geographic area or demographic sector of the nation behind in achieving the American dream.

EDA will promote cluster-based and regional economic development by giving priority to those regions that seek to invest in their regional systems of education, research, physical infrastructure and quality of life while enhancing its focus on the nation's communities in distress. EDA's investment will attract private sector capital investment and growth in personnel, knowledge, and capital that will strengthen the region as a "platform for economic growth." In the next generation economy that regions are seeking to build, the hallmark of vitality will be the agility of institutions and their leaders to recognize and collaborate in the improvement of existing or creation of new sources of economic advantages. Whether it is in accessibility of technology, adaptability of human resources, the availability of financing, the adequacy of physical infrastructure, or capacity to achieve quality of life, EDA intends to capitalize on this solid, market-based strategy to help communities seize the economic opportunities of tomorrow.

Priorities/Management Challenges

Throughout FY 2002, EDA continued to deploy its three “pillars of reform” that have been the basis for transforming itself into a results-oriented bureau.

Pillar I — Organizational Management Initiatives

Alignment of Resources — Continued to work to maximize alignment of existing financial and human resources to accomplish EDA’s mission through restructuring and effective deployment of resources.

Management Process — Developed standard operating procedures at headquarters to reduce inefficiencies and duplication of efforts. Having identified best practices in our regional offices, EDA will implement standard operating procedures among the regions, articulate clear investment policy guidelines to ensure due diligence on the front end, and require thorough post-approval monitoring to ensure the maximum return on taxpayer investment. Implemented process improvements through the electronic investments component of the Economic Development Communications and Operations Management System.

Competency-based Human Resource System — Continued to work to build the foundation of a competency-based human resource system through rigorous personnel performance reviews, clear performance plans that set high standards, and recruitment and training strategies to provide necessary skills.

Pillar II — Performance Measures

Balanced Scorecard — The second pillar is based on performance measures. EDA’s development of the balanced scorecard management approach is critical in translating the Bureau’s strategic vision into action. The balanced scorecard is a value-added management process that provides the critical means for getting from the vision to execution. This continual process, which evolves with use and experience, tracks both financial and non-financial areas of organizational performance.

Outcome Funding — EDA focused on the performance outcomes of its investments, such as leveraging private sector and local dollars and attracting higher-skill, higher-wage jobs. All investments are reviewed rigorously and are based on EDA’s investment policy guidelines that target those projects with an expected high rate of return, community commitment, regional impact, and success.

Outcome-oriented Performance Measures — In FY 2002, EDA developed outcome performance measures for its capacity-building programs and discontinued some interim and process measures for FY 2003. To use the Government Performance and Results Act (GPRA) and its intent to enhance performance, EDA determined that certain interim and process measures focused on the process rather than program performance. The new outcome-oriented measures are better indicators of the taxpayer’s and EDA’s return on investment, and compliment EDA’s investment policy guidelines. All of EDA’s performance measures are clearly tied to EDA’s annual budget request and appropriation.

Pillar III — Congressional and Public Affairs

Congressional and Public Affairs — Communicating with key stakeholders and customers in a compelling, multi-faceted way, EDA enhanced and strengthened congressional, state, and local government affairs, and public and media relations. In support of the Administration’s goal to leave no geographic or demographic sector of the nation behind, EDA continued to broaden its reach to U.S. communities and create vital partnerships to strengthen those areas in distress.

Investment Strategies

The President is providing the leadership to spur economic growth and job creation stating, “The role of government is to create conditions in which jobs are created, in which people can find work.” EDA is an important tool in accomplishing this mandate. Sound research-based, market-driven economic development policy is the foundation for effective and efficient economic development program implementation. EDA embraces an economic development strategy based on enhancing regional competitiveness, fostering innovation, increasing productivity, and developing industry clusters.

Priority is given to investments that enhance regional competitiveness and support long-term development of the regional economy. In healthy regions competitiveness and innovation are concentrated in clusters or groups of inter-related firms and industries in which regions specialize. The nation’s ability to produce high-value added products and services that support high-wage jobs depends on the creation and strengthening of these regional hubs of competitiveness and innovation.

EDA established the following investment priorities for FY 2002 *that enhance regional competitiveness* and support long-term development of the regional economy:

- Upgrade core business infrastructure, including transportation, communications, and specialized training program infrastructure.
- Implement regional strategy that involves all stakeholders and supports regional benchmarking initiatives, encourages institutional collaboration, reflects strong leadership commitment, and encourages a formalized structure to maintain consensus.
- Cluster development establishing research and industrial parks that encourage innovation-based competition and recruitment efforts.
- Help communities plan and implement economic adjustment strategies in response to sudden and severe economic dislocations.
- Support technology-led economic development, and reflect the important role of linking universities and industry and technology transfers.
- Advance community and faith-based social entrepreneurship in redevelopment strategies for areas of chronic economic distress.

EDA has re-established its strategic context and focus by reaffirming the mission of the Bureau. The activities that EDA undertakes with public dollars will demonstrate a return on investment through measurable, quantifiable performance measures. To achieve such a return on investment, EDA is looking for partners willing to work hand in hand to ensure the success of their ventures. As a public investment capital firm, EDA must evolve with the times. Any less would shortchange the American people.

In an era where national and homeland security justifiably occupy the priority budget position, financial resources are constrained. EDA must invest in those economic development initiatives that are consistent with the best thinking and best practices of economic development in the twenty-first century. On the following page are seven investment policy guidelines on which potential investments will be analyzed to determine if the proposed investments.

- are market-based
- are proactive in nature and scope
- look beyond the immediate economic horizon, anticipate economic changes, and diversify the local regional economy
- maximize the attraction of private sector investment and would not otherwise come to fruition absent EDA's investment
- have a high probability of success
- result in an environment where higher-skill, higher-wage jobs are created
- maximize Return on Taxpayer Investment

EDA recognizes that the economy of the twenty-first century is based on high productivity, rapid technological change, deregulations and market liberalization, the global marketplace, and the mobility of capital and labor. Conditions at the start of the twenty-first century signal that such economic benefits cannot be taken for granted when the underlying grounds for competitive advantage shift.

To meet this challenge, EDA investments will focus on:

- regional economies in transition (EDA's market niche)
- opportunities that are economic drivers (locomotives, not cabooses)
- trade and resource-based industries or clusters, which compete beyond local markets and across regional boundaries
- including value-added processes
- rational, comprehensive strategies developed by key economic stakeholders.

Successful economic development projects attract private sector capital investment, create value-added jobs, and support local communities and government at all levels. By investing in successful undertakings, creating jobs, and expanding the economy, the demand for government expenditures for social services decrease while tax revenues increase.

Investment Eligibility

EDA's investment eligibility requirements were established by the Public Works and Economic Development Act of 1965, as amended. This legislation specifically defines eligible recipients. EDA identifies eligible recipients as "distressed communities" that are rural and urban communities experiencing severe economic distress in the form of high unemployment, low per capita income, and other conditions of economic distress, including sudden economic dislocations due to industrial restructuring and relocations or natural disasters.

EDA uses statistics from the Bureau of Economic Analysis (BEA) for per capita income data and the Bureau of Labor Statistics (BLS) for 24-month unemployment data to determine distress conditions nationwide. BEA provides annual updates of per capita income at the county and state levels. BLS provides quarterly updates on unemployment statistics at the city, county, and metropolitan statistical area (MSA) levels. EDA also provides assistance in “pockets of distress,” which are small areas defined without regard to geographical or political boundaries (for example, city, county, and Indian reservation) that are experiencing economic distress even though it may be part of a larger community. The project area must be of appropriate size to the proposed project, and the applicant must justify the proposed boundaries in relation to the project’s benefits to the area. Each applicant’s distress eligibility is verified at the time the proposal is received.

Accessible databases on labor economic statistics, federal or otherwise, are sorely limited, making the actual number of distressed communities difficult to ascertain. EDA’s existing management information system tracks data on the city, county, and state levels. Accessible databases track economic or labor statistics on the county, MSA, and state levels. Many of the rural areas that EDA serves suffer from extreme economic distress, but do not show up on labor economic databases due to their relatively small size. A community may qualify for EDA assistance using other distress data from sources such as the Bureau of Indian Affairs, state, or specific census tracts, all of which are verified by EDA prior to investment.

Based on current per capita income or unemployment data, approximately 2,110 counties are eligible for EDA assistance. In FY 2002, EDA invested its Public Works, Economic Adjustment Assistance, and local Technical Assistance funds in 199 distressed counties nationwide. EDA made 200 Public Works investments and 100 Economic Adjustment Assistance investments. In addition, EDA made 361 investments under its Partnership Planning program to Economic Development Districts and Indian Tribes; 118 investments under its Technical Assistance program, a portion of which went to 66 University Centers; 48 investments under its Short-term Planning program; and 12 investments for Trade Adjustment Assistance Centers. These capacity-building programs serve multi-county areas where significant portions of the service area are distressed. Because distress data are not available for multi-county areas, small rural areas, or Puerto Rico, they do not correlate with EDA’s existing management information system.

To determine a community’s eligibility for investment per EDA’s legislation, the agency relies upon two primary measures of distress. One measure is per capita income; to qualify as a distressed community, the community’s average per capita income must register as 80 percent or less of the national per capita income average. The other primary measure is the 24-month unemployment rate, which must be at least one point higher than the national average. Communities or areas may also qualify based on special needs arising from actual or threatened severe unemployment or economic adjustment problems, for example:

- Closure or restructuring of industrial firms essential to area economies
- Military base closures or realignments, defense contractor reductions-in-force, Department of Energy defense-related funding reductions
- Natural or other major disasters or emergencies, that is, Presidential Disaster Declarations, federally declared disasters, and federal declarations of major disasters or emergencies
- Extraordinary depletion of natural resources, that is, fisheries, coal, and timber
- Substantial outmigration or population loss
- Underemployment
- Destructive impacts of foreign trade

- Other special needs in areas experiencing extraordinary economic adjustment assistance needs as determined by the Assistant Secretary, such as authorizing an entire district as eligible for assistance to develop a regional disaster mitigation plan instead of only those counties that had been affected by the disaster, or providing assistance in a small town where a fire had devastated its entire downtown business district.

The Trade Act of 2002, signed on August 6, reauthorized the Trade Adjustment Assistance Program for Firms and Industries through September 30, 2007. The TAAC program is a national network of twelve Trade Adjustment Assistance Centers (TAACs) funded by EDA to assist trade-injured U.S. manufacturing firms. TAACs provide three main types of assistance to firms: help in preparing petitions for certification (which must be approved by EDA); analysis of the firm's strengths and weaknesses and development of an adjustment strategy; and in-depth assistance for implementation of the strategy. Assistance in preparing certification petitions is free, but the balance of assistance is cost-shared between the TAA Program and the benefiting firm with the firm paying at least twenty-five percent of the cost.

FY 2002 Performance

In FY 2002, the Economic Development Administration (EDA) had two goals and seven measures. Of those seven measures, EDA met or exceeded all of them. This reflects an improvement from FY 2001 when EDA met ten of its twelve measures.

For many distressed communities, realizing the promise of the twenty-first century will depend on the investments that EDA makes today. Through its public investments, EDA plays an important role in the economic development and growth of distressed communities. EDA's investments in the economic growth of distressed communities lay the foundation for job creation and fuel economic growth, raising living standards and improving the quality of life.

EDA's optimal use of public funds relies on the economic leverage achieved from its strategic and focused investments in distressed communities. To create a high quality balanced portfolio of investments, EDA developed and implemented crucial investment policy guidelines that focused on and prioritized investments based on their quality and strength. In FY 2002, EDA strictly adhered to an overall investment strategy that utilized the investment policy guidelines and targeted regional competitiveness, innovation, productivity, industry clusters, and long-term development of the regional economy.

EDA's performance system includes two mutually supportive sets of performance goals and measures — Goal 1: Promote Private Enterprise and Job Creation in Economically Distressed Communities, and Goal 2: Build Community Capacity to Achieve and Sustain Economic Growth. Since the results of economic development investments are often realized years later as they are transformed into jobs, private sector investments, and social benefits that improve lives, measuring performance is a challenge. Each year, EDA uses the GPRA review process as an opportunity to improve and refine its measures. For FY 2002, EDA re-examined its measures, resulting in new and revised measures. As EDA was able to review FY 1997 and FY 1998 investment performance results for job creation and private investment at the three-year interval, EDA took an extraordinary step and significantly raised its targets on several measures.

As part of strengthening performance through the President's Management Agenda, EDA addressed each of the government-wide initiatives. Under the human capital initiative, EDA proposed to reorganize its headquarters structure to provide for the efficient and effective deployment of human resources to support an organization that is citizen-centered, results-oriented, and market-based. Through this restructuring, EDA plans to reduce headquarters staff and move those resources to fund greatly needed staff in the regions to better serve the needs of local communities. Headquarters will be streamlined, have fewer supervisors, and be staffed by employees with the requisite skills to support regional operations. This reorganization plan recognizes that the primary function of headquarters is to provide support for the core mission and operations of the Bureau. This reorganization plan was approved by the Department and by the Office of Management and Budget (OMB), and has been submitted to Congress. In addition, a rigorous review of the performance management system was undertaken that aligned personnel performance to the goals of the Bureau.

A meticulous look at outsourcing through the FAIR Act inventory during FY 2002 resulted in the identification of 102 possible “commercial” positions. During FY 2002, EDA outsourced one function, the excess capacity review function, and identified another function for cost comparison. EDA currently contracts for eight positions in the Information Systems Division and Compliance Review Division.

As part of EDA’s strategy mechanism to implement its mission and goals, and accomplish the President’s Management Agenda, EDA developed a Balanced Scorecard for both Headquarters and the regional offices. EDA’s Balanced Scorecard examines and identifies EDA’s critical, strategic priorities in five perspectives: Stakeholders, Customer, Financial, Internal Processes, and Learning and Growth. A summary of EDA’s strategic priorities is noted below.

Stakeholder Perspective

- Maximize EDA Impact on Distressed Communities
- Advance Administration’s Domestic Agenda
- Make Investments that are Engines of Growth

Customer Perspective

- Maximize Higher Skill, Higher-Wage Jobs

Financial Perspective

- Maximize Administrative Efficiency and Effectiveness

Internal Process Perspective

- Align Resources with Strategic Priorities
- Enhance Post-Approval Monitoring
- Technology-Enable Key Business Processes With Technology Upgrades

Learning & Growth Perspective

- Improve Analytical Skills
- Establish Performance Culture

EDA actively engaged in specific Information Technology (IT) security improvements during FY 2002, and continues to implement new components of the IT security program as they are established by the Department. EDA met all of the Department’s OMB Information Technology Security deadlines and requirements, including completion of IT Security Awareness Training for all EDA staff and contractors, and comprehensive security plans and system security assessments for all major information systems. All corrective actions resulting from the Government Information Security Reform Act (GISRA), General Accounting Office (GAO), and FY 2001 Financial Systems reviews were completed by September 30, 2002. The Commerce Administrative Management System (CAMS) operational environment for EDA was fully certified and accredited in September 2002.

EDA completed acquisition tasks necessary to begin the development and implementation of the Economic Development Communications and Operations Management System (EDCOMS) during FY 2002. EDCOMS will provide the necessary tools and secure infrastructure to deliver a dynamic, interactive Web portal, and support specific components of EDA's grants management cycle. The final contract was awarded in September 2002. Work on developing specific components of EDCOMS will commence during the first quarter of FY 2003. EDA successfully completed its network replacement and e-mail migration by February 2002, and conducted a comprehensive analysis of performance and response time on its major information systems.

Infrastructure Investment Data for FY 2002

Total infrastructure investments	300	\$298M
Percent of EDA infrastructure investments in distressed counties ¹	70.3%	\$189M
Percent of EDA infrastructure investments in distressed communities located in non-distressed counties ²	29.6%	\$108.6M

County Investment Data for FY 2002

Total counties in nation	3,181
Total distressed counties according to 24-month unemployment and per capita income statistics	2,110
Percent of distressed counties receiving EDA investments ²	9.4%

¹ A distressed county is determined by EDA's eligibility definition using the most recent per capita income figures or the most recent unemployment rate for the county. EDA's eligibility definition is based on per capita income of 80 percent or less of the national average; an unemployment rate that is, for the most recent 24-month period, at least one percent greater than the national average unemployment rate; or special need arising from actual or threatened severe unemployment or economic adjustment problems resulting from severe short-term or long-term changes in economic conditions."

² A distressed community in a non-distressed county is also determined by EDA's eligibility definition. Cities, towns, Indian tribes, census tracts, subdivisions, can qualify for assistance if they meet the eligibility definition although the entire county does not qualify.

Targets and Performance Summary

See individual Performance Goal section for further description of each measure.

Performance Goal 1: Promote Private Enterprise and Job Creation in Economically Distressed Communities

Measure	FY 1999 Actual	FY2000 Target	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Private sector dollars invested in distressed communities	\$420M by FY 2002 \$1,040M by FY 2005 \$2,080M by FY 2008	\$400M by FY 2003 \$1,020M by FY 2006 \$2,040M by FY 2009	\$199M from FY 1997 invest-ments ¹	\$971M from FY 1998 invest-ments ³	\$390M by FY 2005 \$970M by FY 2008 \$1,940M by FY 2011	\$640M from FY 1999 invest-ments ⁵	X	
Number of jobs created or retained in distressed communities	11,300 by FY 2002 28,400 by FY 2005 56,900 by FY 2008	11,300 by FY 2003 28,200 by FY 2006 56,500 by FY 2009	12,056 from FY 1997 invest-ments ²	12,898 from FY 1998 invest-ments ⁴	11,500 by FY 2005 28,900 by FY 2008 57,800 by FY 2011	29,912 from FY 1999 invest-ments ⁶	X	

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
State and local dollars committed/EDA dollar	\$1-\$1.2	\$1-\$1.2	\$1-\$1	\$1-\$1	\$1-\$1.1	X	
Percentage of grants to areas of highest distress	36%	45%	43%	40%	40.1%	X	
Percentage of EDA dollars invested in technology-related projects in distressed areas	New	New	N/A	10%	11.8%	X	

Performance Goal 2: Build Community Capacity to Achieve and Sustain Economic Growth

Program Outcome Measures	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Percentage of sub-state jurisdiction members actively participating in the Economic Development District Program	New	95%	92%	93%	95%	X	
Percentage of local technical assistance and economic adjustment strategy - investments awarded in areas of highest distress	31%	35%	32%	30%	30%	X	

¹ Actual private sector dollars amount — Performance exceeds the FY 1997 projected target of \$116 million by FY 2000. (snapshot of performance for first reporting interval for FY 1997 investments)

² Actual jobs — Performance exceeds the FY 1997 projected target of 5,040 jobs by FY 2000. (snapshot of performance at first reporting interval for FY 1997 investments)

³ Actual amount — Performance exceeds the FY 1998 projected target of \$130 million by FY 2001. (snapshot of performance for first reporting interval for FY 1998 investments)

⁴ Actual jobs — Performance exceeds the FY 1998 target of 5,400 jobs by FY 2001. (snapshot of performance at first reporting interval for FY 1998 investments)

⁵ Actual amount — Performance exceeds the FY 1999 projected target of \$420 million by FY 2002. (snapshot of performance for first reporting interval for FY 1999 investments)

⁶ Actual jobs — Performance exceeds the FY 1999 target of 11,300 jobs by FY 2002. (snapshot of performance at first reporting interval for FY 1999 investments)

Goal 1 includes program activities authorized by the Public Works and Economic Development Act of 1965, as amended, the Public Works and Development Facilities program, and the Economic Adjustment infrastructure and revolving loan fund program. The Public Works program promotes long-range economic development in distressed areas by providing investments for vital public infrastructure and development facilities. These critical investments enable communities to attract new, or support existing, businesses that will generate new jobs and income for unemployed and underemployed residents. Among the types of projects funded are water; sewer; fiber optics; access roads; and facilities such as industrial and business parks, business incubator and skill training facilities, and port improvements.

The Economic Adjustment Assistance program provides flexible investments for communities facing sudden or severe economic distress including revolving loan fund grants that capitalize a locally administered fund and are used for making loans to local businesses, which in turn, create jobs and leverage other private investment while helping a community to diversify and stabilize its economy. Factors that seriously threaten the economic survival of local communities include essential plant closures, military base closures or realignments, defense laboratory or contractor downsizings, natural disasters, natural resource depletion, outmigration, underemployment, and destructive impacts of foreign trade.

Through the Defense Economic Adjustment program, EDA, working with the Department of Defense Office of Economic Adjustment, assists communities that have been impacted by military base closures or reduction in defense contracting to rebuild and diversify their local economies. The development of new markets for defense-related technologies, products, and services helps the community move toward sustainable growth and greater prosperity through strategic planning and investments. After 2001, EDA’s funding for defense investments was eliminated, however, regular economic adjustment funds continue to be used to provide assistance to those communities.

EDA performance targets for long-term program outcomes are based on nine-year projections for private dollars invested and jobs created. Performance data are obtained at three-year intervals to provide snapshots of current progress in achieving the full, nine-year performance projection. FY 2000 was the first year for which data are available on long-term outcomes.

According to the performance evaluation of EDA's Public Works program (Rutgers et al. 1997), the investments "produce jobs, usually in increasing amounts, after project completion." The study found that "direct jobs six years after completion (nine years after investment award) are, on average, twice those found at completion." Because most investments are completed an average of three years after award, EDA monitors performance results at three, six, and nine years after investment award.

Goal 2 includes the following program activities authorized by Public Works and Economic Development Act: the Planning program for investments to Economic Development Districts, Indian tribes, and other planning organizations; Economic Adjustment program strategy investments; and the Technical Assistance program for University Centers, local and national technical assistance; and the Research and Evaluation program. Performance measures for trade adjustment assistance to firms authorized by the Trade Act of 1974, as amended, are included under this goal.

The Partnership Planning program is the cornerstone to effective economic and sustainable development. EDA supports local planning and long-term partnerships with state and regional organizations that assist distressed communities with strategic planning and investments. The program helps communities set priorities, determine the viability of projects, leverage resources to improve the local economy, and sustain long-term growth. Evaluations of EDA's Public Works and defense adjustment programs show that EDA planning and technical assistance programs play a significant role in the successful completion and outcomes of its infrastructure and revolving loan fund projects.

The Economic Adjustment Assistance program provides flexible investments to develop economic adjustment strategies for communities facing sudden or severe economic distress. Factors that seriously threaten the economic survival of local communities include essential plant closures, military base closures or realignments, defense laboratory or contractor downsizings, natural disasters, natural resource depletion, outmigration, underemployment, and destructive effects of foreign trade.

EDA's Technical Assistance program has three major components. The Local Technical Assistance program supports community leaders by providing technical expertise to assess local development issues and market-based solutions, feasibility studies, specialized engineering and environmental services, and other special services. The University Center program is a partnership that draws on the expertise of colleges and universities to strengthen distressed communities by providing access to current economic data, technical knowledge, analytical skills, and manpower. The National Technical Assistance program disseminates timely economic development resources, tools, and information critical for economic development professionals responding to economic changes in communities.

The Research and Evaluation program recognizes that knowledge-based programs are central to EDA's ability to respond effectively to the changing circumstances of economic development. Assessing new opportunities and initiatives, Research and Evaluation provides the vital economic information for national and local economic development practitioner and provides data critical to EDA's ability to evaluate program implementation, adapt to changing needs and priorities, and measure performance.

The Trade Adjustment Assistance program, authorized under the Trade Act of 1974, helps U.S. manufacturing firms and industries injured as a result of increased import competition. The program has received increased attention with each new round of trade agreements that lower trade barriers and increase foreign competition for U.S. manufacturers.

Resource Requirements Summary

(Dollars in Millions. Funding amounts reflect total obligations.)

Information Technology (IT)

Full Time Equivalent (FTE)

Performance Goal 1: Promote Private Enterprise and Job Creation in Economically Distressed Communities

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Salaries and Expenses	15.5	17.2	18.7	19.8
Economic Development Assistance Programs				
Public Works	205.7	204.5	285.3	249.9
Economic Adjustment	91.8	90.3	58.3	26.9
Total Funding ¹	313.0	312.0	362.3	296.6
IT Funding ²	1.7	1.2	0.9	1.8
FTE	170	174	165	155

Performance Goal 2: Build Community Capacity to Achieve and Sustain Economic Growth

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Salaries and Expenses	8.3	9.3	10.0	10.6
Economic Development Assistance Programs				
Planning	23.9	23.9	24.0	24.0
Technical Assistance	9.6	9.2	9.2	9.5
Research and Evaluation	0.5	0.5	0.5	0.4
Trade Adjustment Assistance	9.5	10.5	10.5	10.5
Economic Adjustment	26.2	20.6	22.5	13.8
Total Funding ¹	78.0	74.0	76.7	68.8
IT Funding ²	1.0	0.7	0.5	0.9
FTE	92	94	89	84

Grand Total	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Salaries and Expenses	23.8	26.5	28.7	30.4
Economic Development Assistance Programs	267.2	359.5	410.3	335.0
Total Funding ¹	391.0	386.0	439.0	365.4
Direct	391.0	386.0	439.0	365.4
IT Funding ²	2.7	1.9	1.4	2.7
FTE	262	268	254	239
Emergency Supplemental ³	18.0	20.5	64.9	6.7
Reimbursables ⁴	19.5	20.6	24.4	7.9
Total Funds Accounted For	428.5	427.1	528.3	380.0

¹ Total funding includes program dollars, salaries, and expenses. It also reflects direct obligations. It does not include one-time, disaster investments.

² IT funding included in total funding.

³ EDA receives emergency supplemental funding on an irregular basis to respond to disasters or emergencies.

⁴ EDA receives reimbursable funding that is variable in nature from year-to-year. Therefore, reimbursable resources are not factored into the performance goals.

Skill Summary:

EDA possesses the following institutional skills: economic development policy and planning; community outreach and project development; program and investment management; civil rights, environmental, and legal compliance; engineering; financial management; research and evaluation; program and management analysis; and general administration.

Information Technology (IT) Requirements:

The need for proficient IT infrastructure support is critical in order to maintain the security and stability of EDA's IT enterprise. As a result, contractor resource requirements to support and secure the new operations environment have been modified to reflect the new network, mail and office automation application standards being implemented. Increased software and hardware licensing and maintenance costs are also being incurred to fully implement the new environment. The implementation of technology upgrades during FY 2002 and FY 2003, and future technologies delivered via the EDCOMS project, will require continued restructuring of EDA's current contractor support resources to effectively manage and secure the expanded enterprise environment.

EDA staff must continue to be proficient and productive in the use of the new technology tools and system in order for the external delivery of services to be successful. EDA's network and end-user contractor resources need to be augmented in order to respond proactively to the daily operational needs of EDA staff using the new enterprise technology and tools. The anticipated IT staffing requirements are for six direct hire staff and six support contractor staff. The projected increase in operational and maintenance costs of \$258,000 in its overall operations costs is a direct result of new technologies implemented during FY 2002, as well as those being delivered in the first phase of EDCOMS at the end of FY 2003. EDCOMS Phase II components and costs are anticipated to be \$950,000 for the implementation of the internal business/administrative process and workflow automation, and participation in the Department of Commerce and government-wide electronic grants initiatives.

Performance Goal 1: Promote Private Enterprise and Job Creation in Economically Distressed Communities

Corresponding Strategic Goal

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

Rationale for Performance Goal

The Economic Development Administration (EDA) fosters a favorable environment for the private sector to risk capital investment to produce goods and services and increase productivity, thereby providing the higher-skill, higher-wage jobs that offer opportunity for all Americans. Whatever activities EDA undertakes with public dollars must demonstrate return on investment through measurable, quantifiable performance outcomes.

While successful economic development projects attract private sector capital investment and create value-added jobs, they are also beneficial for local communities and all levels of government. By investing in successful undertakings, creating jobs, and expanding the economy, the demand for government expenditures for social services decrease while tax revenues increase.

EDA's investment guidelines set standards to achieve its performance goals of promoting private investment and job creation in distressed communities. Potential investments must be market-based and proactive; maximize private capital investment; create higher-skill, higher-wage jobs; and offer a positive return on the taxpayer's investment.

Within the framework of this goal, EDA focuses on two of its programs, the Public Works and Development Facilities, and the Economic Adjustment program. EDA investments in public works serve as catalysts for other public and private investments for the establishment or expansion of commercial and industrial facilities in distressed communities. EDA also provides economic adjustment investments for infrastructure improvements and revolving loan funds to help communities and businesses respond to severe economic dislocations caused by major layoffs, plant shutdowns, trade impacts, natural disasters, and the closure of military bases and energy labs, and similar actions that adversely affect local economies.

EDA's Ongoing Performance Measurement System

EDA established an ongoing reporting system, beginning with FY 1997 grant awards, to track long-term program outcomes for private investments and job creation in distressed communities. EDA collects data (snapshots of actual performance) at three-year intervals for up to nine years following the award of the grant. This system will enable EDA to develop a database with multi-year trend data on private investments and job creation by EDA investments. FY 2000 was the first year in which data became available under the system, representing the initial reporting interval for FY 1997 Public Works investments.

Adjustments to FY 1997 and FY 1998 Performance Targets

Early projections for FY 1997 and FY 1998 performance included both direct and indirect jobs for EDA Public Works projects. In response to General Accounting Office (GAO) report RCED-99-11R, job targets were adjusted to exclude indirect jobs. This downward adjustment was largely offset when EDA began setting job targets for economic adjustment construction and revolving loan fund projects. Projections are now based on direct jobs only, resulting in conservative targets and reporting standards (beginning with FY 1999 awards). EDA continues to review and refine performance measures and targets in consultation with Congress, GAO, the Office of Management and Budget, and other bureau stakeholders and will adjust targets as appropriate when adequate trend data becomes available.

Data on Past Performance

To provide complete information on long-term outcomes (private investment and job creation), EDA includes data on past performance for two sets of construction projects that have reached the final reporting interval. Data are also provided for two sets of revolving loan fund investments. Both the two sets of construction projects and the two sets of revolving loan fund data involve projects that were approved prior to FY 1997, and provide the only long-term final outcome data available at this time. As EDA continues to collect actual outcome results, it will report trend data derived from that information.

- Baseline projects — The *Public Works Program: Performance Evaluation* (May 1997) reported on 205 Public Works projects that were completed in FY 1990. The *Defense Adjustment Program Performance Evaluation* (Nov. 1997) provided similar data for EDA defense projects ranging from two to five years in age.
- Pilot projects — EDA conducted pilot reviews during FY 1999 to obtain actual data on a second set of projects. *EDA GPRA Pilot I: Construction Projects* (Rutgers 1999) shows results for fifty-eight construction projects, six years after project completion (FY 1993). *EDA GPRA Pilot II: Revolving Loan Fund Projects* (Rutgers 1999) shows results for forty-four revolving loan fund projects, six years after approval (FY 1993).

The following tables compare actual results from the pilot projects with the results from baseline projects as presented by Rutgers et al. (Note: 1997 dollars have not been converted to 1999 dollars.)

EDA Construction Projects		
	GPRA Pilot I Results (1999)	Public Works Evaluation (1997)
Creation of permanent jobs	100%	96%
Leveraged private sector investment	98%	84%
EDA job cost ratios	\$3,445/Job	\$3,058/Job
Private sector investment	\$5.62M/M of EDA funding	\$10.08M/M of EDA funding

EDA Revolving Loan Fund Projects		
	GPRA Pilot II Results (1999)	Defense Adjustment evaluation (1997)
Creation of permanent jobs ¹	95%	96%
Leveraged private sector investment	95%	N/A
EDA job cost ratios	\$4,107/Job	\$3,747/Job
Private sector investment	\$6.25M/M of EDA funding	\$2.67M/M of EDA funding

¹ Permanent jobs are those jobs not designated as temporary positions.

Interim and Process Measures

In response to GAO recommendations, EDA developed a set of interim and process measures that can be used by EDA managers on a regular basis to set targets and track performance in critical program areas. These measures were introduced in FY 1999 and FY 2000. Policies and procedures are in place to obtain data on key performance indicators identified by program managers. Preliminary data are available for FY 2000 interim and process measures under Goal 1 and 2. EDA will report final results when data review and verification are complete. For FY 2002, EDA developed a new interim measure on technology-related projects to support the Department of Commerce strategic plan. EDA established a baseline and set a target for this measure in FY 2002.

EDA has discontinued reporting on certain interim and process measures in FY 2002. These measures, developed in response to GAO’s 1999 recommendations, provide reportable performance data pending the receipt of the long-term results on private investment and job creation of EDA grant awards. EDA is now reporting on those long-term results. As part of the balanced scorecard and to ensure the Bureau’s commitment to quality customer service, EDA will continue to track some of these measures.

FY 2002 Performance

In FY 2002, EDA achieved five of the five performance measures for performance goal 1. After an intense review during FY 2002 of the measures under performance goal 1, four were retained and a baseline was established for an outcome-oriented technology-related measure. EDA developed the technology-related measure in FY 2000, and was awaiting data to establish a target. The results of the five measures will be discussed in more detail in each measure-specific section. The discontinued measure will be assessed for management purposes.

EDA’s role is that of a catalyst, funding the most viable projects and ensuring the progress of economic growth in distressed communities. EDA looks for investments that will generate significant returns for many years. An exceptional example of such investments is a FY 1999 project with the City of Elizabeth, New Jersey. The need for infrastructure improvements reached a critical point and threatened to close a primary artery connecting internal and regional roadways to a major commercial and industrial center in Elizabeth. EDA’s investment in this area, a designated Urban Enterprise Zone (UEZ), ensured the success of the City’s economic revitalization efforts. This UEZ is the largest designated zone in the State of New Jersey. By providing improved and expanded sewer service to the area, Elizabeth’s prime commercial and industrial area became the site of New Jersey Gardens Mall, the eighth largest in the nation, home to over 200 stores and several hotels. The results of this highly successful project are reflected below in private investment for the community of \$250 million and the creation of 14,500 jobs.

Measure 1a: Private Sector Dollars Invested in Distressed Communities as a Result of EDA Investments						
	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Target	\$116M by FY 2000	\$130M by FY 2001	\$420M by FY 2002	\$400M by FY 2003	\$480M by FY 2004	\$390M by FY 2005
	\$581M by FY 2003	\$650M by FY 2004	\$1,040M by FY 2005	\$1,020M by FY 2006	\$1,200M by FY 2007	\$970M by FY 2008
	\$1,162M by FY 2006	\$1,300M by FY 2007	\$2,080M by FY 2008	\$2,040M by FY 2009	\$2,410M by FY 2010	\$1,940M by FY 2011
Actual				\$199M ¹	\$971M ²	\$640M ³
Met/Not Met				Met	Met	Met

¹ See FY 1997 target of \$116M by FY 2000.
² See FY 1998 target of \$130M by FY 2001.
³ See FY 1999 target of \$420M by FY 2002.

Explanation of Measure

This target is based on the anticipated results of the Public Works and Development facilities and economic adjustment implementation and revolving loan fund investments three years after investment award. The formula-driven calculation projects investment data at three-, six-, and nine-year intervals from the investment award. The formula is based on a study done by Rutgers University that compiled and analyzed the performance of EDA Public Works projects after nine years. Based on this formula, EDA initially estimated that ten percent of the nine-year projection would be realized after three years, and fifty percent after six years.

A review of the actual results for FY 1997 and FY 1998 performance measures shows that twenty percent of the projected private investment was realized within the first three years. Analyses of FY 1997 and FY 1998 revealed several anomalies of unusually large private investment amounts. Based on that review, EDA adjusted the three-year target to twenty percent. EDA will continue to analyze actual private investment results to collect smooth trend data prior to modifying the target further. Actual results reported here reflect a twenty-five percent discount to provide a margin of attrition for the possible change in economic conditions over the nine-year period, pending final review and analysis of performance data reported by EDA grantees.

FY 2002 Performance

EDA was successful in meeting the target established for this measure. At the end of FY 2002, three years after these investments were awarded in FY 1999, over \$640 million in private sector investments had been leveraged. The target for these FY 1999 investments was to generate \$420 million in private sector dollars by the end of FY 2002.

Measure 1b: Jobs Created or Retained in Distressed Communities as a Result of EDA Investments

	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Target	5,040 by FY 2000	5,400 by FY 2001	11,300 by FY 2002	11,300 by FY 2003	14,400 by FY 2004	11,500 by FY 2005
	25,200 by FY 2003	27,000 by FY 2004	28,400 by FY 2005	28,200 by FY 2006	36,000 by FY 2007	28,900 by FY 2008
	50,400 by FY 2006	54,000 by FY 2007	56,900 by FY 2008	56,500 by FY 2009	72,000 by FY 2010	57,800 by FY 2011
Actual				12,056 ¹	12,898 ²	29,912 ³
Met/Not Met				Met	Met	Met

¹ See FY 1997 target of 5,040 jobs by FY 2000.

² See FY 1998 target of 5,400 jobs by FY 2001.

³ See FY 1999 target of 11,300 jobs by FY 2002.

Explanation of Measure:

This target is based on the anticipated results of the FY 1999 Public Works investments three years after investment award. As in the previous explanation of measure 1a, the formula-driven calculation projects investment data at three-, six-, and nine-year intervals from the investment award. The formula is based on a study done by Rutgers University, which compiled and analyzed the performance of EDA Public Works projects after nine years. Based on this formula, EDA initially estimated that ten percent of the nine-year projection would be realized after three years, and fifty percent after six years.

A review of the actual results for FY 1997 and FY 1998 performance measures shows that twenty percent of the projected jobs were realized within the first three years. As in the previous explanation of measure, analyses of FY 1997 and FY 1998 revealed several anomalies of unusually large private investment amounts. Based on that review, EDA adjusted the three-year target to twenty percent. EDA will continue to analyze actual job creation results to collect smooth trend data prior to modifying the target further. Actual results reported here reflect a twenty-five percent discount to provide a margin of attrition for the possible change in economic conditions over the nine-year period, pending final review and analysis of performance data reported by EDA grantees.

FY 1997 and 1998 target data included both direct and indirect jobs for EDA Public Works projects. In response to comments from GAO, job targets were adjusted to exclude indirect jobs. This downward adjustment was offset when EDA set job targets to include economic adjustment construction and revolving loan fund projects beginning in FY 1999. Because the requested budgets for Public Works and economic adjustment programs remained the same in FY 2002, 2003 and 2004, the impact of the current economic contraction remains unknown, and with GAO’s recommendation to include direct jobs only, the targets will remain the same.

FY 2002 Performance

EDA was successful in meeting the target established for this measure. At the end of FY 2002, three years after these investments were awarded in FY 1999, the number of jobs reported as created and retained was 29,912. The target for these FY 1999 investments was to create or retain 11,300 jobs by the end of FY 2002. As noted in the FY 2002 Performance section of Performance Goal 1, EDA’s role as an economic catalyst is to fund projects that have the potential of tremendous impact. One exceptional investment, made in FY 1999, was in a major commercial and industrial center with the City of Elizabeth, New Jersey. EDA’s investment in this prime area became the site of New Jersey Gardens Mall, the eighth largest in the nation and home to over 200 stores and several hotels. The results of this highly successful project were the creation of 14,500 jobs. Another very successful investment was made to the Greer Commission of Public Works in Greenville County, South Carolina. EDA’s investment in a water distribution system assisted the area to be selected as the location for a BMW manufacturing facility, the first outside Germany. The reported number of jobs created and retained from this specific investment was 4,384. The actual trend analyzed and reported for jobs created and retained in FY 2000, FY 2001, and FY 2002 remain consistently close to the FY 2002 target excluding these two extraordinary investments.

Measure 1c: State and Local Dollars Committed per EDA Dollar					
		FY 1999	FY 2000	FY 2001	FY 2002
Target	State and Local Dollars/EDA Dollar	\$1 – \$0.7	\$1 – \$0.7	\$1 – \$1	\$1 – \$1
Actual ¹	State and Local Dollars/EDA Dollar	\$1 – \$1.2	\$1 – \$1.2	\$1 – \$1	\$1 – \$1.1
Met/Not Met	Met	Met	Met	Met	

¹ Due to limitations in EDA’s operational planning and control system, actuals may include some projects funded under emergency supplemental appropriations.

Explanation of Measure

Original targets for this measure were based on program evaluations (Rutgers et al. 1997), which found that construction projects funded under the section 201 Public Works Program had an EDA share of 53.6 percent and that projects funded under the section 209 Economic Adjustment Program had a median EDA share of seventy-five percent (reflecting different grant rate requirements for these programs under prior legislation). After reviewing the findings from both studies during FY 1998, EDA determined that an EDA share of sixty percent was a reasonable estimate for the combined program activities. With the

enactment of the Economic Development Administration Reform Act of 1998, EDA issued new regulations during FY 1999, increasing requirements for nonfederal funding to fifty percent of total project costs, except for areas of high distress, which qualify for higher EDA grant rates.

Targets for the ratio of state and local dollars to federal dollars remain constant after FY 2002 for two reasons. First, statutory requirements regarding the community’s matching funds changed for economic adjustment implementation investments from seventy-five percent to fifty-eighty percent to match the Public Works program in FY 1999. Second, external factors such as economic downturns increase the number of areas eligible for higher grant rates and decrease the availability of state and local dollars in distressed communities. Areas of severe economic distress can qualify for higher grant rates, which can lower the average. EDA will continue to collect multi-year data on this measure to analyze any trends to determine adjustments to the target as sufficient data become available.

FY 2002 Performance

EDA was successful in meeting the target established for this measure. For each EDA dollar invested in FY 2002, state and local entities committed \$1.13 to the project to reflect the community’s dedication to the success of project.

Measure 1d: Percentage of Investments to Areas of Highest Distress				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	20%	30%	40%	40%
Actual ¹	36%	45%	43%	40.1%
Met/Not Met	Met	Met	Met	Met

¹ Due to limitations in EDA’s operational planning and control system, actuals include some projects funded under supplemental appropriations.

Explanation of Measure

EDA actively encourages proposals from areas of highest distress, and directs program and staff resources to assist these communities in developing viable proposals and plans for successful investments. *Highest* distress areas are defined as those areas where the 24-month unemployment rate is at least 180% of the national average, or where the per capita income is not more than sixty percent of the national average. EDA investments in areas of *highest* distress have surpassed the performance target for two consecutive years following implementation of the Economic Development Reform Act of 1998. To qualify for the minimum EDA assistance, distressed communities must show that per capita income is not more than eighty percent of the national average, or that the 24-month unemployment rate is at least one percent greater than the national average, as opposed to those with *highest* distress that must meet the criteria discussed above.

FY 2002 Performance

EDA was successful in meeting the target established for this measure. While all EDA’s investments were made in distressed areas eligible under its legislative requirements, EDA awarded 40 percent of its infrastructure investments in areas of distress “higher” than its legislative requirements. Both definitions are outlined above.

Measure 1e: Percentage of EDA Dollars Invested in Technology-related Projects in Distressed Areas

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	10%
Actual				11.8%
Met/Not Met				Met

Explanation of Measure

EDA programs provide support for the efforts of the nation's distressed communities to become competitive in the new global economy. By supporting technology-based economic development, EDA offers those parts of the U.S. that have lagged behind in the opportunity to become leaders in the new economy. The new measure supports increased investment in technology-led economic development to provide better jobs and opportunities for growth in distressed communities. EDA already supports local and state initiatives to upgrade infrastructure, telecommunications, and technology-transfer facilities to support existing firms and new enterprise development. EDA also encourages greater participation by universities, community colleges, and business organizations to ensure that local firms and communities benefit from new information technologies, manufacturing processes, and applied research and development in environmental and life sciences. A task force researched EDA investments and other federal assistance available to support technology-led economic development in distressed areas.

FY 2002 Performance

EDA was successful in meeting the target established for this measure. EDA awarded 11.8 percent of its investment funding for technology investments that were primarily related to constructing or acquiring technology infrastructure or equipment.

Program Evaluation

EDA uses program evaluations to develop valid performance measures and provide a more complete understanding of overall program performance. Systematic program evaluations also allow EDA to verify results and continue to improve program performance. EDA's goal is to evaluate major program activities on a regular basis as resources permit. A research team led by Rutgers University—and including the New Jersey Institute of Technology, Columbia University, Princeton University, the National Association of Regional Councils, and the University of Cincinnati—undertook evaluations of the EDA Public Works investments, economic adjustment construction, and revolving loan fund (RLF) projects as identified below:

Evaluations completed in FY 2002:

EDA RLFs: Planning, Local Structural Change, and Overall Performance;

EDA RLFs-Performance Evaluation;

The Impact of EDA RLF Loans on Economic Restructuring;

The Impact of Planning on EDA RLF Performance (Rutgers University, 2002)

These four volumes summarize the findings of a major evaluation of EDA's Revolving Loan Fund Program. The evaluation is based on an examination of 422 EDA RLF grantees that have issued nearly 11,600 loans, examines the ways in which EDA RLF loans contribute to economic structural change in communities in which they are made, and the importance of planning in economic restructuring and RLF outcomes.

Evaluations underway:

Economic Adjustment Program Evaluation (Wayne State University et al.)

The evaluation is scheduled for completion in 2003.

Performance Goal 2: Build Community Capacity to Achieve and Sustain Economic Growth

Corresponding Strategic Goal

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

Rationale for Performance Goal

Powerful economic forces are at work today and will grow stronger in the years to come. Organizations will be pushed to reduce costs, improve quality of products and services, and increase productivity. Although adjustment to changing conditions is a challenge, the Economic Development Administration (EDA) is nonetheless committed to it. EDA is creating a new, stronger organization that will provide practitioners with a one-stop source for information and professional development.

EDA is proud of its active partnership with its economic development partners at the state, regional, and local levels. The partnership approach to economic development is key to effectively and efficiently addressing the economic development challenges facing our nation's communities.

EDA must continue to build upon its partnerships with local development officials; Economic Development Districts; University Centers; faith-based and community-based organizations; and local, state, and federal agencies. But more importantly, EDA will forge strategic working partnerships with private capital markets, and look for innovative ways to spur development.

Economic development is a local process; however, the federal government plays an important role by helping distressed communities build capacity to identify and overcome barriers that inhibit economic growth. EDA's approach is to support local planning and long-term partnerships with state and regional organizations that can assist distressed communities with strategic planning and investment activities. This process helps communities set priorities, determine the viability of projects, leverage outside resources to improve the local economy, and sustain long-term economic growth.

EDA planning funds support the preparation of Comprehensive Economic Development Strategies that guide EDA Public Works and economic adjustment implementation investments, including revolving loan funds. Sound local planning also attracts other federal, state, and local funds plus private sector investments to implement long-term development strategies. Evaluations of EDA's Public Works and defense adjustment programs show that EDA capacity-building programs play a significant role in the successful outcomes of its infrastructure and revolving loan fund projects.

FY 2002 Performance

EDA was successful in meeting the targets established for the measures under this goal. After a critical review of the previous seven measures for performance goal 2, two were retained and five new, outcome-oriented measures were developed. The five new measures are being tracked this year and next year in order to develop a baseline and set targets. Of the two retained measures, EDA achieved both. The results of the two measures will be discussed in more detail in each measure-specific section. Some of the discontinued measures will be assessed for management purposes as indicated.

Measure 2a: Percentage of Sub-state Jurisdiction Members Actively Participating in the Economic Development District (EDD) Program

	FY 1999	FY 2000	FY 2001	FY 2002
Target	EDA developed the plan for evaluating economic development district performance.	75%	85%	93%
Actual		95%	92%	95.3%
Met/Not Met		Met	Met	Met

Explanation of Measure

Under EDA's amended legislation, participation of sub-state jurisdictions in Economic Development Districts was reduced from seventy-five percent to more than fifty percent for district designation purposes. Economic Development Districts generally consist of three or more counties that are considered member jurisdictions. Sub-state jurisdiction participation is an indicator of the District's responsiveness to the area it serves and shows that the services they provide are of value. Active participation was defined as either attendance at meetings or financial support of the Economic Development District during the reporting period. In FY 2001, EDA revised the definition of sub-state jurisdiction members as follows:

“Sub-state jurisdiction members are independent units of government (cities, towns, villages, counties, etc.) and eligible entities substantially associated with economic development, as set forth by the district's by-laws or alternate enabling document.”

EDA will continue to analyze trend data for further refinement.

FY 2002 Performance

EDA was successful in meeting the target established for this measure. Of the 12,054 sub-state jurisdictions recognized as eligible for participation in economic development districts, 11,487 or 95.3 percent, are participating in the districts.

Measure 2b: Percentage of Local Technical Assistance and Economic Adjustment Strategy Investments Awarded in Areas of Highest Distress

	FY 1999	FY 2000	FY 2001	FY 2002
Target	20%	25%	30%	30%
Actual	31%	35%	32%	30%
Met/Not Met	Met	Met	Met	Met

Explanation of Measure

Local technical assistance investments provide specialized technical or professional services to help local officials evaluate investment opportunities and solve complex development issues. Strategy investments help local communities adjust to sudden and severe economic dislocations and long-term declines that affect key sectors of the local economy. Areas of *highest* distress for this measure include areas where the 24-month unemployment rate is at least 180 percent of the national average and where

per capita income is not more than sixty percent of the national average, as well as Indian Tribes and areas suffering from natural disasters. To qualify for the minimum EDA assistance, distressed communities must show that per capita income is not more than eighty percent of the national average, or that the 24-month unemployment rate is at least one percent greater than the national average, as opposed to those with *highest* distress that must meet the criteria discussed above.

FY 2002 Performance

EDA was successful in meeting the target established for this measure. While all EDA's investments were made in distressed areas eligible under its legislative requirements, EDA awarded 30 percent of its capacity-building investments in areas of distress "higher" than its legislative requirements. Both definitions are outlined above.

Program Evaluation

EDA uses program evaluations to develop valid performance measures and provide a more complete understanding of overall program performance. Systematic program evaluations also allow EDA to verify results and continue to improve program performance. EDA's goal is to evaluate major program activities on a regular basis as resources permit. Evaluations involving EDA planning, technical assistance, and trade adjustment programs are identified below:

Evaluations completed in FY 2002:

Evaluation of University Center Program (Mt. Auburn Associates, 2002)

EDA's University Center Program provides annual funding to higher-education institutions throughout the country for the support of local and regional economic development. Currently, sixty-nine university centers are located in forty-five states and Puerto Rico. The primary purpose of the program is to improve the economies and economic development capacity of center service areas, with emphasis on economically distressed communities.

Evaluation of Planning Program (Wayne State University, 2002)

This report is an evaluation of the EDA's Planning Program that supports 323 Economic Development Districts (EDDs) to facilitate strategies for economic development in their communities. Some of the report's observations include 1) the Comprehensive Economic Development Strategy (CEDS) process provides the critical backbone for economic development planning at the regional level, 2) EDDs very effectively use the EDA funding they receive, and 3) there is a strong emphasis on capacity building.

Evaluations Underway:

Local Technical Assistance Program Evaluation (Bowling Green State University)

The evaluation is scheduled for completion in FY 2003.

EDA Data Validation and Verification

The EDA GPRA pilots provided trend data on past performance, as presented earlier. They also provided critical outreach and training for EDA grantees and staff on valid reporting methods and verification of performance data on long-term outcomes. EDA achieved a ninety-eight percent response rate on the FY 1999 pilots and conducted site visits to more than twenty-five percent of the projects to validate and verify data reported. The data was provided to Rutgers University for review and comparison with the original evaluations.

EDA validated some of the FY 1999 performance results on private sector investment and job creation upon receipt of the data. Regional offices verified eighty-nine percent of the total Public Works and economic adjustment private sector investment and fifty-eight percent of the total Public Works and economic adjustment jobs reported for FY 2002 by directly contacting investment recipients to request supporting information. Reports were completed that identified how the data was verified and the person or business contacted to verify the data. In FY 2002, EDA conducted six validation site visits on six FY 1998 investments, one in each region that had been closed out by the end of FY 2001. At the time of the visit, the investments were reviewed utilizing the data report outline below. In all cases, the private investment and jobs created were verified, and the results were even higher at the time of the visit than at the time the data was reported, which ranged from one to two years earlier.

EDA processing procedures specify that staff verify proposed private investment and jobs. Proposals for EDA investments are reviewed by regional Investment Review Committees (IRC) then forwarded to the Senior Advisor for Performance Evaluation at Headquarters. This quality assurance process was implemented to determine whether the IRC endorsed investment satisfies the regulations and the Investment Policy Guidelines, as amended. Once a project has been invited for investment, the application includes a form, Assurances of Compliance, Exhibit V.B.1.b., that requires the entity to identify the estimated number of jobs and sign the form.

EDA utilizes the following criteria for site selection to verify the private investment, job creation, and retention data reported for its performance measures.

- The fiscal year data being verified is from an investment that was closed within the appropriate three-, six-, or nine-year reporting timeframe.
- EDA investment is equal to or greater than \$500,000.
- Private investment dollars and jobs created or retained is present.
- At least one verification site visit per region will be conducted.
- A varied selection of Public Works and economic adjustment (regular, defense, or revolving loan fund) investments will be reviewed.

The GPRA site validation visit report includes background of the EDA investment and a project description. The following data is requested from the investment recipient with accompanying documentation for each item to verify the information.

- The tax assessment of the property or the building, before and after the construction or renovation.
- The number of jobs retained at the time of project close-out and at the time of the site visit. Sources must be identified with documentation.
- The number of jobs created at the time of project close-out and at the time of the site visit. Sources must be identified with documentation.
- The average salary of building's previous tenants, if applicable, or average annual wage before EDA investment.
- The average salary of the building's present tenants, if applicable, or average annual wage after EDA investment.
- Are the present jobs considered 'higher skilled' than the previous jobs and why?
- The amount of private investment at the time of project closeout and at the time of the site visit. Sources must be identified with documentation.
- The increase in Local Real or Business Property Tax Base (in dollars).
- The percentage of population growth (or decline) since investment award.

Direct project-related results, direct non-project-related results, and indirect results (if any) are identified in the report, as well as an overall assessment of the EDA investment. Photos, brochures, and news-related articles (if available) are also included.

As EDA collects and analyzes the data, EDA will use it to adjust performance targets as needed. The EDA Data Validation and Verification table can be found on the following page.

EDA Data Validation and Verification

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 1a: Private sector dollars invested in distressed communities as a result of EDA investments	Investment recipient performance reports.	At three-year intervals (typically three, six, and nine years after investment).	EDA Management Information System	To validate data, EDA regions contacted recipients, or confirmed with engineers or project officers who had been on site. EDA performs regional validation on site visits with some recipients.	Universe - FY 1999 Regular Appropriations for Public Works and Development Facilities and Economic Adjustment Implementation and revolving loan fund investments. Private investment may vary along with economic cycles.	EDA will continue to monitor investment data.
Measure 1b: Jobs created or retained in distressed communities as a result of EDA investments	Investment recipient performance reports.	At three-year intervals (typically three, six, and nine years after investment).	EDA Management Information System	To validate data, EDA regions contacted recipients, or confirmed with engineers or project officers who had been on site. EDA performs regional validation on site visits with some recipients.	Universe - FY 1999 Regular Appropriation for Public Works and Development Facilities investments and Economic Adjustment Implementation and revolving loan fund investments. It may be more expensive to create or retain jobs during economic downturns because of fewer private sector investments; therefore, fewer jobs would be created or retained.	EDA will continue to monitor job creation data.
Measure 1c: State and local dollars committed per EDA dollar	Investment recipient applications and progress reports.	At the time of award of investment.	EDA Management Information System	EDA verifies nonfederal funds committed to projects prior to disbursement of investment funds.	Universe - FY 2002 Regular Appropriations for Public Works and Development Facilities, Economic Adjustment Implementation investments; the match rate may decrease in cases of severe distress while eligible areas increase during economic downturns.	EDA will continue to monitor state and local investment data.
Measure 1d: Percentage of investments to areas of highest distress	Investment recipient applications, the Bureau of Labor Statistics current 24-month unemployment data, and the most current Bureau of Economic Analysis per capita income data.	Ongoing	EDA Management Information System	EDA regional offices verify the eligibility of potential projects upon receipt. EDA also samples projects periodically to ensure accurate project location codes. Statistical data is based on the Bureau of Labor Statistics' current 24 month unemployment data and the most current Bureau of Economic Analysis per capita income data.	Universe - FY 2002 Regular Appropriations for Public Works and Development Facilities, Economic Adjustment Implementation investments; the number of highest distressed areas will increase during economic downturns and decrease during economic expansions.	EDA will determine the appropriate investment portfolio mix for its limited resources and continue to monitor results.
Measure 1e: Percentage of EDA dollars invested in technology-related projects in distressed areas	Investments that are specifically identified and coded in EDA's Management Information System.	Ongoing	EDA Management Information System	EDA regional offices verify and code potential projects upon invitation. EDA also samples projects periodically to ensure accurate codes.	Universe - FY 2002 Investments from EDA funding sources that are direct investments in technology-related construction or acquisition, or investments related to expanding the technology potential of companies, communities, or areas; EDA investments are dependent on the type of opportunities communities present.	EDA will continue to monitor and develop trend data.
Measure 2a: Percentage of substate jurisdiction members actively participating in the Economic Development District (EDD) program	Investment recipients	Annually	EDA Management Information System	EDA conducts performance reviews and site visits on approximately one-third of the District and Indian Tribe investments per year.	Universe - EDA Partnership Planning investments only. This measure shows the value-add of the Economic Development Districts in which EDA invests. While an Economic Development District may be effective, members still may not participate for other reasons.	EDA will continue to monitor compliance with the new definition of sub-state member jurisdictions.
Measure 2b: Percentage of local technical assistance and economic adjustment strategy investments awarded in areas of highest distress	Investment recipient applications, the Bureau of Labor Statistics current 24 month unemployment data, and the most current Bureau of Economic Analysis per capita income data.	Ongoing	EDA Management Information System	EDA verifies data prior to investment approval.	Universe - EDA Local Technical Assistance and Economic Adjustment Strategy investments. The number of highly distressed areas will increase during economic downturns and decrease during economic expansions affecting EDA investments in these communities.	EDA will determine the appropriate investment portfolio mix for its limited resources and continue to monitor results.



Minority Business Development Agency

Mission Statement

The Minority Business Development Agency is an entrepreneurially-focused and innovative organization, committed to minority business enterprise and wealth creation.

The Minority Business Development Agency (MBDA) is the only federal agency created specifically to foster the establishment and growth of minority-owned businesses in the U.S. The Department of Commerce's "Economic Information and Framework" theme is supported by the policies and programs that MBDA designs to increase minority business participation in the national and global economy.

MBDA is re-engineering its organizational structure into a new and vigorous direction of entrepreneurial management. If the nation's emerging businesses are to compete nationally and internationally in the rapidly changing global economy, MBDA, as the national lead agency for minority and emerging businesses, must be transformed from a historically administrative agency to a new and vigorous entrepreneurial organization.

An entrepreneurial organization is designed to *purposefully* engage in *systemic*, continuous, innovative, and performance improvement strategies. The fusion of innovation and entrepreneurship is critical in a systemic model to pursue purposeful and strategic opportunity.

MBDA's new entrepreneurial motivation includes the establishment of strategic public and private sector alliances that will move minority businesses beyond the historical focus on increased penetration and dependence on the federal government marketplace. MBDA's entrepreneurial vision challenges the entrepreneur to make sound business decisions, to accept risks as a factor of doing business, and to implement "best practice" models for sustainable growth.

MBDA will continue to leverage its resources for delivering business development services by utilizing electronic tools. MBDA services and electronic tools are accessible throughout the country via the Internet. The introduction of MBDA's Minority Business Information Portal in FY 2002 was a major step toward reaching a significantly larger client base. The Internet portal will be used by minority businesses to access Agency services and it will be the national center for referral of minority-owned businesses of all sizes to the vast network of public and private sector resources. MBDA will continue to provide specialized access to markets and financial capital for firms seeking substantial growth opportunities. Management and technical assistance, education and training will be provided by MBDA's network of Business Development Centers through its Minority Business Internet Portal (MBIP). Virtual Business Development Centers, Geographic Business Information Systems (GBIS) and the Phoenix/Opportunity System are accessible through the MBIP.

According to U.S. Census Bureau statistics, the number of minority-owned firms increased 41 percent between 1992 and 1997. Yet minority businesses account for only 14.6 percent of total businesses and 3.2 percent of business receipts and 4.4 percent of employment. The Census Bureau is projecting that 90 percent of the net U.S. population growth over the next fifty years will be in minority groups. Although minority-owned businesses experienced substantial growth between 1992 and 1997, there remain significant disparities between minority and non-minority firms. In order to address the disparities, MBDA has instituted a strategy and policy initiative of *entrepreneurial parity*. Entrepreneurial parity is defined as reaching proportionality between minority population percentage and percentage share of business development measures such as numbers of firms, gross receipts, and employment. The state of minority business in 1997 would look radically different if entrepreneurial parity had been achieved. In this scenario, the number of minority-owned businesses would have been almost twice the actual number, or 5.7 million firms, rather than 3 million firms. Entrepreneurial parity in minority-owned business receipts would have resulted in more than eight times the actual number, from \$0.6 trillion to \$5.1 trillion. Employment in minority-owned firms would increase from 4.5 million to 28.2 million if entrepreneurial parity were achieved.

The Business Participation Rate (BPR) is a measure of businesses in a specific population group for every 1000 persons in that group. The national BPR for non-minority groups is 91 firms for every 1000 people in the United States. For minorities, the BPR is 42 firms for every 1000 minorities.

While businesses of all size categories are important, the national minority business community needs to focus on becoming “growth firms” that can compete in an era of contract bundling and strategic partnering. Entrepreneurial initiatives, electronic commerce and a willingness to engage in strategic alliances and joint ventures will continue to be promoted by MBDA in the minority business community.

Priorities/Management Challenges

In FY 2002, MBDA started its transformation from an agency focused on the administration of business development programs to an agency *entrepreneurially-focused* and committed to the empowering of minority business enterprises for the purpose of wealth creation.

MBDA has been developing plans to address the Agency’s commitment to human capital. The Agency’s plans include the development of training initiatives for continuous improvement at MBDA. MBDA promotes succession planning to address the fact that 40 percent of MBDA’s workforce is currently eligible for retirement. Simultaneously, employee training and re-training requires innovative and cost efficient techniques.

MBDA has a tremendous task in the development of minority businesses. MBDA will capitalize on its available resources to maximize assistance. To assist in its efforts, MBDA leverages existing resources to extend its outreach further into the minority business community. MBDA utilizes private/public sector strategic alliances, Internet technology, research and innovation, its funded network of business development providers, and the vast internal assets at the Department of Commerce to expand its reach.

During FY 2002, MBDA diligently asserted the business case for its existence and the critical federal role that minority business development plays in the economic solvency of the nation.

FY 2002 Performance

In FY 2002, MBDA had three goals and nine measures. MBDA met all nine measures. In FY 2002, the President's Management Agenda was the benchmark for MBDA's reengineered performance goals and measurements. MBDA implemented its plan to transform from a primarily administrative agency to an entrepreneurially focused and innovative organization. This transformation was designed to leverage limited resources by strategically utilizing technology and innovative management techniques. MBDA also reviewed its target forecasting to ensure valid and obtainable targets based on expectation of its' funded network of business assistance providers. This resulted in the achievement of all performance targets in FY 2002.

MBDA's management approach utilized continuous improvement techniques and strategies to foster a team-oriented workplace culture. Through increased communications and customer relations management, MBDA has successfully completed the first phase of its entrepreneurial transformation.

By maximizing advocacy and outreach activities, MBDA has leveraged its available resources and has reached a larger percentage of the minority business community. This year, attendance at MBDA's National Minority Enterprise Development Week Conference increased over 50 percent. White House representatives, Cabinet-level officials, and industry executives joined hundreds of minority business enterprises to reinforce the impact of successful minority business enterprise on our nation's economy.

Targets and Performance Summary

See individual Performance Goal section for further description of each measure.

Performance Goal 1: Develop an Entrepreneurially Innovative Market-focused Economy

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Dollar value of contracts awarded to assisted minority-owned businesses	\$0.6B	\$1.2B	\$1.6B	\$1.0 B	\$1.3B	X	

Performance Goal 2: Improve the Opportunities for Minority-owned Businesses to Pursue Financing

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Number of financial packages received by assisted minority-owned businesses	755	556	1,155	1,000	1,512	X	
Dollar value of financial packages to assisted minority-owned business	\$0.7B	\$0.2B	\$0.6B	\$0.4B	\$0.4B	X	

Performance Goal 3: Improve Organizational Effectiveness, Responsiveness and Efficiencies

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Number of national strategic partnerships	New	New	New	6	6	X	
Number of interagency and interdepartmental initiatives and agreements (Federal, State, and Local Government)	New	New	New	6	6	X	
Average annual Minority Business Internet Portal (MBIP) hits	New	New	New	50,000	585,755	X	
Average user time for MBIP	New	New	New	13 mins.	14½ mins.	X	
Number of phoenix-opportunity matches	New	New	New	40,000	343,826	X	
Number of employees training hours	New	New	New	3,384	9,817	X	

Resource Requirements Summary

(Dollars in Millions. Funding amounts reflect total obligations.)

Information Technology (IT)

Full-Time Equivalent (FTE)

Performance Goal 1: Develop an Entrepreneurially Innovative Market-Focused Economy				
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Business Development	8.8	9.5	8.5	4.6
Advocacy, Research, and Information	6.2	6.6	5.9	3.6
Total Funding	15.0	16.1	14.4	8.2
IT Funding ¹	0.9	0.9	0.9	0.6
FTE	58	61	54	31

Performance Goal 2: Improve the Opportunities for Minority-owned Businesses to Pursue Financing				
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Business Development	8.1	8.3	8.0	6.7
Advocacy, Research, and Information	5.6	5.5	5.5	3.5
Total Funding	13.7	13.8	13.5	10.2
IT Funding ¹	0.6	0.6	0.8	0.7
FTE	38	40	36	40

Performance Goal 3: Improve Organizational Effectiveness, Responsiveness and Efficiencies				
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Business Development	New	New	New	5.5
Advocacy, Research, and Information	New	New	New	4.4
Total Funding	New	New	New	4.9
IT Funding ¹	New	New	New	0.9
FTE	New	New	New	21

Grand Total	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Total Funding	28.7	29.8	27.9	28.3
Direct	28.4	29.5	27.6	28.2
Reimbursable ²	0.3	0.3	0.3	0.1
IT Funding ¹	1.5	1.5	1.7	2.2
FTE	96	101	90	92

¹ IT requirements: Operations, maintenance, and reengineering; IT funding included in total funding.

² Reimbursable funding included in total funding.

Skill Summary: Marketing, Finance, Research, Information Technology, and Internet.

FY 2002 Performance Goals

Performance Goal 1: Develop an entrepreneurially innovative market-focused economy

Corresponding Strategic Goal

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

Rationale for Performance Goal

The Minority Business Development Agency (MBDA) is an entrepreneurially focused organization that provides business development services to the minority business community via a combination of funded projects and e-commerce. Although an array of business development services are provided and measured, the obtainment of contracts and financing are major components of business development. MBDA monitors, verifies, and captures results in its performance database.

The identification and obtainment of market opportunities has a direct impact on the gross receipts of minority businesses. This key indicator of business success is measured to determine wealth and opportunities that contribute to overall economic security. A strategy of an “Entrepreneurially Innovative Market-focused Economy” leads to increases in innovation, productivity, wealth creation, and global competitiveness, which are necessary for sustained domestic economic growth and expansion.

FY 2002 Performance

MBDA continues to exceed its target related to the “Dollar Value of Contracts Awarded to Minority Business Enterprises.” Management focused its human capital and technological resources on identifying new domestic and global markets for the benefit of the minority business community and the nation. MBDA continues to operate its electronic bid matching system that has resulted in a sizable number of contract opportunities for minority businesses since its inception. The implementation of customer-focused performance standards, advocacy, and outreach efforts by MBDA staff and its strategic partners have increased the number of contract opportunities available in FY 2002.

Measure 1a: Dollar Value of Contracts Awarded to Assisted Minority Businesses				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	\$0.6B	\$0.6B	\$0.7B	\$1.0B
Actual	\$0.6B	\$1.2B	\$1.6B	\$1.3B
Met/Not Met	Met	Met	Met	Met

Explanation of Measure

The dollar value of contracts awarded is a primary factor in measuring the success of MBDA's services to Minority Business Enterprises (MBE). MBDA measures the success of its programs using the following activities:

- Management and Technical Assistance provided to the minority business community
- Total number and dollar value of contracts awarded to minority businesses
- Number of clients served and hours of service provided
- The dollars invested in the Minority Business Development Centers (MBDCs), Native American Business Development Centers, and the Minority Business Opportunity Committee (MBOC) programs and the return on those dollars

The immediate goal of the measure is to provide contract opportunities to the minority business community. The focus will be on increasing the size of firms, employment, and gross receipts through the implementation of a strategy of entrepreneurial parity. This will bridge the gap for procurement and market opportunities between the public and private sector organizations and MBEs.

FY 2002 Performance

MBDA met its target. MBDA has transformed itself from an administration agency to an entrepreneurial organization. The agency has played a role in strictly adhering to scrutiny in meeting its performance measures using a team strategy, linked to continuous improvement, to motivate strategic partners and linked to continuous improvement to realize a greater return on investment.

MBDA also re-engineered the MBDC and the MBOC programs. For example, the MBDC program was redesigned to achieve maximum impact from the Internet-based electronic tools available on MBDA's Minority Business Information Portal. The combined result of these redesigns helped to increase the dollar value of contracts awarded to minority businesses in FY 2002.

Program Evaluation

MBDA's Reorganization Plan established an Office of Performance and Program Evaluation that will assess the success of all of its program initiatives and internal operations. This office will review and evaluate performance measurements, and develop and conduct a comprehensive, ongoing evaluation process to assess and improve the effectiveness of Agency programs.

Currently, MBDA conducts performance assessments periodically on each of its funded projects. A detailed, comprehensive source verification process is used to confirm the validity of data. The Strategic Planning process ensures that performance measurements continue to assess program effectiveness.

Performance Goal 2: Improve Opportunities for Minority-owned Businesses to Pursue Financing

Corresponding Strategic Goal

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

Rationale for Performance Goal

Historically, capital access programs for minority businesses have focused on debt capital. Based on a study commissioned by the Milken Institute for the Minority Business Development Agency (MBDA) in 2000, “Democratizing Capital for Emerging Domestic Markets,” it is estimated that minority business enterprise demand for equity capital exceeds \$144 billion per year. Minority business enterprise demand for debt financing is approximately \$1 billion. As the minority business community continues to grow, the demand for capital will increase over the next 20 years. MBDA is working to address these challenges by collecting and assessing information about the financing needs of the minority business community. The results will be disseminated to financial institutions, policymakers, and the minority business community. Additionally, MBDA is exploring innovative strategies and instruments to increase capital flow to minority communities along with working in public and private partnerships. Obtaining financing represents actual assistance by MBDA’s funded network contributing to the development of minority businesses. The results are monitored, verified, and captured in MBDA’s Performance database.

FY 2002 Performance

MBDA pursued new avenues in obtaining venture capital by creating the MBDA Equity Capital Access (MECA) program, which links MBEs with start-up and growth capital. This program, along with other activities conducted by MBDA, helped sharpen the focus of the Agency in addressing the lack of capital in the minority business community.

Measure 2a: Number of Financial Packages Received by Assisted Minority-owned Businesses				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	858	858	925	1,000
Actual	755	556	1,155	1,512
Met/Not Met	Not Met	Not Met	Met	Met

Explanation of Measure

MBDA measures the number of financial packages that are awarded to minority business enterprises as a result of services provided by the Minority and Native American Business Development Centers (MBDC/NABDC) and MBOCs.

FY 2002 Performance

In September 2000, MBDA published unprecedented research reflecting minority entrepreneurs’ limited access to equity capital entitled “Minority Business Challenge.” In response to these findings, the agency created the MBDA Equity Capital Access (MECA) program to close this “equity gap.” The ideology of the MECA program was incorporated into the National Minority Enterprise Development (MED) Week 2002 Conference. This effort represented an enhancement of MBDA’s current capabilities in successfully linking minority entrepreneurs with start-up and growth capital. MBDA retained the Emerging Venture Network to conduct the program. MECA included:

- A nationwide business plan search for high-growth minority entrepreneurs
- A “boot camp” training program at MED Week 2002 for selected finalists
- A panel presentation and pitch session at MED Week 2002 for all participants

These programs were designed to highlight, educate, stimulate, and motivate the national community to focus on the lack of access to capital for MBEs.

Measure 2b: Dollar Value of Financial Packages to Assisted Minority-owned Business				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	\$0.7B	\$0.9B	\$1.0B	\$0.4B
Actual	\$0.7B	\$0.2B	\$0.6B	\$0.4B
Met/Not Met	Met	Not Met	Not Met	Met

Explanation of Measure

Minority business enterprises must have access to capital in order to grow and create U.S. jobs. The dollar value of financial transactions that is a result of services provided by MBOCs and BDCs is a clear barometer of MBDA’s program success.

MBDA’s performance reporting system captures verifiable information concerning the dollar value of loans and bond packages delivered by MBDA’s funded organizations to minority business enterprises. The Minority Business Internet Portal continues to increase the number of clients seeking and acquiring business development services through MBDA’s funded organizations.

FY 2002 Performance

MBDA met its target. The dollar value of financial packages reflects the extent to which MBDA has impacted the ability of minority business enterprises to gain access to financing. In FY 2002, the dollar value of financing was positively impacted by management and technical assistance provided by the Minority Business Development Centers and Portal.

MBDA continued its efforts to provide research and policy that will have long-term impacts on the overall financial environment for minority business enterprises. Of particular note is the development of an Internet-based Loan Analyzer that will address the need for fast, reliable analysis of the credit-worthiness of minority-owned businesses.

During MED Week 2002, Treasury Secretary O’Neil, the White House Council of Economic Advisors, and the National Association of Investment Capital were all active in discussions on access to capital and other financial institutions to ensure full participation in the economy of the U.S., both domestically and globally.

Program Evaluation

MBDA's service providers sign three-year cooperative agreements that are renewed annually. The three-year agreements outline the number of contracts, the dollar value of contracts, the number of financial transactions, and the dollar value of financial transactions required on a quarterly basis during the contract period.

Each day, staff monitors input these measures into the Performance Reporting System. Feedback is provided concerning progress on a quarterly and as-needed basis. Each year renewal of the Cooperative Agreement is based on performance as it relates to achieving the goals. A comprehensive evaluation of the results of the performance of service providers is conducted semi-annually.

Performance Goal 3: Improve Organizational Effectiveness, Responsiveness, and Efficiencies

(This performance goal was not included in the FY 2002 APP; however, it was included in the FY 2003 APP with targets for FY 2002. Therefore, it is presented here with the measures that had targets for FY 2002.)

Corresponding Strategic Goal

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

Rationale for Performance Goal

The Minority Business Development Agency (MBDA) is committed to promoting the President’s Management Agenda. In order to accomplish this, MBDA has established new goals and objectives to expand its client base and to rebuild the agency.

In FY 2002, MBDA unveiled the Minority Business Internet Portal (MBIP). This electronic system extended MBDA’s ability to collect data to be used for Government Performance and Results Act reporting. This system also facilitates user access while maintaining (and in some cases increasing) security measures. MBDA integrated its Intranet, Extranet, and Internet into one easily-accessible, user-friendly Internet portal.

FY 2002 Performance

MBDA established this performance goal to address the President’s Management Agenda (i.e., e-Commerce and human capital) and the establishment of the MBIP. This goal also captures the number of public and private partnerships developed to assist in leveraging our internal and external assets.

In FY 2002, MBDA has developed an entrepreneurial and innovative focus to leverage limited resources by strategically utilizing technology and innovative management techniques. The leveraging of resources will result in increasing MBDA’s client base. To accomplish this, MBDA’s strategy is to begin developing partnerships with the public and private sectors.

During the fiscal year, MBDA also used the President’s Management Agenda as the benchmark for MBDA’s re-engineered performance goals and measurements. MBDA’s management approach utilizes continuous improvement techniques and strategies to foster a team-oriented workplace culture. Through increased communications and customer relations management, MBDA has successfully completed the first phase of its entrepreneurial transformation.

Measure 3a: Number of National Strategic Partnerships				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	6
Actual				6
Met/Not Met				Met

Explanation of Measure

MBDA's success will be based in part on leveraging value-added resources through strategic alliances that enhance minority business development. The number of effective partnerships that are secured will maximize and broaden outreach efforts.

FY 2002 Performance

MBDA met its target. The following are two examples of MBDA's national strategic partnerships:

- National Director, Ronald Langston established a partnership with the Club de Empresas Exportadoras Espanolas in June 2002 to enhance the ability of U.S. minority businesses and Spanish businesses to jointly gain increased access to the global marketplace.
- In FY 2002, MBDA entered into a partnership with AT&T. AT&T is a major firm that markets to large businesses. By utilizing AT&T's supplier diversity process, MBDA has been able to enhance business opportunities for minority business enterprises.

Measure 3b: Number of Interagency and Interdepartmental Initiatives and Agreements				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	6
Actual				6
Met/Not Met				Met

Explanation of Measure

MBDA is mandated to coordinate federal government programs that strengthen minority business efforts. By establishing interagency and interdepartmental initiatives and agreements, MBDA will ensure the maximum impact of all federal expenditures to increase minority business development.

FY 2002 Performance

MBDA met its target. MBDA has used its internal assets with the Department of Commerce to strengthen its outreach to include International Trade Administration (ITA), National Institute of Standards and Technology (NIST), and National Oceanic and Atmospheric Administration (NOAA) to leverage value-added resources on behalf of MBEs. In addition to these agencies, MBDA has partnered through its Economic Development Division with the Tennessee Valley Authority (TVA) across seven Southeastern states to form a partnership to ensure that minority-owned businesses are afforded full opportunity and access to TVA's tailored packages of technical, capital and managerial assistance. TVA has also established a link from its Web site to MBDA's portal.

Measure 3c: Average Annual MBIP Hits

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	50,000
Actual				585,755
Met/Not Met				Met

Explanation of Measure

It is critical that MBDA measure the utilization of MBIP because it is intended to deliver high-quality tools and services to the minority business community. MBDA, with other public and private entities, is attempting to measure the effectiveness of its Web site. For MBDA, one of the measurements used will be the number of hits received on the Web site. Although hits provide a quick reference for benchmarks, MBDA is currently investigating new processes to measure success and benchmark for empirical data.

FY 2002 Performance

MBDA exceeded its target. The number 585,755 represents “meaningful” visits to MBDA’s MBIP, meaning users actually went beyond the homepage and accessed various images and hyperlinks. All users are required to register and log on to the system in order to access the electronic business tools available on the portal, such as Resource Locator, Business Locator, Congressional Information System, NAICS Code Finder, Opportunity, and Phoenix systems. The large number of user sessions signifies that the minority business community is utilizing the electronic business tools and services. The FY 2002 target was an estimate based on limited available data. Future targets will be adjusted to reflect actual data realized for the first time in FY 2002.

Measure 3d: Average User Time for MBIP

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	13 mins.
Actual				14 1/2 mins.
Met/Not Met				Met

Explanation of Measure

The MBIP is designed to provide information for and about minority businesses. The number of minutes that each user spends on the MBIP indicates the extent to which the information provided is useful to the minority business community.

FY 2002 Performance

MBDA met its goal. The average user time on the MBIP signifies that for each visit on average, users spend 14 1/2 minutes per user session. This duration of time demonstrates that MBEs are not only accessing the MBIP, but are staying on the portal and using the electronic business tools.

Measure 3e: Number of Opportunity Matches

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	40,000
Actual				343,826
Met/Not Met				Met

Explanation of Measure

The Phoenix/Opportunity Database system electronically matches minority businesses with contract opportunities. The Phoenix/ Opportunity Database consists of two databases that allow minority businesses to register their capabilities on-line and vendors to post business opportunities on-line. The databases electronically match the capability with the opportunity. Notification is electronically performed by generated faxes to the business with the particular capability. The number of matches correlates with how successful MBDA has been in providing information concerning contracts to the appropriate minority business enterprise.

FY 2002 Performance

MBDA met its target. The Phoenix/Opportunity Database On-line bid matching system is available on the portal to benefit those minority businesses that may or may not be assisted through MBDA’s “bricks and mortar” operations, such as Regional and/or District Offices, MBOCs and BDCs. The number of matches identified through this system provides contract opportunities posted by private and public sector organizations seeking partnerships with minority businesses. MBDA serves as a clearinghouse for critical activities that result in successful growth of minority businesses and wealth creation in minority communities. The FY 2002 target was an estimate based on limited available data. Future targets will be adjusted to reflect actual data realized for the first time in FY 2002.

Measure 3f: Number of Employee Training Hours

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	3,384
Actual				10,000
Met/Not Met				Met

Explanation of Measure

The National Director has set forth a new organizational structure designed to obtain the goals, objectives, and strategies outlined in the Agency’s mission statement and business plan. To effectively implement the Agency’s mission, MBDA has initiated a “continuous improvement strategy” that will also require annual education and training of its employees.

FY 2002 Performance

MBDA met its target. In accordance with the President's Management Agenda, MBDA has made strong investments in human capital. These training opportunities strengthened the Agency, while enhancing overall service to the minority business community. MBDA hosted agency-wide conferences for staff and managers to assess current conditions, conduct open forum discussions, and determine the future direction for the Agency as a whole. As a result of these conferences, MBDA has assessed current skills, identified skills needed, and implemented an approach governed by best practices shared. Included in the training was mandatory portal training for all employees and three-part team-building workshops, which focused on:

- Respecting other team member differences, including diversity issues
- Becoming a better team communicator, including the issues of body language and dominating vs. passive team member communication
- Team conflict/disagreement management, including respecting people when you disagree with what they've said
- Team problem solving: The team problem solving approach is applicable for any future projects.

Program Evaluation

MBDA will continue to review each measure reflected under Goal Three. These evaluations will assess the success of all program initiatives and internal operations. As previously mentioned in the program evaluation of Measure 1a, MBDA will use these benchmarks to evaluate performance, and develop and conduct a comprehensive, ongoing evaluation process to assess and improve the effectiveness of the Agency's programs.

MBDA Data Validation and Verification

MBDA's Office of Administration and Financial Management (OAFM) oversees a review of all performance data at the end of each fiscal year. OAFM ensures that all data collected and reported is accurate and complete. OAFM also validates and compiles data for the Agency. This office verifies performance data reported by funded organizations through the Field Coordination Division (FCD) and Performance database. OAFM also reviews documentation used to support all data not reported through an automated system. OAFM and FCD prepare an initial report of performance data. The initial report is then analyzed for variances and trends. All variances and trends are investigated and used as benchmarks in determining future target adjustments. All findings and performance data are formulated and presented to the MBDA management team for review and approval. The MBDA Data Validation and Verification table can be found on the following page.

MBDA Data Validation and Verification

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 1a: Dollar value of contracts awarded to assisted minority-owned businesses	Internet link from MBDA headquarters to client delivery sites.	Collect real-time and report quarterly.	The performance database management system running on an Oracle platform.	A 100% client verification survey	Responsiveness to client verification survey.	Follow up notices to non-responsive clients.
Measure 2a: Number of financial packages received by assisted minority-owned businesses	Internet link from MBDA headquarters to client delivery sites.	Collect real-time and report quarterly.	The performance database management system running on an Oracle platform.	A 100% client verification survey	Responsiveness to client verification survey.	Follow up notices to non-responsive clients.
Measure 2b: Dollar value of financial packages to assisted minority-owned business	Internet link from MBDA headquarters to client delivery sites.	Collect real-time and report quarterly.	The performance database management system running on an Oracle platform.	A 100% client verification survey	Responsiveness to client verification survey.	Follow up notices to non-responsive clients.
Measure 3a: Number of national strategic partnerships	Memorandum of understanding and agreements	Collect real-time and report quarterly.	Automated spreadsheet and database running on an Oracle platform.	A 100% verification survey	Responsiveness to verification survey.	Follow up notices to non-responsive clients.
Measure 3b: Number of interagency and interdepartmental initiatives and agreements (Federal, State, and Local Government)	Memorandum of understanding and agreements	Collect real-time and report quarterly.	Automated spreadsheet and database running on an Oracle platform.	A 100% verification survey	Responsiveness to verification survey.	Follow up notices to non-responsive clients.
Measure 3c: Average annual MBIP Hits	Web trends reporting	Collect real-time and report quarterly.	The MBIP running on an Oracle platform.	A database sampling	Responsiveness of database verification.	Follow up database inquiries.
Measure 3d: Average user time for MBIP	Web trends reporting	Collect real-time and report quarterly.	The MBIP running on an Oracle platform.	A database sampling	Responsiveness of database verification.	Follow up database inquiries.
Measure 3e: Number of opportunity matches	Web trends reporting	Collect real-time and report quarterly.	The MBIP running on an Oracle platform.	A database sampling	Responsiveness of database verification.	Follow up database inquiries.
Measure 3f: Number of employees training hours	Training requests	Collect real-time and report quarterly.	Automated spreadsheet and database running on an Oracle platform.	A 100% verification survey	Responsiveness to personnel verification survey.	Follow up notices to non-responsive personnel.

STRATEGIC GOAL 2

*Provide infrastructure for innovation to
enhance American competitiveness*



DEPARTMENT OF COMMERCE



★ UNITED STATES OF AMERICA ★



United States Patent and Trademark Office

Mission Statement

The USPTO mission is to ensure that the intellectual property system contributes to a strong global economy, encourages investment in innovation, fosters entrepreneurial spirit, and enhances the quality of life for everyone.

(The mission statement has been re-worded since publication of the FY 2001 Annual Performance Report and FY 2002 Annual Performance Plan. It was previously worded as: "The U. S. Patent and Trademark Office mission is to promote industrial and technological progress in the United States and strengthen the economy by: administering the laws relating to patents and trademarks while ensuring the creation of valid, prompt and proper intellectual property rights; and advising the Administration on all domestic and global aspects of intellectual property.")

Priorities

The United States Patent and Trademark Office's (USPTO's) mission in administering the intellectual property laws has a continuous tradition stretching back to the founding of the republic. However, the economic environment in which it undertakes that mission has changed in the past decade. Technological innovation and the marketing of new goods and services have increasingly driven U.S. economic growth. This has led to prolonged rapid growth in demand for the USPTO's principal products: patents and trademark registrations. Now more than ever, it is critical for the USPTO to reinforce its position as the leading intellectual property organization in the world by providing the highest quality patents and trademarks in a timely manner. To achieve its mission, the USPTO must transform itself to become a more agile, capable, and productive organization.

The USPTO began FY 2002 guided by the strategic plan that was developed in 1994 and updated in 1999 for the period 1999-2004. While the mission, goals, and strategies have served the USPTO well, the environment in which the intellectual property system operates worldwide has changed dramatically. There are an estimated seven million pending patent applications in the world's examination pipeline, technology has become increasingly complex, and customer demands for higher quality products and services has escalated. These dynamics, along with Congressional concerns about the USPTO's ability to continue to operate under a traditional business model, led to the development of a new strategic plan.

The USPTO *21st Century Strategic Plan* is a far-reaching and aggressive plan designed to transform the USPTO into an organization that is responsive to the global economy in which it operates. After implementation of the Plan, market forces will drive the USPTO's business model, geography and time will be irrelevant when doing business with the Office, products and services will be tailored to customer needs, and examination will be its core expertise. The Plan is centered around three long-term cross-cutting strategic goals:

- **Agility** — Address the twenty-first century economy by becoming a more agile organization. USPTO will create a flexible organization and work processes that can handle increasing expectations of its markets, the growing complexity and volume of its work, and the globalization that characterizes the twenty-first century economy. USPTO will work, both bilaterally and multilaterally, with its partners to create a stronger, better coordinated, and more streamlined framework for protecting intellectual property around the world. USPTO will transform its workplace by radically reducing labor-intensive paper processing.

- *Capability* — Enhance quality through workforce and process improvements. USPTO will make patent and trademark quality its highest priority by emphasizing quality in every component of the Plan. Through timely issuance of high-quality patents and trademarks, the USPTO will respond to market forces by promoting advances in technology, expanding business opportunities, and creating jobs.
- *Productivity* — Accelerate processing times through focused examination. USPTO will reduce patent and trademark pendency, substantially cut the size of its backlog of work, and recover its investments in people, processes and technology.

The *21st Century Strategic Plan* was made public in June 2002. At the same time, USPTO proposed a reallocation of 2003 resources to jump-start the Plan, and the Administration put forth proposed legislation to restructure the USPTO's fee schedule. In late FY 2002, USPTO began to gradually move forward in adopting the goals and objectives put forth in the Plan, to the extent they were consistent with Congressional intent and supported by USPTO stakeholders and applicants.

USPTO also supports the Department of Commerce goal to "Provide Infrastructure for Innovation to Enhance American Competitiveness" through its objective to "Protect Intellectual Property." All forms of intellectual property protection — patents, trademarks, and copyrights — uphold the philosophy of rewarding individual effort as the best way of utilizing the talents of creators to advance public welfare. Intellectual property is a potent force in the competitive free enterprise system. By continuing to protect intellectual endeavors and encourage technological progress, the USPTO seeks to preserve the U.S.'s technological edge, which is a key to current and future competitiveness.

FY 2002 Performance

In FY 2002, USPTO had four goals and eight measures which focused on (1) enhancing the quality of our products and services and (2) minimizing application processing time for patents and trademarks. Of those eight measures, USPTO met three of them.

USPTO received 333,688 Utility, Patent, and Reissue (UPR) patent applications for the fiscal year just ended, more than any previous year despite the downturn in the economy. Additionally, USPTO published 169,729 pending applications within 18 months after filing and issued 162,221 patent grants. A record number of trademark applications were registered and disposed, and pending inventories were substantially reduced. Trademark registrations increased by more than 30 percent to 133,225 including 164,457 classes. Total Trademark Office disposals were 228,191 including 284,559 classes. The Trademark Office's inventory of total applications under examination was reduced by 30 percent from 332,900 files with more than 458,300 classes at the start of the year, to 233,100 files including 318,300 classes.

Technology has become increasingly complex, and demands from customers for higher quality products and services have escalated. USPTO's applicants are concerned that the fees they pay to have their patent and trademark applications examined are being diverted for other purposes, thereby jeopardizing the benefits intellectual property rights bring to our national economy. In the U.S., customer demands have created substantial workload challenges in the processing of patents. The Congress, the owners of intellectual property, the patent bar, and the public-at-large have all told USPTO that it must address these challenges aggressively and promptly. USPTO's new "21st Century Strategic Plan" will assist in addressing these challenges and will transform the USPTO into a quality-driven, highly-productive, and cost-effective organization that will promote expansion of business opportunities, stimulate research and development, and expand U.S. businesses globally.

Targets and Performance Summary

See individual Performance Goal section for further description of each measure.

Performance Goal 1A: Enhance the Quality of our Patent Products and Services

Measure	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Improve the quality of patents by 55% by reducing the error rate from 6.6% to 3% by FY 2006	5.5%	6.6%	5.4%	5.0%	4.2%	X	
Increase overall customer satisfaction from 64% to 80% by FY 2006	57%	64%	64%	67%	63%		X

Performance Goal 1B: Minimize Patent Application Processing Time

Measure	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Reduce average first action pendency to 12 months by FY 2006	13.8	13.6	14.4	14.7	16.7		X
Reduce average total pendency to 26 months by FY 2006	25.0	25.0	24.7	26.5	24.0	X	

Performance Goal 2A: Enhance the Quality of our Trademark Products and Services

Measure	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Reduce the error rate from 6% to 3% by 2004	New	3.4%	3.1%	5.0%	4.3%	X	
Increase overall customer satisfaction from 70% to 80% by FY 2005	69%	65%	70%	72%	65%		X

Performance Goal 2B: Minimize Trademark Application Processing Time

Measure	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Reduce average first action pendency to 2 months by FY 2004	4.6	5.7	2.7	3.0	4.3		X
Reduce average total pendency to 12 months by FY 2006	18.9	17.3	17.8	15.5	19.9		X

Resource Requirements Summary

(Dollars in Millions. Funding amounts reflect total obligations.)

Information Technology (IT)

Full-Time Equivalent (FTE)

Performance Goal:

1A – Enhance the Quality of our Patent Products and Services

1B – Minimize Patent Application Processing Time

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Salaries and Expenses (Patents)				
Total Funding	669.5	738.8	882.3	976.6
IT Funding ¹	101.5	126.7	183.1	163.0
FTE	4,919	5,136	5,207	5,550

Performance Goal:

2A – Enhance the Quality of our Trademark Products and Services

2B – Minimize Trademark Application Processing Time

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Salaries and Expenses (Trademarks)				
Total Funding	118.0	133.4	126.2	122.9
IT Funding ¹	29.3	34.7	32.0	28.0
FTE	856	871	942	873

Discontinued Performance Goal: Strengthen Intellectual Property Protection in the United States and Abroad, Making it More Accessible, Affordable, and Enforceable

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Total Funding	16.1	23.1	32.1	44.5
IT Funding ¹	4.2	4.7	4.7	5.1
FTE	85	121	129	170

Grand Total	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Total Funding	803.6	895.3	1,040.6	1,144.0
Direct	803.3	894.7	1,040.5	1,143.3
Reimbursable ²	0.3	0.6	0.1	0.7
IT Funding ¹	135.0	166.1	219.8	196.1
FTE	5,860	6,128	6,278	6,593

¹ IT funding included in total funding.

² Reimbursable funding included in total funding.

Skills Summary: Knowledge of global intellectual property rights systems and policies, expertise in intellectual property law, and appropriate scientific and technical expertise.

FY 2002 Performance Goals

Performance Goal 1A: Enhance the Quality of Our Patent Products and Services

(This goal has been reworded since the publication of the FY 2000 Annual Program Performance Report and FY 2002 Annual Performance Plan. This goal was previously worded as: "Enhance the quality of patent products and services, transition to e-government, and optimize patent processing time.")

Corresponding Strategic Goal

Strategic Goal 2: Provide infrastructure for innovation to enhance American competitiveness.

Rationale for Performance Goal

By measuring the quality of patent products and services and increasing the customer satisfaction rate to world-class service levels, USPTO will establish the confidence in our products and services increasingly needed to spur the economy and reduce unneeded litigation costs.

FY 2002 Performance

Customers are concerned with the quality of the products and services they receive in exchange for the fees they pay. The Patent Organization's efforts throughout fiscal year 2002 have provided significant quality and organizational process business benefits. The Patent Organization continues to focus its resources and its planning to address the changing needs of its customers, while serving as a catalyst for the U.S. economy.

Measure 1A(a): Improve the Quality of Patents by 55% by Reducing the Error Rate from 6.6% to 3% by FY 2006

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	5.0%
Actual	5.5%	6.6%	5.4%	4.2%
Met/Not Met				Met

Explanation of Measure

An error is defined as at least one claim within the randomly-selected allowed application under quality review that would be held invalid in a court of law, if the application were to issue as a patent without the required correction. Some examples of errors include the issuance of a claim notwithstanding the existence of anticipatory prior art under 35 USC 102, or relevant prior art under 35 USC 103 that would render the allowed claim obvious. Other errors may include lack of compliance of a claim to the other statutory requirements (i.e., 35 USC 101, 35 USC 112) and judicially created doctrines.

FY 2002 Performance

USPTO met its target. Under the *21st Century Strategic Plan*, the Patents Organization will enhance current quality assurance programs to include greater review of work in progress. This will include the implementation of in-process reviews, “second pair of eyes” reviews, transactional surveys in the Patents Organization, and end-process reviews. In addition, the Patents Organization is creating new programs for certifying the knowledge, skills, and abilities of its employees.

Measure 1A(b): Increase Overall Customer Satisfaction from 64% to 80% by FY 2006				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	65%	60%	67%	67%
Actual	57%	64%	64%	63%
Met/Not Met	Not Met	Met	Not Met	Not Met

(This measure has been reworded since the publication of the FY 2000 Annual Program Performance Report and FY 2002 Annual Performance Plan. This measure was previously worded as: “Percent of customers satisfied overall.”)

Explanation of Measure

The Patents Organization derives quality targets from internal objective data and customer satisfaction data obtained through annual surveys. The objective is to measure performance with respect to quality of the services rendered and the quality of patents granted. USPTO will be developing a new customer satisfaction index that will incorporate a number of metrics to measure achievement toward the capability goals. The index, when developed and implemented, will be baselined and used in the future as a more balanced tool for measuring performance with respect to quality and customer satisfaction.

FY 2002 Performance

USPTO did not meet its target. USPTO has been surveying customers of the patent process since FY 1995. Overall satisfaction remained virtually the same until FY 1998 with significant improvement in FY 1999 and FY 2000. The leveling off of overall satisfaction in FY 2001 and FY 2002 is not surprising given the great advances over the previous three years, which USPTO survey contractors labeled statistically significant. They have cautioned that repeated significant increases in overall satisfaction are highly unusual.

Program Evaluation

USPTO conducted ongoing reviews on the quality of patent examination. The information from these reviews helps the Patent Organization units identify the training that is necessary to enhance overall product quality and to improve the consistency of examination. The results of the reviews provide analysis in the form of reports to USPTO management. These reports serve as a basis for developing training tools for educating examiners. In addition to reporting specific errors, the analysis provides information on recurring problems and trends.

USPTO conducted internal and external customer surveys and customer service training for employees, and also supported a wide variety of customer feedback activities. USPTO needs customer input to ensure that activities geared toward improving products and services are supportive of customer needs and expectations. It seeks this input through focus groups, partnership meetings, technology fairs, workshops, and publicity campaigns. Customer feedback is taken into consideration when planning future activities.

Performance Goal 1B: Minimize Patent Application Processing Time

(This goal has been reworded since the publication of the FY 2000 Annual Program Performance Report and FY 2002 Annual Performance Plan. This goal was previously worded as: “Enhance the quality of patent products and services, transition to e-government, and optimize patent processing time.”)

Corresponding Strategic Goal

Strategic Goal 2: Provide infrastructure for innovation to enhance American competitiveness.

Rationale for Performance Goal

The term of patent protection is currently defined as beginning on the date the patent is granted and ending 20 years from the earliest filing date of the application. Since the amount of time the Patent Organization uses to process an application takes away from the patent term enjoyed by the inventor if the application is granted, it is incumbent upon the Patent Organization to minimize the application processing time. A shortened patent term and lengthened pendency complicate business decisions and negatively impact a patentee’s ability to collect royalties, raise capital, and bring new products to market; particularly in computer-related fields where the product cycle is relatively short.

The two primary measures of Patent Organization processing time are: (1) first action pendency, which measures the average time in months until an examiner’s initial determination of the patentability of an invention; and (2) total pendency, which measures the average time in months until an examiner either allows the patent or the application is abandoned by the applicant.

Measure 1B(a): Reduce Average First Action Pendency to 12 Months by FY 2006				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	14.7
Actual	13.8	13.6	14.4	16.7
Met/Not Met				Not Met

Explanation of Measure

First action pendency is the average time in months from when an application is filed until an examiner makes the initial determination of patentability. As such, it is a key milestone in the processing of the application.

FY 2002 Performance

USPTO did not meet its target. Delay in the timely hiring of new patent examiners resulted in not meeting the first action pendency target by two months. The initiatives identified in the USPTO 21st Century Strategic Plan will reduce patent pendency, substantially cut the size of the work backlog, and recover our investments in people, processes and technology.

Measure 1B(b): Reduce Average Total Pendency to 26 Months by FY 2006

	FY 1999	FY 2000	FY 2001	FY 2002
Target	23.3	26.2	26.2	26.5
Actual	25.0	25.0	24.7	24.0
Met/Not Met	Not Met	Met	Met	Met

(This measure has been reworded since the publication of the FY 2000 Annual Program Performance Report and FY 2002 Annual Performance Plan. This measure was previously worded as: "Average pendency to issue or abandonment (months).")

Explanation of Measure

Total pendency is the average time in months from when an application is filed until an examiner either allows the patent or the application is abandoned by the applicant.

FY 2002 Performance

USPTO met its target. The initiatives identified in the USPTO 21st Century Strategic Plan will continue to reduce patent pendency, substantially cut the size of the work backlog, and recover its investments in people, processes and technology.

Program Evaluation

Timeliness is measured by the Patent Application Location and Monitoring (PALM) system, the USPTO computerized records system that lists the status and content of each patent application. The annual customer satisfaction survey yields additional information on timeliness from our customers. A section of the survey is devoted to customers' perceptions on how well USPTO is meeting the timeliness standards it has established. The annual customer survey has proven to be a reliable method for gathering information on timeliness as it is administered to a wide variety of USPTO customers. The survey allows USPTO to isolate particular areas within the organization where timeliness issues are problematic or successful. Furthermore, it allows USPTO to evaluate the impact of timeliness on overall customer satisfaction levels.

Performance Goal 2A: Enhance the Quality of Our Trademark Products and Services

(This goal has been reworded since the publication of the FY 2000 Annual Program Performance Report and FY 2002 Annual Performance Plan. This goal was previously worded as: “Enhance the quality of trademark products and services, transition to e-government, and minimize trademark processing time.”)

Corresponding Strategic Goal

Strategic Goal 2: Provide infrastructure for innovation to enhance American competitiveness.

Rationale for Performance Goal

By measuring the quality of trademark products and services, and by increasing the customer satisfaction rate, USPTO will establish the confidence in its products and services that is needed to spur the U.S. economy. USPTO’s objective is to measure its performance with respect to the quality of the trademarks it registers and the service it renders to the users of the trademark system.

FY 2002 Performance

Customers are concerned with the quality of the products and services they receive in exchange for the fees they pay. The Trademark Organization’s efforts throughout fiscal year 2002 have provided significant quality and organizational process business benefits. The Trademark Organization continues to focus its resources and planning to address the changing needs of its customers.

Measure 2A(a): Reduce the Error Rate from 6% to 3% by FY 2004				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	5.0%
Actual		3.4%	3.1%	4.3%
Met/Not Met				Met

Explanation of Measure

An error rate is any error that has the potential to affect the registrability, validity, or value of a trademark registration. Examples of errors include failure to refuse registration because of a prior registration that may cause confusion and failure to refuse a trademark that is merely descriptive of the goods or services.

FY 2002 Performance

USPTO met its target. Examination quality was 95.7 percent based on standards for assessing the “clear error” rate for determining the type of errors that could affect the registrability of a mark. The review of pending, registered, and abandoned files by the Office of Trademark Quality Review determined the “clear error” rate to be 4.3 percent for the year. Errors related to marks that would be considered “confusing similar” under section 2(d) of the statute were determined in 4.4 percent of applications for a quality rating of 95.6 percent. The quality rate was 97.1 percent for findings on procedural errors.

During the past year, the Trademark Organization worked in cooperation with the Office of Quality Management and Training and the Office of Trademark Quality Review to benchmark a more consistent set of quality measures that would better reflect the current quality of examination.

Measure 2A(b): Increase Overall Customer Satisfaction from 70% to 80% by FY 2005				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	80%	72%	65%	72%
Actual	69%	65%	70%	65%
Met/Not Met	Not Met	Not Met	Met	Not Met

(This measure has been reworded since the publication of the FY 2000 Annual Program Performance Report and FY 2002 Annual Performance Plan. This measure was previously worded as: “Percent of customers satisfied overall.”)

Explanation of Measure

USPTO has been surveying customers of the trademark process since FY 1995. Trademarks derive quality targets from internal objective data and customer satisfaction data obtained through annual surveys. The objective is to measure performance with respect to quality of the services rendered and the quality of trademarks registered.

FY 2002 Performance

USPTO did not meet its target. USPTO will be developing a new quality index that will incorporate a number of metrics, including those identified below, to measure achievement toward the capability goals. The index, when developed and implemented, will be baselined and used in the future as a more balanced tool for measuring performance with respect to quality.

Program Evaluation

USPTO conducted ongoing reviews of the quality of trademark examinations. The reviews of trademark applications were focused on four areas: substantive statutory criteria for registrability, search for confusingly similar marks, proper examination practice and procedure, and proper application of judicial precedents. The information from these reviews helps the business units identify the training that is necessary to enhance overall product quality and to improve the consistency of examination. The results of the reviews provide analysis in the form of reports to USPTO management. These reports serve as a tool for educating examiners and examining attorneys. In addition to reporting specific errors, the analysis provides information on recurring problems and trends.

USPTO conducted internal and external customer surveys, customer service training for employees, and supported a wide variety of customer feedback activities. USPTO needs customer input to ensure that activities geared toward improving products and services are supportive of customer needs and expectations. It seeks this input through focus groups, partnership meetings, technology fairs, workshops, and publicity campaigns. Customer feedback is taken into consideration when planning future activities.

Performance Goal 2B: Minimize Trademark Application Processing Time

(This goal has been reworded since the publication of the FY 2000 Annual Program Performance Report and FY 2002 Annual Performance Plan. This goal was previously worded as: “Enhance the quality of trademark products and services, transition to e-government, and minimize trademark processing time.”)

Corresponding Strategic Goal

Strategic Goal 2: Provide infrastructure for innovation to enhance American competitiveness.

Rationale for Performance Goal

The decision on the registrability of a trademark must be rendered on a timely basis. Therefore, the Trademark Organization must maximize the term of trademark protection, reduce internal processing, and minimize the extension of trademark term due to processing delays.

Measure 2B(a): Reduce Average First Action Pendency to Two Months by FY 2004				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	3.9	4.5	6.6	3.0
Actual	4.6	5.7	2.7	4.3
Met/Not Met	Not Met	Not Met	Met	Not Met

(This measure has been reworded since the publication of the FY 2000 Annual Program Performance Report and FY 2002 Annual Performance Plan. This measure was previously worded as: “Average time to examiner’s first action (months).”)

Explanation of Measure

First action pendency is the time from filing to mailing an examiner’s first office action.

FY 2002 Performance

USPTO did not meet its target. The time from filing to mailing an examiner’s first office action increased by the end of the fiscal year to 4.3 months from 2.7 months at the end of the prior fiscal year. The increase was due to shifting priorities for examination on completing applications already under examination. The most significant operational challenge addressed during the past year was the decision to conduct a reduction in force to balance the examiner staff with workloads. The decision was made after carefully considering a number of options, and was consistent with USPTO’s goal of running an efficient and effective Trademark Operation. The nature of registering trademarks makes USPTO susceptible to the same economic forces that have led many businesses to reduce the size of their workforces over the past two years. The initiatives identified in the USPTO 21st Century Strategic Plan will reduce trademark pendency and substantially cut the size of the work backlog.

Measure 2B(b): Reduce Average Total Pendency to 12 Months by FY 2006

	FY 1999	FY 2000	FY 2001	FY 2002
Target	15.5	18.0	19.0	15.5
Actual	18.9	17.3	17.8	19.9
Met/Not Met	Not Met	Met	Met	Not Met

(This measure has been reworded since the publication of the FY 2000 Annual Program Performance Report and FY 2002 Annual Performance Plan. This measure was previously worded as: "Average time to disposal or registration.")

Explanation of Measure

Average total pendency is the average number of months between filing and registration plus the suspended, inter partes cases, and amendments to allege use.

FY 2002 Performance

USPTO did not meet its target. High levels of applications under examination from prior years kept overall total pendency above the thirteen-month goal for 19.9 months. As the total number of applications under examination continues to be reduced and first actions decline once again to the three-month goal, overall pendency to registration will decrease. The most significant operational challenge addressed during the past year was the decision to conduct a reduction in force to balance our examiner staff workloads. The decision was made after carefully considering a number of options, and was consistent with USPTO's goal of running an efficient and effective Trademark Operation. The nature of registering trademarks makes USPTO susceptible to the same economic forces that have lead many businesses to reduce the size of their workforces over the past two years. The initiatives identified in the USPTO 21st Century Strategic Plan will reduce trademark pendency and substantially cut the size of the work backlog.

Program Evaluation

Timeliness is measured by the Trademark Reporting and Monitoring (TRAM) system, the USPTO computerized records system that lists the status and content of each trademark application. The annual customer satisfaction survey yields additional information on timeliness from customers. A section of the survey is devoted to customers' perceptions on how well USPTO is meeting the timeliness standards it has established. The annual customer survey has proven to be a reliable method for gathering information because it is administered to a wide variety of USPTO customers. It allows USPTO to isolate particular areas within the organization where timeliness issues are problematic or successful. Furthermore, it allows us to evaluate the impacts of timeliness on overall customer satisfaction levels.

USPTO Data Validation and Verification

In accordance with GPRA requirements, USPTO is committed to ensuring that the performance information reported is reliable, accurate, and consistent. To ensure the highest quality data, USPTO has developed a strategy to validate and verify the quality of its performance information. USPTO has undertaken the following:

- *Quality Reviews* — USPTO conducts ongoing reviews on the quality of patent and trademark examination. The focus of the review for patent applications is threefold: (1) identifying patentability errors, (2) assessing adequacy of the field of search and proper classification, and (3) assessing proper examination practice and procedures. For trademark applications, the review includes four areas: (1) substantive statutory criteria for registrability, (2) search for confusingly similar marks, (3) proper examination practice and procedure, and (4) proper application of judicial precedents. The information from these reviews helps the business units identify necessary training with the goal of enhancing overall product quality and improving the consistency of examination. The results of the reviews provide analysis in the form of reports to Patent and Trademark management. These reports serve as a tool for educating examiners and examining attorneys. In addition to reporting specific errors, the analysis provides information on recurring problems and trends.
- *Certification* — Responsibility for providing performance data rests within the Patent and Trademark organizations. USPTO has a process to hold program managers accountable for ensuring procedures are in place regarding the accuracy of their data, and that the performance measurement source is complete and reliable.

The USPTO Data Validation and Verification table can be found on the following page.

USPTO Data Validation and Verification

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 1A(a): Improve the quality of patents by 55% by reducing the error rate from 6.6% to 3% by FY 2006	Office of Patent Quality Review Report.	Input: daily; reporting: monthly	Automated systems, reports.	Manual reports and analysis.	None	None
Measure 1A(b): Increase overall customer satisfaction from 64% to 80% by FY 2006	Customer Surveys	Annually	Paper files and contractors' electronic files.	Paper files and contractors' electronic files.	Independent contractor develops data instrument, conducts survey, and compiles results.	None
Measure 1B(a): Reduce average first action pendency to 12 months by FY 2006	Patent Application Location and Monitoring (PALM) system.	Input: daily; reporting: monthly	PALM, automated systems, reports.	Accuracy of supporting data is controlled through internal program edits in the PALM system. Final test for reasonableness is performed internally by patent examiners and supervisory and program management.	None	None
Measure 1B(b): Reduce average total pendency to 26 months by FY 2006	Patent Application Location and Monitoring (PALM) system.	Input: daily; reporting: monthly	PALM, automated systems, reports.	Accuracy of supporting data is controlled through internal program edits in the PALM system. Final test for reasonableness is performed internally by patent examiners and supervisory and program management.	None	None
Measure 2A(a): Reduce the error rate from 6% to 3% by FY 2004	Office of Trademark Quality Review Report.	Input: daily; reporting: monthly	Automated systems, reports.	Manual reports and analysis.	None	None
Measure 2A(b): Increase overall customer satisfaction from 70% to 80% by FY 2005	Customer surveys	Annually	Paper files and contractors' electronic files.	Paper files and contractors' electronic files.	Independent contractor develops data instrument, conducts survey, and compiles results.	None
Measure 2B(a): Reduce average first action pendency to two months by FY 2004	Trademark Reporting and Monitoring (TRAM) system.	Input: daily; reporting: monthly	TRAM, automated systems, reports.	Accuracy of supporting data is controlled through internal program edits in the TRAM system. Final test for reasonableness is performed internally by examining trademark attorneys and supervisory and program management.	None	None
Measure 2B(b): Reduce average total pendency to 12 months by FY 2006	Trademark Reporting and Monitoring (TRAM) system.	Input: daily; reporting: monthly	TRAM, automated systems, reports.	Accuracy of supporting data is controlled through internal program edits in the TRAM system. Final test for reasonableness is performed internally by examining trademark attorneys and supervisory and program management.	None	None



Technology Administration

Mission Statement

Technology Administration: TA's mission is to work with U.S. industry to maximize technology's contribution to U.S. economic growth by maintaining and improving key components of the nation's technological infrastructure; fostering the development, diffusion, and adoption of new technologies and leading business practices; creating a business and policy environment conducive to innovation; and disseminating technical information.

The Technology Administration (TA) works with U.S. industry to maximize technology's contribution to U.S. economic growth. Led by the Under Secretary for Technology, TA fulfills its broad responsibilities through its component organizations: the Office of Technology Policy, the National Institute of Standards and Technology (NIST), and the National Technical Information Service (NTIS).

Overview of Component Bureaus

Office of Technology Policy (OTP)

The TA's Office of Technology Policy (OTP, or US/OTP) supports technology-led economic growth through a range of programs and policy development activities, addressing both domestic and international matters, that work as a whole to identify key policy needs and options; strengthen the capacities for technological innovation by the nation's industry and science & technology (S&T) community; and hasten the transfer of new scientific and technological advances to the private sector for commercial development. In support of the Under Secretary's responsibilities and the Commerce Department's leadership role in civilian technology policy, OTP provides timely analysis, support services, and value-added information to other TA and Commerce Department bureaus, the Secretary of Commerce, the White House, and other federal agencies.

National Institute of Standards and Technology (NIST)

The National Institute of Standards and Technology (NIST) operates under the authority of the National Institute of Standards and Technology Act (15 U.S.C. 271), which modifies The Organic Act that created the National Bureau of Standards (NBS) in 1901. In 1988, Congress renamed NBS as NIST, and also established the Regional Centers for the Transfer of Manufacturing Technology (15 U.S.C. 278k) and the Advanced Technology Program (15 U.S.C. 278n). The National Quality Program was established and its functions were assigned to NIST by the Malcolm Baldrige National Quality Improvement Act of 1987 (15 U.S.C. 3711a).

NIST develops and disseminates measurement techniques, reference data, test methods, standards, and other infrastructural technologies and services required by U.S. industry to innovate and compete in global markets. In addition to its core measurement, testing, and standards functions, NIST also conducts several extramural programs, including the Advanced Technology Program, to stimulate the development of high-risk, broad-impact technologies by U.S. firms; the Manufacturing Extension Partnership, to help smaller firms adopt new manufacturing and management technologies; and the Baldrige National Quality Program, to help U.S. businesses and other organizations improve the performance and quality of their

operations by providing clear standards and benchmarks of quality. This plan includes, for each NIST program, a performance logic model that describes the chain of value-creation from inputs to end-outcomes, and that links performance evaluation methods to each stage of the impact path; these logic models are presented below with respect to each program's performance information for FY 2002.

National Technical Information Service (NTIS)

The National Technical Information Service (NTIS) operates a central clearinghouse of scientific and technical information that is useful to U.S. business and industry. NTIS collects scientific and technical information; catalogs, abstracts, indexes, and permanently archives the information; disseminates products in the forms and formats most useful to its customers; develops electronic and other new media to disseminate information; and provides information processing services to other federal agencies, without appropriated funds. NTIS' revenue comes from (1) the sale of technical reports to business and industry, schools and universities, state and local government offices, and the public at large and (2) from services to federal agencies that help them communicate more effectively with their employees and constituents.

Priorities/Management Challenges

OTP

OTP's overarching goal is to provide leadership in promoting national technology policies that facilitate U.S. pre-eminence in key areas of science and technology and to leverage technological innovation to strengthen U.S. global competitiveness. Underpinning this goal are three key action areas: outreach, analysis/education, and advocacy. Throughout FY 2002, OTP focused these actions in four priority areas that encompass the three action areas, but provide a more meaningful framework for understanding the outputs provided by the Office of Technology Policy. The framework and relationship to the three key action areas are outlined below:

Support and improve the innovation system of the United States — To achieve this goal, OTP led interagency working groups, community outreach events, and workshops (outreach); identified barriers and best practices of the innovation system of the U.S. (analysis); and increased the understanding of U.S. innovation through the publication of policy papers and regulations, and promotion of the Medal of Technology Program and the GetTech Web site (advocacy).

Advance the role technology plays in U.S. economic growth and homeland security — OTP facilitated dialogue and interaction between policymakers, developers, and users of emerging and productivity-enhancing technologies (outreach and advocacy) with the goal of promoting adoption by business, education, medicine, and research groups (education and advocacy).

Strengthen the competitive position of U.S. technology industries — OTP examines the effects of globalization and policies on U.S. high tech industries and the S&T workforce (analysis). Data are collected from domestic and international counterparts (outreach), and results are used to highlight actions and recommend policies that may help foster U.S. competitiveness (educate and advocate).

Strengthen OTP's organization, capabilities, and resources to maximize the effectiveness of its activities and services — OTP conducted a comprehensive *Workforce Restructuring Plan* in FY 2002 to bring the organization into alignment with the President's Management Agenda, and outlined an approach for U.S. industry and the S&T community to structure its workforce to embrace important policy issues such as globalization and technology-led economic development. In addition to press briefings, workshops, and roundtable discussions, OTP used electronic means to inform Congress, U.S. government agencies, and the public about OTP analytical findings (outreach and advocacy/education).

NIST

Three of NIST's priorities for FY 2002 are reflected in the program performance information provided below: NIST's focus on technical infrastructure for twenty-first century innovation is reflected in performance goal 2; NIST's focus on opportunities for small manufacturers is reflected in performance goal 3; and NIST's focus on quality and accountability in health care and educational organizations is reflected in performance goal 4. Construction and facilities remain an independent and urgent priority for NIST, and its ability to respond to these challenges derives directly from the level of resources provided. Two management challenges were identified for the FY 2002 reporting period: 1) With regard to financial management, NIST has continued its long record of unqualified audit opinions and remains on track for full deployment of the Commerce Administrative Management System (CAMS); and 2) NIST continues to use information technologies as a strategic tool for increasing program efficiency and effectiveness.

FY 2002 Performance***OTP***

In FY 2002, OTP had one goal and three measures, and met its performance targets. In its quest for continual improvement, during FY 2002 OTP reviewed its metrics and outlined a new approach to better evaluate its performance, focusing on activities to be completed. OTP was successful in achieving these goals.

NIST

In 2002, NIST had four goals and fifteen measures. Of the measures, one is qualitative (external expert peer review of the NIST laboratories), and twelve are quantitative. In addition, multi-year retrospective microeconomic impact studies are used for two different goals. Of the twelve quantitative metrics, eight do not have final data for FY 2002 (see text below for detailed descriptions of data collection systems). NIST met the FY 2002 targets set for each of the four quantitative metrics for which FY 2002 data were available.

NTIS

In FY 2002, NTIS had one goal and three measures. Of those three measures, NTIS met all three. This reflects improvements in all reported measures from FY 2001. Implementation of NTIS's new business model which focuses on its mission of disseminating information and stimulating innovation and discovery, thus, supporting economic growth and job creation, has been a major influence on the success of the performance measures.

Targets and Performance Summary

See individual Performance Goal section for further description of each measure.

Performance Goal 1: Promote technology-based growth through partnerships with industry (OTP)							
Measure	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
OUTREACH: Engage U.S. industry and the nation's S&T community on salient issues and policy needs.	New	New	New	Activities completed	Activities completed	X	
ANALYSIS/EDUCATION: Prepare timely, value-added analyses and educate policymakers about the nation's resources, competitiveness, and capabilities for R&D and innovation.	New	New	New	Activities completed	Activities completed	X	
ADVOCACY: Advocate policies, programs, and partnerships to promote U.S. innovation and enable technology-led economic growth	New	New	New	Activities completed	Activities completed	X	

Performance Goal 2: Provide Technical Leadership for the Nation's Measurement and Standards Infrastructure and Ensure the Availability of Essential Reference Data and Measurement Capabilities (NIST)							
Measure	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Qualitative assessment and performance evaluation using peer review	Completed	Completed	Completed	Complete	Completed	X	
Economic impact studies	Completed	Completed	Completed	Complete	Completed	X	
Standard reference materials available	1,288	1,292	1,335	1,350	1,353	X	
Standard reference data titles available	60	63	65	68	90	X	
Number of items calibrated	3,118	2,969	3,192	2,900	2,924	X	
Technical publications produced ¹	2,270	2,250	2,207	2,050	2,236	X	

Performance Goal 3: Accelerate Technological Innovation and Development of the New Technologies that will Underpin Future Economic Growth (NIST)²							
Measure	FY 1999 Actual ³	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Economic impact studies	Completed	Completed	Completed	Complete	Completed	X	
Cumulative # of technologies under commercialization	120	166	195	190	Available in the FY 2003 report		
Cumulative # of publications	468	565	747	770	Available in the FY 2003 report		
Cumulative # of patents filed	607	693	800	930	Available in the FY 2003 report		

Performance Goal 4: Improve the Technological Capability, Productivity and Competitiveness of Small Manufacturers (NIST)⁴

Measure	FY 1999 Actual ⁵	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Increased sales attributed to MEP assistance	\$425M	\$698M	\$363M	\$726M	Available in the FY 2003 report		
Capital investment attributed to MEP assistance	\$576M	\$873M	\$680M	\$910M	Available in the FY 2003 report		
Cost savings attributed to MEP assistance	\$364M	\$482M	\$442M	\$497M	Available in the FY 2003 report		

Performance Goal 5: Assist U.S. Businesses and Other Organizations in Continuously Improving their Productivity, Efficiency, and Customer Satisfaction by Adopting Quality and Performance Improvement Practices (NIST)

Measure	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual ⁶	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Number of applications per year to Malcolm Baldrige National Quality Award and Baldrige-based state and local quality awards	1,067	911	646	954	Available in the FY 2003 report		
Number of Baldrige Criteria mailed by BNQP and by Baldrige-based state and local quality programs	211,028	176,248	164,949	191,700	Available in the FY 2003 report		

Performance Goal 6: Collect, Organize, Preserve, and Disseminate Government Scientific, Technical, and Business-related Information

Measure	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Number of new items available (annual)	New	New	505,068	510,000	514,129	X	
Number of information products disseminated (annual)	New	New	14,524,307	16,000,000	16,074,862	X	
Customer satisfaction	New	New	97%	97%	98%	X	

¹ FYs 1999 and 2000 actuals have been adjusted slightly from the previously reported figures due to improved database systems and data verification procedures that have been implemented in recent months.

² All advanced technology program measures have been updated to include FY 2001 actuals (not previously reported). Based on the President's budget request, all measures assume 35 new awards in FY 2002.

³ FY 1999 actual has been adjusted very slightly from the previously reported figure (from 616 to 607, a 1.5% change) due to data verification improvements made in consultation with an audit team from the Department of Commerce's Office of the Inspector General.

⁴ FY 2002 actuals are not yet available due to data collection requirements (lag is one year). FY 2001 actuals are reported here for the first time.

⁵ The FY 1999 actual for "increased sales attributed to MEP assistance" has been adjusted slightly from the previously reported figure (from \$447M to \$425, a 4.9% change) due to data verification improvements made in consultation with an audit team from the Department of Commerce's Office of the Inspector General.

⁶ Data based on applications to and Criteria disseminated by BNQP and 41 out of 54 state and local programs.

Resource Requirements Summary

(Dollars in Millions. Funding amounts reflect total obligations.)

Information Technology (IT)

Full Time Equivalent (FTE)

Performance Goal 1: Promote Technology-based Growth through partnerships with industry (OTP)				
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Under Secretary (US)/OTP	10.8	7.1	7.8	7.9
Reimbursable	0.2	0.1	0.4	0.2
Total Funding	11.0	7.2	8.2	8.1
IT Funding ¹	0.2	0.4	0.3	0.3
FTE	44	39	40	46

Performance Goal 2: Provide Technical Leadership for the Nation's Measurement and Standards Infrastructure and Ensure the Availability of Essential Reference Data and Measurement Capabilities (NIST)				
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Scientific and Technical Research & Services				
Electronics and Electrical Engineering	38.5	38.6	40.6	41.5
Manufacturing Engineering	19.1	19.0	18.9	19.4
Chemical Science and Technology	32.0	33.2	34.3	34.3
Physics	29.1	29.8	32.8	34.5
Material Sciences and Engineering	50.0	51.9	54.0	56.0
Building and Fire Research	14.9	15.2	17.6	20.2
Computer Science and Applied Math	42.5	46.5	55.6	56.4
Technology Assistance	17.6	17.8	17.8	18.1
Research Support Activities	31.7	26.2	29.0	44.5
Construction	19.6	200.5	37.7	70.6
Working Capital Fund				
Direct Investments	18.8	23.1	28.5	21.3
Reimbursable	100.5	110.7	115.5	150.6
Total Funding	414.3	612.5	482.3	567.4
IT Funding ¹	48.0	50.2	54.2	66.7
FTE	2,762	2,670	2,594	2719

Performance Goal 3: Accelerate Technological Innovation and Development of the New Technologies that Will Underpin Future Economic Growth (NIST)

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Industrial Technology Services				
Advanced Technology Program	190.3	198.3	175.4	197.8
Working Capital Fund	0.0	0.5	0.4	0.3
Total Funding	190.3	198.8	175.8	198.1
IT Funding ¹	2.8	5.8	4.0	4.0
FTE	271	270	239	254

Performance Goal 4: Improve the Technological Capability, Productivity and Competitiveness of Small Manufacturers (NIST)

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Industrial Technology Services				
Manufacturing Extension Partnership	127.9	103.3	105.9	108.2
Working Capital Fund	3.5	1.1	0.5	0.3
Total Funding	131.4	104.4	106.4	108.5
IT Funding ¹	2.6	2.9	1.5	1.7
FTE	109	91	87	90

Performance Goal 5: Assist U.S. Businesses and Other Organizations in Continuously Improving their Productivity, Efficiency, and Customer Satisfaction by Adopting Quality and Performance Improvement Practices (NIST)

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Scientific and Technical Research and Services				
National Quality Program	3.9	5.3	5.4	4.9
Working Capital Fund	2.3	3.5	1.1	0.1
Total Funding	6.2	8.8	6.5	5.0
IT Funding ¹	0.5	0.7	0.7	0.1
FTE	39	51	49	50

Performance Goal 6: Collect, Organize, Preserve, and Disseminate Government Scientific, Technical, and Business-related Information (NTIS)

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Reimbursable	33.3	38.3	34.7	27.7
Total Funding	33.3	38.3	34.7	27.7
IT Funding ¹	9.9	9.9	9.8	10.7
FTE	322	230	196	186

Discontinued Performance Goal: Protect the National Information Infrastructure (NIST)

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Scientific and Technical Research and Services				
Critical Infrastructure Protection Grant Program	N/A	N/A	5.0	0.0
Total Funding	N/A	N/A	5.0	0.0
IT Funding ¹	N/A	N/A	0.0	0.0
FTE	N/A	N/A	2	0

Grand Total	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
OTP	11.0	7.2	8.2	8.1
NIST				
Scientific and Technical Research and Services	279.3	283.5	311.0	329.8
Industrial Technology Services	318.2	301.6	281.3	306.0
Construction	19.6	200.5	37.7	70.6
Working Capital Fund	125.1	138.9	146.0	172.6
NTIS	33.3	38.3	34.7	27.7
Total Funding	786.5	970.0	818.9	914.8
Direct	627.9	792.7	637.8	736.3
Reimbursable ²	158.6	177.3	181.1	178.5
IT Funding ¹	64.0	69.9	70.5	83.5
FTE	3,547	3,351	3,207	3,345

¹ IT funding is included in total funding; total funding includes direct and reimbursable obligations.

² Reimbursable funding includes NIST working capital fund investments.

Skill Summary:

At the end of FY 2002, the staffs of the three component bureaus of TA reflected the following levels of educational attainment:

- Total OTP staff included 11% Ph.D., 22% M.A. or M.S., and 38% B.A. or B.S. holders.
- Total NIST staff included 28% Ph.D., 14% M.A. or M.S., and 18% B.A. or B.S. holders. The breakdown of professional staff by major NIST organization was:
 - NIST laboratories: 54% Ph.D., 19% M.A. or M.S., 18% B.A. or B.S. holders.
 - Advanced technology program: 48% Ph.D., 34% M.A. or M.S., 17% B.A. or B.S. holders.
 - MEP: 5% Ph.D., 64% M.A. or M.S., 27% B.A. or B.S. holders.
 - BNQP: 25% Ph.D., 38% M.A. or M.S., 25% B.A. or B.S. holders.
- Total NTIS staff included 6% M.A. or M.S. and 20% B.A. or B.S. holders.

IT Requirements:

The IT systems NIST operates will continue to shape the ability of its employees to effectively and efficiently accomplish their work and achieve NIST's mission. It is essential that NIST be able to provide an integrated, effective suite of IT resources and services that support current NIST personnel and organizational needs, anticipate the future needs of the organization, and enable NIST to appropriately disseminate information to the public. The efficiency and quality of NIST activities, including technology transfer services and many administrative functions, depend upon seamless, powerful, and highly accessible IT resources. Intramural research programs comprise the bulk of NIST's high-performance, laboratory computing needs and drive its IT strategies. To achieve its IT objectives, NIST must:

- Upgrade computing and communications systems on a regular basis, and focus on high-end computational resources, networking, and electronic information dissemination capabilities; data storage capacity; and security conditions
- Promote interoperability within and across hardware and software platforms
- Provide enhanced management information systems, particularly e-commerce applications for internal systems
- Develop central support for local workstations, and improve user efficiency and system security
- Develop more coordinated and integrated public information dissemination technologies, and keep in mind the Administration's commitment to making government information more easily accessible and useful to the public
- Deploy computer systems security to protect business and scientific information.

FY 2002 Performance Goals

Performance Goal 1 (OTP): Promote technology-based growth through partnerships with industry

Corresponding Strategic Goal

Strategic Goal 2: Provide infrastructure for innovation to enhance American competitiveness.

Rationale for Performance Goal

The Technology Administration's (TA's) Office of Technology Policy (OTP) serves as a key focal point within the federal government for leadership on civilian technology policy. It supports technology-based growth through a range of programs and policy development activities, addressing both domestic and international matters, that work as a whole to identify key policy needs and options, strengthen the capacities for technological innovation by the nation's industry and science and technology (S&T) community, and hasten the transfer of new scientific and technological advances to the private sector for commercial development.

OTP plays an important role in developing and coordinating national technology policy, working in partnership with industry and the S&T community and serving as an advocate for policies that leverage the benefits of new technology and enhance the strength of the nation's economy.

In working to achieve the performance goal, OTP's efforts are focused on general goals (measures) and objectives that will support and improve the U.S.'s innovation system, advance the role technology plays in U.S. economic growth and homeland security, and strengthen the competitive position of U.S. technology industries.

FY 2002 Performance

As a result of continued evaluation of OTP's activities, in the FY 2003 APP/FY 2001 APPR, the single performance measure originally associated with this goal was discontinued in FY 2002 and replaced by a series of key action areas and activities. Those areas and activities are shown as follows with the original performance measure appearing in the discontinued measures section.

For each of the three key action areas, OTP will be pursuing the following action strategies, activities, and performance targets in FY 2002.

1. OUTREACH: Engage U.S. industry and the nation's S&T community on salient issues and policy needs.

Strategies	FY 2002 Activities and Performance Targets	Completed
Facilitate inter- and intra-agency policy discussions, to foster coordinated Administration response to policy issues	<ul style="list-style-type: none"> Organize and manage intra- and inter-agency groups to coordinate Administration positions on e-commerce and IT policy issues, technology transfer policies, and emerging technologies. 	Yes
Regularly meet with industry leaders for discussion of policy concerns	<ul style="list-style-type: none"> Actively participate in stakeholder originated events to solicit information on policy concerns and offer Administration positions. 	Yes
Utilize various interactive channels (including the Internet) to disseminate statistical and other analytic information and to dialogue with stakeholders	<ul style="list-style-type: none"> Convene meetings with U.S. industry members of TA-led bilateral advisory groups (e.g., Israel, China, Greece/Balkans) to identify policy issues affecting U.S. technology and commercial interests. 	Yes
	<ul style="list-style-type: none"> Convene meetings with representatives of the APEC Business Advisory Council and the OECD Business and Industry Advisory Committee to obtain business input on policy issues for discussion with the APEC Industrial S&T Working Group and the OECD Innovation and Technology Working Group. 	Yes
	<ul style="list-style-type: none"> Organize local and field roundtables to identify and discuss stakeholder and Administration perspectives on critical policy issues, such as the U.S. IT workforce, tech-led economic development, e-commerce, and Homeland Defense. 	Yes
	<ul style="list-style-type: none"> Improve US/OTP's capabilities for electronic communications with customers and stakeholders to solicit views and provide links to U.S. government policy information. 	Yes

2. ANALYSIS/EDUCATION: Prepare timely, value-added analyses and educate policymakers about the nation's resources, competitiveness, and capabilities for research and development (R&D) and innovation.

Strategies	Activities and Performance Targets	Completed
Prepare and deliver reports on innovation and technology issues in response to Administration requests, Congressional mandates, and emerging needs	<ul style="list-style-type: none"> Complete and deliver the statutory Biennial Report and Annual Report on federal agency tech transfer to the President and Congress. 	Yes
	<ul style="list-style-type: none"> Complete and deliver the requested report on foreign participation in federal laboratory tech transfer to the White House's Office of Science and Technology Policy (OSTP). 	Yes
Disseminate analyses in public forums and through electronic channels, in addition to written documents	<ul style="list-style-type: none"> Complete and deliver the congressionally-mandated study of U.S. supply and demand of IT workers. 	Draft completed and submitted for review.
	<ul style="list-style-type: none"> Prepare annual analysis of the current landscape of U.S. R&D investment. 	Yes
	<ul style="list-style-type: none"> Initiate studies of U.S. status in development of key emerging technologies. 	Yes
Collect, analyze, and disseminate comparative information on the S&T policy strategies of the U.S. and foreign nations	<ul style="list-style-type: none"> Develop data on the current tech transfer policies and practices of certain other nations — such as European Union members and Japan. 	Yes
Use international expertise to prepare position papers for the White House, DOC, and other senior U.S. government officials meeting with foreign S&T counterparts	<ul style="list-style-type: none"> Analyze the technology workforce development practices of certain other nations. 	Yes
Develop educational resources and dialogue opportunities for policymakers and stakeholders	<ul style="list-style-type: none"> Develop and contribute to regular public events for presentation of facts and perspectives on important policy issues – including biotechnology, international tech transfer practices, workforce and educational issues, and e-commerce. 	Yes
	<ul style="list-style-type: none"> Create and maintain value-added Web content and information about DOC/TA, industry association, and think tank tech-related policy/strategy papers. 	Yes
	<ul style="list-style-type: none"> Coordinate outreach and enhance content for the private public GetTech campaign for middle school teachers, students, and parents (in conjunction with the National Association of Manufacturers and other private parties). 	Yes

3. ADVOCACY: Advocate policies, programs, and partnerships to promote U.S. innovation and enable technology-led economic growth.

Strategies	Activities and Performance Targets	Completed
Provide Administration and congressional policymakers with policy options concerning U.S. innovation issues	<ul style="list-style-type: none"> • Work closely with White House staff and other policymakers on current issues related to technology and Homeland Defense. 	Yes
Manage the federal Interagency Working Group on Tech Transfer to develop policy recommendations to improve national tech transfer practices	<ul style="list-style-type: none"> • Convene national lab and industry research directors to develop recommendations for improvements in education and outreach at the national labs related to tech transfer. 	Yes
Provide information and recommendations on federal tech transfer activities to Congress and the Administration		
Dialogue with the Federal Laboratory Consortium (FLC), Association of University Technology Managers (AUTM), National Technology Transfer Center (NTTC), industry groups, and others with interests in tech transfer policy issues		
Develop and disseminate information to assist state, regional, and local decision makers to support technology-led growth and innovation	<ul style="list-style-type: none"> • Prepare State Indicators report to provide state leaders with benchmarks and metrics to assess policy progress and impacts. • Award and oversee grants (EPSCOT) for state-originated policy experiments to stimulate tech-led economic growth. • Interact with state, regional, local leaders to identify information needs and disseminate new information. • Manage existing projects analyzing best practices in tech-led economic development and disseminate findings to state/regional/local officials. 	Yes Yes Yes Yes
Represent the U.S. government in bilateral and multilateral meetings	<ul style="list-style-type: none"> • As lead of the U.S. delegation to the semi-annual meetings of the APEC Industrial S&T Working Group, work with other federal agencies to encourage APEC collaboration on critical technology issues. • As U.S. government representative to the semi-annual meetings of the OECD Technology and Innovation Policy Working Group, incorporate U.S. interests in OECD approaches to intellectual property rights protection, business investments in R&D, technology transfer, and workforce mobility. • Represent the U.S. government in ad hoc international technology meetings, such as the Global Business Dialog on e-Commerce. • As lead of the U.S.-Israel Science and Technology Commission, develop and implement bilateral projects (e.g., workshops, training) that advance U.S. technology and commercial interests through cooperation with Israel in biotechnology and information technology. 	Yes Yes Yes Yes

Program Evaluation

OTP did not conduct a formal program evaluation for FY 2002.

Performance Goal 2 (NIST): Provide technical leadership for the nation's measurement and standards infrastructure and ensure the availability of essential reference data and measurement capabilities

Corresponding DOC Strategic Goal and Objective

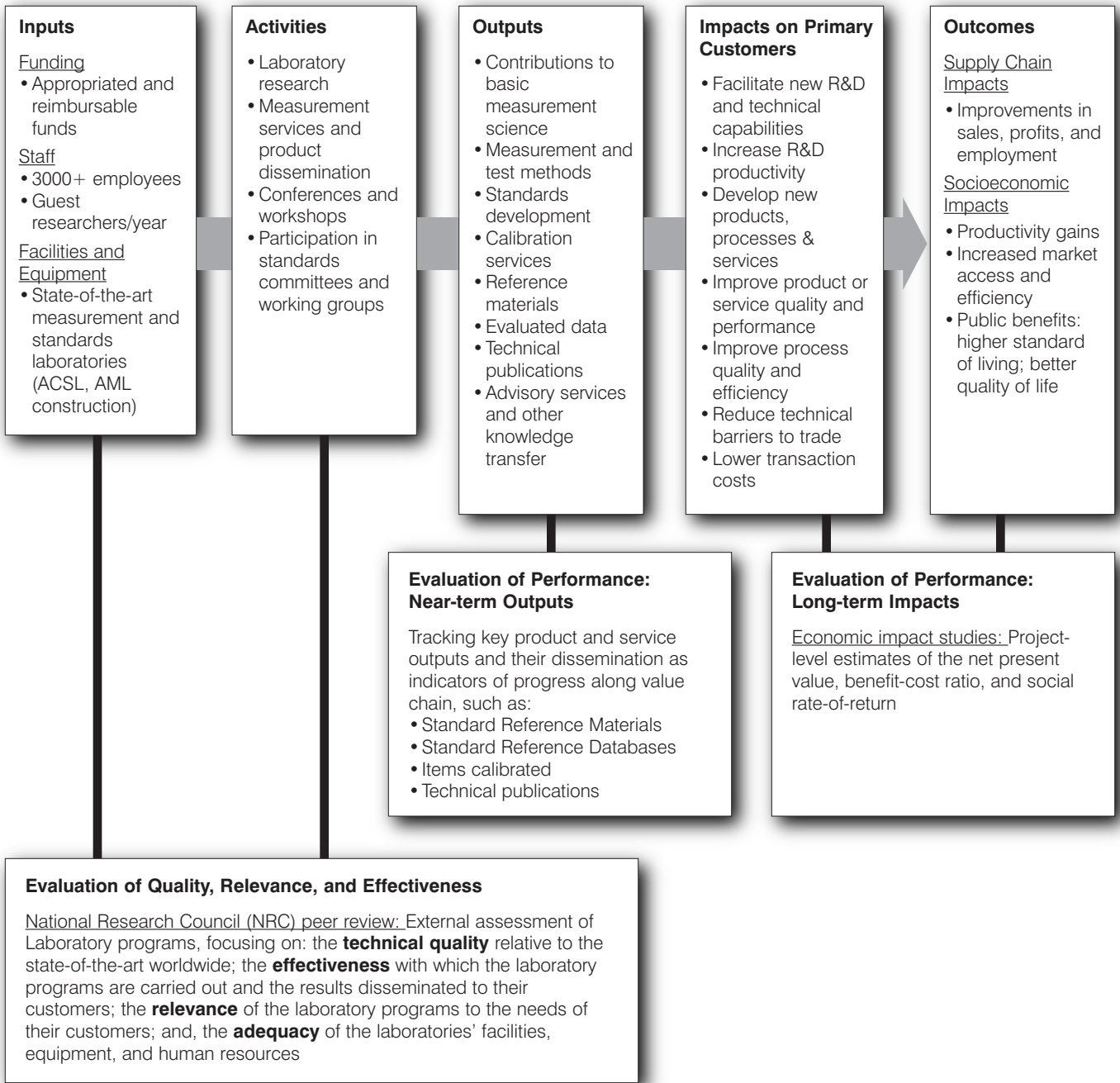
Strategic Goal 2: Provide infrastructure for innovation to enhance American competitiveness.

Rationale for Performance Goal

The NIST Laboratories develop and deliver measurement techniques, reference data, test methods, standards, and other infrastructural technologies and services that provide a foundation for industry in all stages of commerce: research, development, testing, production, and marketing. The NIST Laboratories also support U.S. firms in the global marketplace by working to eliminate trade barriers associated with different national standards, testing, and certification requirements. Since its establishment in 1901 as the National Bureau of Standards, NIST has collaborated closely with industry to anticipate and address the nation's measurement, standards, and technology needs.

The NIST Laboratories perform research to develop the measurement tools, data, and models for advanced science and technology. The model below depicts the NIST Laboratories' value-creation chain — from inputs like funding and staff to outcomes like productivity gains and improved quality of life. The model also includes the evaluation methods and measures used to track progress along the impact path, each of which is described in more detail in the sections that follow.

NIST Laboratories' Impact Path and Evaluation Methods: Results-based Management for Research



NIST has designed its performance evaluation system to accommodate the organization's specific mission and impact path as well as to respond to the intrinsic difficulty of measuring the results of investments in science and technology. Like other Federal science organizations, the primary output of NIST's laboratory research is scientific and technical knowledge, which is inherently difficult to measure directly and comprehensively. In addition, the outcomes from research often do not begin to accrue until several years after the research program has been completed, and the diffusion of benefits often affects broad segments of industry

and society over long time periods. Given these challenges, NIST evaluates its performance against each laboratory strategic goal using a mix, appropriate to each goal, of specific output tracking plus crosscutting peer review and economic impact analyses. Taken together, these evaluation tools, combined with continual feedback from customers, provide NIST management and external stakeholders with a detailed and broad view of NIST's performance toward its long-term goals.

Alignment with the President's Management Agenda R&D Investment Criteria

A key component of the President's Management Agenda involves the development of criteria for evaluating investments in federal R&D programs. As developed to date, the R&D investment criteria center on the evaluation of quality, relevance, and performance. As depicted in the impact and evaluation graphic above, NIST uses a combination of external peer review, output tracking, and retrospective economic impact studies to evaluate quality, relevance, and performance over time. NIST's peer review process is particularly productive, as it is comprehensive and ultimately focused on evaluating the quality, relevance, and effectiveness of NIST's efforts to serve its customers' current and prospective measurement and standards needs.

To evaluate prospective investment choices, NIST has recently completed a long-term strategic plan (NIST 2010) that used a combination of external trend analysis and specific opportunity assessments to identify areas where NIST's measurement, standards, and advisory services are critical to technological advancements that have enormous potential impact on the nation's productivity, trade, and quality of life. Where feasible, NIST also contracts for focused prospective economic analyses that estimate the costs associated with inadequate technical infrastructure in specific markets. Most recently NIST sponsored a study of the software industry, and found that the national annual costs of inadequate infrastructure for software testing ranges from \$22.2 to \$59.5 billion (more than half of these costs derive from error avoidance and mitigation activities of software users; the remaining costs reflect the additional testing resources that software developers must use due to inadequate testing tools and methods). Prospective studies of this nature are used to help NIST refine its investment choices within specific arenas of potential work.

NIST augments these evaluation methods with continual feedback from customers as well as broad policy and management oversight by the Visiting Committee on Advanced Technology. These mechanisms provide additional means for aligning NIST's work with customer needs and managing its programs in the most effective manner possible.

FY 2002 Performance

In 2002, the NIST Laboratories continued a tradition of high quality and strong performance. The laboratories received a thorough external and independent evaluation by the National Research Council (NRC) Board on Assessment of NIST Programs, which has evaluated NIST on an annual basis since 1959. In 2002, the Board on Assessment report pointed to the consistently high technical quality of the laboratories, the relevance of the laboratories' work to current customer needs, and the strong performance of the laboratories overall. The NRC review, which is summarized below and available online at http://www7.nationalacademies.org/NIST/NIST_reports.html, also pointed to the need for facilities and equipment improvements, and even higher quality planning and long-term human capital management in some areas. In any given year, the transfer of NIST's laboratory research capability and measurement knowledge is indicated generally by its suite of output metrics: standard reference materials, data, calibration services, and technical publications. FY 2002 targets were met for each of these measures.

Measure 2a: Qualitative assessment and performance evaluation using peer review

Since 1959, the NIST Laboratories have been reviewed annually by the NRC. The annual NRC Board on Assessment of NIST Programs review is independent, technically sophisticated, and extensive. The Board consists of approximately 150 scientists and engineers, organized into seven panels (one for each of the seven NIST Laboratories) plus two sub-panels for specialized programs. Panel reviews are reported at the division level (the major organizational unit for the laboratories) and build upon assessments of research processes at the project and program levels.

Each year the lab-specific panels conduct a two- to three-day on-site review of each laboratory's technical quality, paying particular attention to the following factors, as charged by the NIST Director:

- The technical merit / quality of the laboratory programs relative to the state-of-the-art worldwide;
- The effectiveness with which the laboratory programs are carried out and the results disseminated to their customers;
- The relevance of the laboratory programs to the needs of their customers; and
- The ability of its facilities, equipment, and human resources to enable the Laboratories to fulfill their mission and meet their customers' needs.

The NRC panel reports for each laboratory provide the basis for a comprehensive annual peer review report on the NIST Laboratories. As in prior years, the NRC report for FY 2002 provides each laboratory, and NIST as a whole, not only with an external quality assessment, but also with valuable information that it can use for its own performance assessment, planning, and management functions. The tables below provide summary statements for the laboratories, excerpted from NRC's 2002 report. NRC reports are posted online at: <http://books.nap.edu>.

NIST Scientist Wins Nobel Prize for Discovery of a New State of Matter

NIST's Eric A. Cornell and Carl E. Wieman of the University of Colorado at Boulder won the 2001 Nobel Prize in physics for their creation of an entirely new state of matter called Bose-Einstein condensate (BEC). Cornell and Wieman made the discovery at JILA, a joint research institute operated by NIST and the University of Colorado. The BEC is the coldest known material in the universe, forming only when special laser and magnetic techniques are used to chill atoms to a few hundred billionths of a degree above absolute zero. At these ultra-cold temperatures, the atoms no longer behave as separate particles but instead behave as a giant single atom or molecule. The BEC appears very promising for a wide range of applications including extremely precise time standards, new forms of lithography for making microelectronic devices, and quantum computing.

Sample Statements from NRC Peer Review, FY 2002

Laboratory

Electronics and Electrical Engineering (EEL)

"The work under way in the Electronics and Electrical Engineering Laboratory continues to be of the highest technical quality. The impact of the programs on industry and other NIST customers is significant...The panel is pleased with the progress that has been made on strategic planning in the laboratory over the past year. The next step will be strengthening of the links between the laboratory-level plan and the NIST-level plan, as well as between the plans at the laboratory and the division levels...The laboratory has clearly placed increased emphasis on interactions with NIST customers; the panel applauds this outreach effort and has seen the positive impact that these relationships have on project selection and dissemination...The construction of the Advanced Measurement Laboratory at NIST Gaithersburg is a very special opportunity for NIST and EEL." (p. 1-8).

Manufacturing Engineering (MEL)

"The quality of research in the laboratory is high overall. In general, the staff is highly competent and motivated to have a positive impact on U.S. competitiveness...The panel concurs with the broadening of the Manufacturing Engineering Laboratory mission statement to recognize manufacturing beyond that of discrete parts...MEL has made progress in its strategic and program planning efforts...The panel was impressed with the number of MEL researchers who had received awards and recognition from external organizations...MEL has improved its customer focus...The panel agrees with MEL's matrix management approach as a means to best utilize staff skills to accomplish laboratory objectives...The panel is concerned about the decline in the number of MEL technical staff and its impact on the laboratory's ability to meet its goals and objectives." (pp. 1-8, 1-9, 3-3).

Chemical Science and Technology (CSTL)

"Chemical Science and Technology Laboratory programs continue to have high technical merit overall...Several programs were noteworthy for the use and development of cutting-edge technologies...The panel found CSTL to be very proactive overall in identifying the customers of its work...all projects presented to the panel had a concise statement of the anticipated industrial use. The panel was pleased to see an increased awareness of customer impact...Particularly noteworthy for their relevance and effectiveness are the laboratory's efforts in Standard Reference Materials (SRMs), Standards Reference Databases (SRDs), and international standards activities...The panel is pleased with CSTL efforts in Web-based dissemination and finds that the laboratory's Web-based dissemination continues to improve in utility and effectiveness..." (pp. 1-9, 4-4).

Physics (PL)

"The Physics Laboratory continues its tradition of technical excellence and leadership. The awarding of the 2001 Nobel Prize in Physics to one of the laboratory's staff members is the most obvious evidence of this excellence...The Physics Laboratory reaction to the anthrax attacks of late 2001 was outstanding for its responsiveness to unanticipated national need and for its excellent utilization of established NIST skills and resources...The panel commends the leadership role that the Physics Laboratory is taking in the NIST-wide health care initiative and the strong focus that the laboratory has brought to its efforts in this area in the past year...The panel recommends enhanced efforts to develop interlaboratory collaborations and other partnerships that would help leverage Physics Laboratory resources while more effectively meeting NIST-wide strategic goals." (pp. 1-10).

Materials Science and Engineering (MSEL)

"The Materials Science and Engineering Laboratory continues to field programs of high technical merit and strong relevance and effectiveness...In general, the technical competence of staff members is very high, and their projects often push the state of the art and its applications...The laboratory's output is generally excellent in terms of both quality and quantity...Overall, the panel was pleased with the relevance and effectiveness of MSEL's programs...The panel is concerned that decreasing staff levels put core MSEL competencies at risk and hamper the laboratory's ability to step up to new challenges and priorities...The panel noted in particular that the laboratory is making better use of collaborations both within and outside of NIST...MSEL should seek further opportunities to leverage its human resources through appropriate collaborations..." (pp. 1-10, 6-3).

Building and Fire Research (BFRL)

"The panel continues to be impressed by the high quality of scientific and technical work produced in the Building and Fire Research Laboratory. Commendable efforts are made to reach out to a broad variety of laboratory customers, ranging from large construction companies to local firefighting units, from code makers to academic researchers, and from standards committees to the public...The laboratory has taken the first step toward the development of a strategic plan...BFRL's existing expertise and programs have placed it in an excellent position to make many positive contributions to the nation's homeland security efforts...The panel is very supportive of BFRL's ongoing and planned activities [in homeland security] but cautions that it is vital for the laboratory to maintain a balance between short-term investigative work and long-term programs aimed at developing research and applications that are broadly relevant." (pp. 1-10, 1-11).

Information Technology (ITL)

"The technical merit of the work in [the Information Technology Laboratory] remains strong...the panel has been consistently impressed with the technical quality of the work undertaken. The panel also particularly applauds ITL staff's willingness to take on difficult technical challenges...The panel is impressed with the progress that has occurred in strategic planning in the [ITL], particularly in the emergence and acceptance of a framework under which laboratory activities operate...ITL has done a remarkable job of becoming more customer-oriented over the past several years. The panel applauds the laboratory's efforts in outreach and notes that the progress reflects improvement in a whole range of areas, from gathering wider and more useful input to help with project selection to increased dissemination and planning for how customers will utilize NIST results and products." (pp. 1-11, 8-3).

(NRC reports are posted at: http://www7.nationalacademies.org/NIST/NIST_reports.html)

Measure 2b: Economic Impact Studies

NIST Programs Benefit U.S. Industry and Consumers: the NTRM example

Accurate, real-time monitoring of polluting gases emitted by electric utilities, automobiles and other sources depends heavily on equipment calibration standards made by or traceable to the National Institute of Standards and Technology (NIST). A new study now available from NIST, *The Economic Impact of the Gas-Mixture NIST-Traceable Reference Materials Program* (NIST Planning Report 02-4), found that the gas-mixture NIST-Traceable Reference Materials (NTRM) program—an innovative mechanism for meeting a high demand for standards—returns between \$21 and \$27 in benefits for every dollar spent, with substantial benefits extending into the future.

The NTRM program was created in the early 1990s by NIST, the U.S. Environmental Protection Agency (EPA), and specialty gas companies to increase the availability of NIST-certified reference materials needed to monitor compliance with environmental regulations. Most EPA regulations for stationary source, mobile source and ambient air monitoring require that measurements be traceable to NIST. Under the program, gas companies manufacture standards according to NIST's technical specifications and submit these mixtures to NIST for certification. (NIST also produces a smaller number of its own gas-mixture Standard Reference Materials, the benefits of which were not evaluated in the study.)

In addition to greatly increasing the supply of gas-mixture standards, the NTRM program, after an initial start-up investment by NIST, minimizes on-going costs to taxpayers because it is now supported by industry fees. According to the study, benefits of the program include reduced measurement uncertainty, helping users of the reference materials to avoid some operations and maintenance costs and reducing credit expenditures in emissions trading (an innovative approach to environmental regulation that is generally believed to reduce total pollution-abatement costs). The program enables NIST to meet the needs of these impacted industries, while freeing up its resources to solve other critical standards issues.

NIST Planning Report 02-4 is available in Adobe Acrobat format from: www.nist.gov/director/prog-ofc/report02-4.pdf.

NIST uses retrospective microeconomic studies to assess the long-term impacts that derive from specific NIST Laboratories' programs or projects. NIST has been conducting economic impact studies on a regular basis since 1992, and initiates two to four new impact studies annually. Impact assessments of NIST's R&D in specific technical areas are conducted by external economic and technical experts contracted by NIST. These studies provide both quantitative estimates and qualitative assessments of the economic impacts resulting from the different types of technology infrastructure that NIST provides to U.S. industry. Quantitative estimates compare project costs with quantitative impact evidence in such areas as productivity, quality, time-to-market, transaction costs, sales, market share, and profits.

NIST impact studies use the same quantitative metrics as industry, typically providing one or more of three metrics: 1) net present value and two efficiency measures; 2) a benefit-cost ratio, which compares the net present value of benefits and costs over the time period being analyzed; and 3) a social (internal) rate of return, which represents the annual percentage rate that would be required to reduce the net present value of the benefit time series to zero (i.e., to yield a benefit-cost ratio of one—the break-even point for a project). Recent impact studies also provide qualitative descriptions of impacts that are significant but difficult to quantify, such as the impact of NIST infratechnologies on R&D strategies and capabilities, organizational efficiency, market access, and effectiveness in working with external actors such as suppliers and standards organizations. Studies conducted over the last five years indicate that NIST outputs generate rates of return on R&D that consistently exceed the estimated average returns on R&D conducted by private industry (see table below).¹

¹ Nadiri (National Bureau of Economic Research, 1993) estimates an average 20 to 30 percent private return and an average 50 percent social return on R&D conducted by private industry.

Economic Impact Studies: Long-term Outcomes of NIST Laboratory Research

Industry: Project	Year	Output	Outcomes	Measures
Chemicals: gas-mixture reference standards	2002	NIST-traceable reference materials	Lower regulatory compliance costs; improve market efficiency	SRR: 221-228%; BCR: 21-27; NPV: \$49M to \$63M
Communications: security (role-based access control)	2002	Generic technology reference models and security standards	Enable new markets; increase R&D efficiency	SRR: 62%; BCR: 109; NPV: \$292M
Electronics: Josephson voltage standard	2001	Standard reference materials	Increase R&D efficiency; increase productivity; enable new markets	SRR: 877; BCR: 5; NPV: \$18M
Communications: security (data encryption standards)	2001	Standard conformance test methods/services	Increase R&D efficiency enable new markets	SRR: 267-272%; BCR: 58-145; NPV: \$345M-\$1.2B
Pharmaceuticals: cholesterol measurement	2000	Standard reference materials	Increase productivity decrease transaction costs	SRR: 154%; BCR: 4.5; NPV: \$3.5M
Photonics: laser and fiberoptic power and energy calibration	2000	Calibrations	Increase productivity decrease transaction costs	SRR: 43%-136%; BCR: 3-11; NPV: \$48M
Chemicals: SRMs for sulfur in fossil fuels	2000	Standard reference materials	Increase productivity reduce transaction costs	SRR: 1,056%; BCR: 113; NPV: \$409M
Semiconductors: software for design automation (IGBT semiconductors)	1999	Software model	Increase R&D efficiency increase productivity	SRR: 76%; BCR: 23; NPV: \$10M
Chemicals: alternative refrigerants	1998	Standard reference data	Increase R&D efficiency increase productivity	SRR: 433%; BCR: 4
Materials: phase equilibria for advanced ceramics	1998	Standard reference data	Increase R&D efficiency increase productivity	SRR: 33%; BCR: 10
Materials: thermocouples	1997	Standard reference data (calibration)	Lower transaction costs increase product quality	SRR: 32%; BCR: 3
Pharmaceuticals: radiopharmaceuticals	1997	Standard reference materials	Increase product quality	SRR: 138%; BCR: 97
Photonics: optical detector calibration	1997	Standards and calibration services	Increase productivity	SRR: 72%; BCR: 3

Measures: SRR: social (internal) rate of return; BCR: benefit-cost ratio; NPV: net present value.

Collectively, these studies validate NIST's fundamental impact logic model: they prove, in other words, that the measurement and standards infrastructure provided by NIST generate impacts on R&D productivity, market efficiency, product quality, and other factors—typically at a level that far exceeds the input costs.

Individually, these studies also provide management with a broader range of useful qualitative information on such important factors as the nature of the R&D life cycle in individual industries; the points at which measurement technologies affect R&D, production, and market transactions at different levels of the supply chain; and the modes of potential impact associated with different types of NIST infratechnologies. Additional information about economic impact studies is presented in the table below.

³ Social (internal) rate of return represents the annual percentage rate that would be required to reduce the net present value of the benefit time series to zero (i.e., to yield a benefit-cost ratio of one—the break-even point for a project).

Measure 2c: Standard Reference Materials (SRMs) Available

	FY 1999	FY 2000	FY 2001	FY 2002
Target	1,315	1,300	1,315	1,350
Actual	1,288	1,292	1,335	1,353
Met/Not Met	Not Met	Not Met	Met	Met

Explanation of Measure**Standard Reference Materials Improving Health Care: Cholesterol Measurements**

Diagnosing and treating cardiovascular disease requires accurate measurements of cholesterol and its constituents. Since 1966, NIST has developed and disseminated measurement methods, standards, and Standard Reference Materials (SRMs) needed to assure the accuracy of cholesterol tests. As a result of NIST's work, clinical laboratories and other users have adopted increasingly accurate measurement techniques and have significantly reduced uncertainties in cholesterol measurement results. Due to better measurements, fewer patients have been misdiagnosed, public health has been improved, and health care costs have been lowered significantly. The economic benefits of NIST's Cholesterol Standards Program have been analyzed in an independent study by TASC, Inc. The study covered the period of 1986-1999, and estimated a social rate of return of 154 percent and a benefit-to-cost ratio of 4.5:1 during that timeframe.

The number of Standard Reference Materials (SRMs) available illustrates the breadth of measurements supported by NIST. SRMs are certified for their specific chemical and material properties in the NIST Laboratories. SRMs are the definitive source of measurement traceability in the United States—all measurements using SRMs can be traced to a common and recognized set of basic standards that provides the basis for compatibility of measurements among different laboratories. In addition, as economic exchange has become more global, customers are using SRMs to achieve measurement quality and conformance to process requirements that address both national and international needs for commerce and trade. The data represent a direct count of SRMs available to customers at the close of the fiscal year and are tracked on an ongoing basis by NIST Technology Services. Data provide information on output levels only. There are no obvious replacements for these output tabulations; NIST continues to explore the use of additional metrics that could capture leverage in the secondary market and other factors related to downstream impact. As with other NIST products and services, downstream outcomes are measured through project-specific economic impact studies. The text box at right describes an example of one NIST SRM and its impact.

FY 2002 Performance

Performance on this measure is satisfactory. Over time, NIST projects modest growth in the number of SRMs available, given NIST's strategy of focusing on those SRMs that cannot be produced by secondary laboratories and which have broad and/or high downstream impact. In establishing its out-year projections, the NIST SRM Program monitors, among other things, trends in emerging technologies, new regulations that will depend on SRMs for enforcement, and the reference material needs of other federal agencies.

Measure 2d: Standard Reference Data (SRD) Titles Available

	FY 1999	FY 2000	FY 2001	FY 2002
Target	62	63	66	68
Actual	60	63	65	90
Met/Not Met	Not Met	Met	Not Met	Met

Explanation of Measure

This measure describes the number of Standard Reference Data (SRD) titles that the NIST Laboratories produce and make available through the NIST Standard Reference Data Program. Standard Reference Databases provide numeric data to scientists and engineers for use in technical problem solving, research, and development. These recommended values are based on data that have been extracted from scientific and technical literature, assessed for reliability, and then evaluated to select the preferred values. The data represent a direct count of available SRD titles and are updated on an ongoing basis by the NIST Standard Reference Data Program. Data provide information on output levels only. There are no obvious replacements for these output tabulations. NIST continues to explore the use of additional metrics that could capture use rates, leverage, and other factors that may provide partial indicators of downstream impact.

FY 2002 Performance

The increase in FY 2002 largely reflects a revised and more accurate tabulation of the SRD titles available. In FY 2002, NIST changed its method for tabulating the databases that it makes available to the public. Prior tabulations did not sufficiently represent the number of discrete databases that are being made available through the Web; in some cases, several distinct databases had been counted as a single database because they are clustered at a single overarching Web address. Out-year estimates from FY 2004 forward will reflect this change in methodology. Historically, NIST has produced two new SRD titles per year. At the same time, NIST also provides numerous upgrades to existing databases. Each year, however, some database titles are eliminated from the NIST catalog. Out-year projections assume modest growth in the total number of SRD titles available. Over time, a larger percentage of these titles will be distributed via the Internet.

Measure 2e: Number of Items Calibrated

	FY 1999	FY 2000	FY 2001	FY 2002
Target	3,375	3,200	3,100	2,900
Actual	3,118	2,969	3,192	2,924
Met/Not Met	Not Met	Not Met	Met	Met

Explanation of Measure

This measure illustrates the quantity of physical measurement services provided by NIST for its customers, including calibration services, special tests, and Measurement Assurance Programs (MAPs). NIST offers more than 500 different types of physical calibrations in areas as diverse as radiance temperature, surface finish characterization, and impedance. NIST calibration services and special tests are characterizations of particular instruments, devices, and sets of standards with respect to international and national standards. NIST calibration services provide the customer with direct traceability to national and

international primary standards. MAPs are quality control programs for calibrating entire measurement systems. The output data represent a direct count of the number of items external customers sent to NIST for formal calibration services. The data provide information on service output levels only and represent a measure of throughput but not workload per se, as the number of tests and/or the time and calibration effort required can vary substantially across items. As with SRMs and SRD titles, downstream impact is a function of the nature of individual calibration services more than the sheer volume of items calibrated. There are no obvious replacements for these output tabulations. NIST continues to explore complementary metrics that could capture leverage in the secondary market and other factors that may provide partial indicators of downstream impact.

FY 2002 Performance

Performance on this measure is satisfactory. Over time, NIST anticipates a relatively high but slightly declining number of items calibrated. This is in keeping with a long-term trend, over the past several decades, of a decline in the number of items calibrated by NIST. (Despite this long-term trend, individual years may fluctuate slightly, as with the slight increase from FY 2000 to FY 2001, due to the periodicity of multi-year calibration cycles.) This decline is taking place for two reasons. First, extended calibration cycles as well as changing technology and industry mergers continue to reduce the number of artifacts delivered to NIST for calibration. Second, NIST focuses on conducting calibrations that require a direct connection to the national standards, and on improving calibration accuracy in areas where new industry demands are emerging. Through this overall approach NIST can efficiently leverage its primary calibration services to support a broader base of secondary calibrations conducted within the private sector.

Measure 2f: Technical Publications Produced				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	2,150	2,450	2,200	2,050
Actual	2,270	2,250	2,207	2,236
Met/Not Met	Met	Not Met	Met	Met

Explanation of Measure

Citation Rates Show High Demand for NIST Technical Publications

Print publications are a major channel through which NIST diffuses the scientific and technical knowledge generated by its staff. For GPRA purposes, NIST reports the number of publications generated by its staff as a partial indicator of the Institute's research output. Of these technical publications produced annually, approximately eighty percent are published externally (such as in scientific journals), while the remaining twenty percent are NIST reports and special publications.

In addition, within the scientific community, citation rates often are used to gather additional information about the demand for or relevance of published research: the cumulative number of citations per publication provides a rough gauge of the level of use and hence "impact" of the publications. NIST has assessed the citation rates for its publications by using data collected by the Institute for Scientific Information (ISI), which has been collecting research publication data for more than forty years and now maintains the most comprehensive source of available publication data for scientific and technical organizations. According to these data, NIST's "relative impact"—that is, the average citation rate per NIST publication relative to ISI's baseline citation rate number for all scientific and technical organizations in its database—from 1981 through 1999 has been consistently above average. These data indicate that NIST consistently produces relevant scientific and technical publications that are cited frequently and hence used quite broadly.

This measure represents the annual number of technical publications generated by the NIST Laboratories staff. The number is a direct count of the number of technical publications approved by the NIST Editorial Review Boards at the Gaithersburg and Boulder sites. NIST uses publications as one of the mechanisms to transfer the results of its research to the U.S. private sector and to other government agencies that need cutting-edge measurements and standards. Many of these publications appear in prestigious scientific journals and withstand peer review by the scientific community. Others appear in technological forums where measurement standards and technologies developed by NIST staff (at times in collaboration with private sector partners) are disseminated. See also text box. Data are updated on an ongoing basis by the NIST Office of Information Services. Data are not adjusted for quality and do not capture impact.

FY 2002 Performance

Performance on this measure is satisfactory. Over time, NIST expects a relatively constant level of high quality publications (approx. 2,000-2,200 per year) by its technical staff. As a result, the forecast level of publications is largely a function of anticipated staff levels, although other factors may contribute to slight fluctuations (such as the nature and specific research findings in any given year, and continuing technological improvements in electronic and print publishing over time).

Performance Goal 3: Accelerate technological innovation and development of the new technologies that will underpin future economic growth (NIST)

Corresponding Strategic Goal

Strategic Goal 2: Provide infrastructure for innovation to enhance American competitiveness.

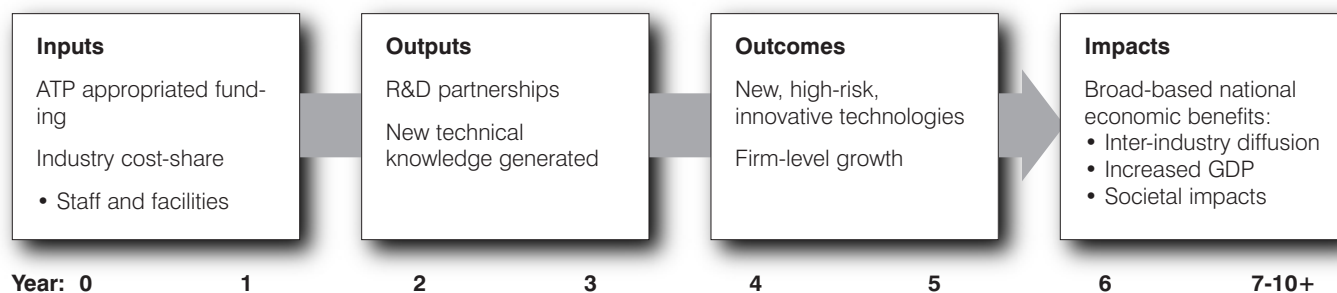
Rationale for Performance Goal

Research and development (R&D) funding in the U.S. has changed profoundly over the last forty years. Once the primary source of funding, the federal government now provides about twenty-six percent of all R&D funds in the U.S., while funds from private industry have expanded from thirty-three percent in 1960 to sixty-eight percent in 2000. The nation's recent economic success and its future prospects depend in large measure on the R&D strategies of private firms.

While the private sector has emerged as the nation's R&D powerhouse, market pressures often deter firms from investing in particular types of technology. Private industry never has accounted for a large percentage of the nation's basic R&D, because firms must be able to appropriate returns within a timeframe and at a level satisfactory to investors. For the same reasons, industry tends to avoid investing in certain types of enabling technologies: infrastructural technologies, which require distinct competencies and are broadly applied; multi-use technologies, which benefit multiple segments of an industry or group of industries; and high-potential breakthrough technologies, which typically involve risk levels and timeframes that far exceed the horizons of individual firms. These areas are the focus of the Advanced Technology Program (ATP): ATP works with industry and academia to identify and promote investment in technologies with significant potential for broad-based economic benefits but inadequate levels of private investment.

The Advanced Technology Program plays a unique role in the nation's R&D infrastructure: it encourages industry to identify and invest resources in high-risk, broad impact technologies—technologies with significant economic and societal promise, but with inadequate levels of private investment.

The Program is designed to generate broad-based economic benefits by stimulating industry-led partnerships to develop new technologies. The ATP uses joint ventures and informal teaming arrangements to combine private investment and the best available scientific and technological talent in industry, universities, and government. The "impact path" for the ATP — from inputs like appropriated funds and industry matching funds to long-term economic benefits — is illustrated below.



From the start of the program, evaluation has been a central part of ATP operations, as a management tool to provide feedback to project selection and program operations, and to demonstrate program results to stakeholders and the public.

The ATP has developed a multi-component evaluation strategy to provide measures of progress and performance at various stages of its impact path: for the short-term, from the time of project selection and over the course of the ATP-funding period (inputs and initial outputs); for the mid-term, as commercial applications are pursued, early products reach the market, and dissemination of knowledge created in the R&D projects occurs (outcomes); and for the longer-term, as more fully-developed technologies diffuse across multiple products and industries, with related net impacts on formation of new industries, job creation, and U.S. economic growth (impacts).

Each of these major stages of ATP's impact path is described below, along with the corresponding performance evaluation methods employed. As appropriate, current performance data (both qualitative and quantitative) are provided, and out-year performance indicators are described.

Outputs

In the early and mid stages of project evolution, ATP tracks key outputs from projects through its Business Reporting System, a unique internal database created in 1993, which draws data from regular, systematic electronic project surveys and supplementary telephone surveys. Key indicators used to represent the generation and diffusion of new commercially-relevant technical knowledge are patents and technical publications generated by ATP-funded projects. Taken together, these two indicators illustrate the generation and diffusion of technical knowledge created by ATP-funded R&D partnerships. The data below indicate ATP's cumulative progress on these two output measures (through FY 2001, the most recent data available).

FY 2002 Performance

Final FY 2002 data for ATP's performance metrics will be reported in the FY 2003 Annual Program Performance Report. In FY 2001, the ATP program met its targets for each of its three quantitative performance metrics. As explained below, these metrics are cumulative and represent performance realized through R&D projects funded over several fiscal years prior to the performance results.

Measure 3a: Economic Impact Studies

Fully successful ATP projects are expected to contribute significantly to the U.S. scientific and technical knowledge base, yield private benefits to the innovators, and ultimately yield benefits to others in the U.S. through market, knowledge, and/or network spillovers. The measurement of long-term economic outcomes requires well-established projects with technological outputs that have been in the market for long time periods. To measure long-term economic impacts that derive from the set of funded ATP projects, the program conducts or contracts detailed and rigorous case studies. Where possible, these studies

also estimate long-term project outcomes. For instance, a recent study of an ATP-funded joint R&D venture for closed cycle air refrigeration technology estimated a social rate of return of at least 83 percent and a benefit-to cost ratio of at least 220:1 (Pelsoci, *Closed-Cycle Air Refrigeration Technology for Cross-Cutting Applications in Food Processing, Volatile Organic Compound Recovery, and Liquid Natural Gas Industries*, GCR 01-819, Dec. 2001). Forthcoming studies include an evaluation of the economic benefits from ATP investments in component-based software and in digital mammography.

Measure 3b: Cumulative Number of Technologies under Commercialization				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	120	170	180	190
Actual	120	166	195	Available in the FY 2003 report
Met/Not Met	Met	Not Met	Met	

Explanation of Measure

The data provide a cumulative direct count of the number of technologies commercialized, as determined through ATP’s Business Reporting System. Commercialization is broadly defined as any group of activities undertaken to bring products, services, and processes into commercial applications, including development of commercial prototypes, adoption of processes for in-house production, development of spin-off products and processes, scale-up for volume production, and the sale and licensing of products and services derived from the technology base created by the ATP-funded project.

FY 2002 Performance

For all ATP output metrics, final data for FY 2002 will be reported in the FY 2003 Annual Program Performance Report. FY 2001 performance was satisfactory; the number of technologies commercialized represented 108 percent of the expected level.

Measure 3c: Cumulative Number of Publications				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	480	680	720	770
Actual	468	565	747	Available in the FY 2003 report
Met/Not Met	Not Met	Not Met	Met	

Explanation of Measure

This cumulative count of publications generated by all ATP-funded research through the close of a given fiscal year represents a major channel for the diffusion of technical knowledge that results from ATP funding. Projections are based on extrapolations of past publication rates and projections of projects initiated and completed over time and are updated to reflect all currently available data. These targeting mechanisms are not perfectly accurate for several reasons. The publications data are impacted by delays in ATP project completion and/or project terminations, both of which are difficult to predict years in advance.

In addition, publication rates vary significantly across technology areas. As a result, publications activity will be affected by changes in ATP's completed project portfolio. While these factors and others make perfectly accurate targeting difficult, ATP will continue to track its publications count closely, and also will analyze any trends that may indicate necessary adjustments to its projection models.

FY 2002 Performance

For all ATP output metrics, final data for FY 2002 will be reported in the FY 2003 Annual Program Performance Report. FY 2001 performance was satisfactory; the number of publications produced represented 104 percent of the expected level.

Measure 3d: Cumulative Number of Patents Filed				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	640	770	790	930
Actual	607	693	800	Available in the FY 2003 report
Met/Not Met	Not Met	Not Met	Met	

Explanation of Measure

The third of ATP's set of output measures, these data represent cumulative direct counts of the number of patents filed by all ATP-funded research project participants through the close of a given fiscal year. Projections are based on extrapolations of past patenting rates and projections of projects initiated and completed over time, and are updated to reflect all currently available data. These targeting mechanisms are not perfectly accurate for several reasons. First, the patenting process is difficult to predict, thus, for example, it is possible that patents projected to materialize in one fiscal year might not occur (or be reported) until the following year. Second, the patenting data are impacted by delays in ATP project completion and/or project terminations, both of which are difficult to predict years in advance. In addition, the proclivity to patent varies significantly across technology areas and markets, due in part to differences in the utility and role of intellectual property protection. For example, biotechnology-focused projects may generate more patents than projects of an equivalent size in the IT or manufacturing sectors. As a result, patent activity (like publications) will rise or fall as ATP's completed project portfolio shifts to a different mix of projects. While these factors and others make perfectly accurate targeting difficult, ATP will continue to track its patent count closely, and also will analyze any trends that may indicate necessary adjustments to its projection models.

FY 2002 Performance

For all ATP output metrics, final data for FY 2002 will be reported in the FY 2003 Annual Program Performance Report. FY 2001 performance was satisfactory; the number of patents produced represented 101 percent of the expected level.

Program Evaluation

To provide a more comprehensive measure of mid-term outcomes from ATP funding, the program recently implemented a Composite Performance Rating System and has compiled and published ratings of the first fifty completed ATP projects. Under the Composite Performance Rating System, each project is scored on a set of measures of knowledge creation, dissemination, and progress toward commercial goals; these are summarized in the table below.

ATP's Composite Performance Rating System: Component Measures of Rating

Knowledge Creation and Dissemination Measures

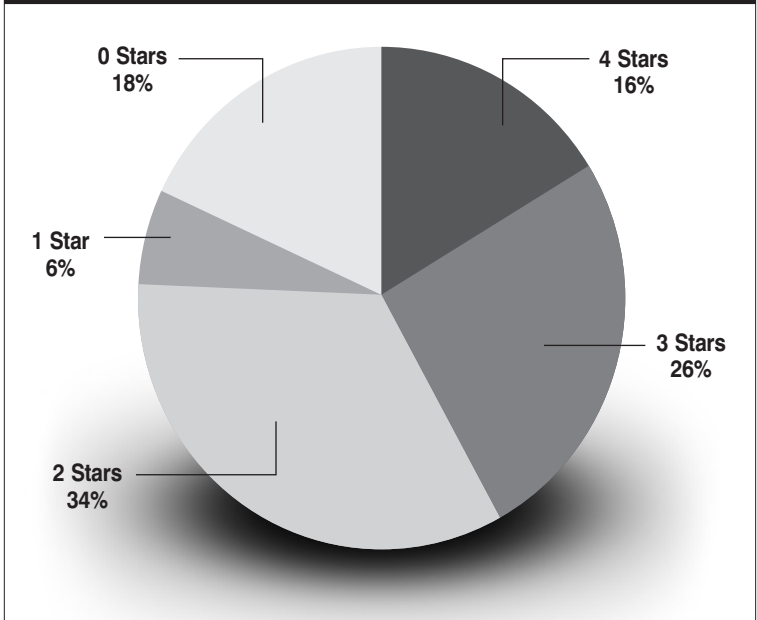
- Technical awards
- Collaborations
- Patent filings
- Publications and presentations
- New product/process in market or expected soon

Commercialization Progress Measures

- New product/process in market or expected soon
- Attraction of capital
- Employment gains
- Business awards
- Outlook

The results from all these measures are used to construct a composite performance score to indicate the overall project effectiveness against ATP's mission (measured two to three years after the end of ATP funding). The result is a four-star system of ratings, with scores ranging from zero to four stars. The results of this analysis for the first fifty completed ATP projects found that 16 percent of the projects are top-rated in terms of overall project performance, with four stars. Twenty-four percent are in the bottom group of zero or one stars. Sixty percent make up the middle group. Over the next several fiscal years NIST expects to continue evaluating the pipeline of completed ATP projects, applying the rating system to all projects two to three years after they have completed their ATP funding cycle. NIST will include the results of this on-going evaluation in future performance plans and reports.

**Results from Composite Performance Ratings
First 50 Completed ATP Projects**



Not all ATP projects are fully successful. Given the program's emphasis on funding high-risk, technology development that the private sector is unwilling and unable to fund alone — but which have the potential to result in broad-based benefits for the U.S. economy — dictates that most projects will fail to accomplish all their goals. Some projects are stopped before completion of the funding period. Others fail to meet all their technical goals, or encounter business difficulties before the technologies are commercialized.

Program Evaluation

To supplement its comprehensive internal evaluation methods, the ATP also receives external review and evaluation. The program objectives and management of ATP are reviewed regularly by the Visiting Committee on Advanced Technology (VCAT), a legislatively mandated panel of advisors that meets quarterly to review NIST's general policy organization, budget, and programs, and by the Advanced Technology Program Advisory Committee. The ATP Advisory Committee is charged with: (1) providing advice on ATP programs, plans, and policies; (2) reviewing ATP's efforts to assess the economic impact of the program; (3) reporting on the general health of the program and its effectiveness in achieving its legislatively mandated mission; and (4) functioning solely as an advisory body, in accordance with the provisions of the Federal Advisory Committee Act.

Over the past decade, ATP has been the subject of external reviews focused on program performance, including two broad program reviews by the National Research Council (NRC) Board on Science, Technology, and Economic Policy (STEP). The results of the first NRC review are available in a report entitled *The Advanced Technology Program: Challenges and Opportunities*, published in 1999 and online at <http://www.nap.edu/books/0309067758/html/>. The second NRC review resulted in a recent report called *The Advanced Technology Program: Assessing Outcomes*, which was published in the summer of 2001 and is available online at <http://www.nap.edu/books/030907410X/html/>. This most recent evaluation found, among other things, that:

- “...the Advanced Technology Program is an effective Federal partnership program...Its cost-shared, industry-driven approach to funding promising new technological opportunities has shown considerable success in advancing technologies that can contribute to important societal goals such as improved health diagnosis (e.g., breast cancer detection), developing tools to exploit the human genome (e.g., colon cancer protection), and improving the efficiency and competitiveness of U.S. manufacturing” (Summary of Findings, p. 87).
- “The extensive assessments of the program show that it appears to have been successful in achieving its core objective, that is, enabling or facilitating private sector R&D projects of a type, or in an area, where social returns are likely to exceed private returns to private investors” (p. 88).

The report also offers additional findings and a series of recommendations for ATP intended to further improve the effectiveness of the program and to enhance cooperation with other federal and state initiatives.

Most recently, in FY 2002, the Secretary of Commerce conducted and released the results of a comprehensive review of the ATP. The report, called *The Advanced Technology Program: Reform with a Purpose*, may be reviewed online at http://www.atp.nist.gov/atp/secy_rept/. NIST and the ATP are working closely with the Department of Commerce and Congressional stakeholders to analyze and implement the reform proposals contained in this report.

Performance Goal 4 (NIST): Improve the technological capability, productivity and competitiveness of small manufacturers

Corresponding Strategic Goal

Strategic Goal 2: Provide infrastructure for innovation to enhance American competitiveness.

Rationale for Performance Goal

While U.S. manufacturing firms are among the most productive in the world, small manufacturing establishments consistently lag behind their larger counterparts, which are able to apply their greater financial, technical, and human resources to production modernization and continuous performance improvements. But the nation's 361,000 small manufacturers employ approximately twelve million people—about two-thirds of the manufacturing workforce—and produce intermediate parts and equipment that contribute more than half of the value of U.S. manufacturing production. Their role in manufacturing supply chains means that the nation's future manufacturing productivity will rest largely on the ability of these small establishments to improve their quality, raise their efficiency, and lower their costs.

The comparatively low productivity growth of small U.S. manufacturing establishments can be attributed to numerous factors, including technical, cost, and information barriers. NIST helps small manufacturers overcome these barriers through the Manufacturing Extension Partnership (MEP). MEP, a federal-state-local partnership program consisting of a national network of centers and field offices, provides information, decision support, and implementation assistance to help businesses adopt new and more advanced manufacturing technologies, techniques, and business practices. Through an annual client survey, MEP reports on performance measures that track the impact of MEP assistance on several major business indicators, including (1) increased sales attributed to MEP assistance, (2) capital investment attributed to MEP assistance, and (3) cost savings attributed to MEP assistance.

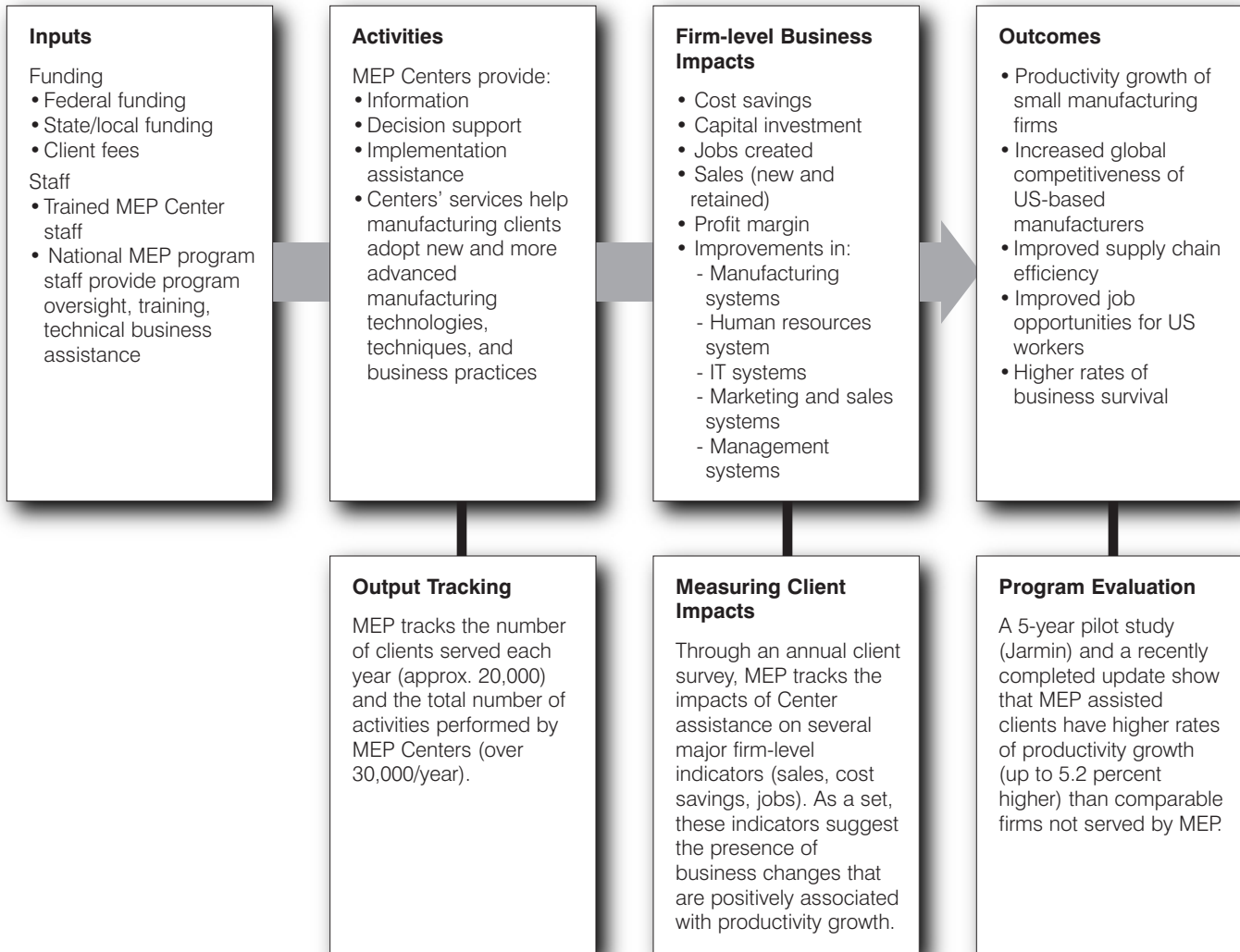
In FY 2000, MEP significantly improved the process by which it evaluates its clients' performance by updating its survey instrument and collection methods. Improvements to the survey design and implementation process have made it more likely that a larger number of surveyed clients will be able to provide quantifiable responses to interview questions. For example, new categories of questions were added to improve data utility, and the wording of the questions was revised to improve accuracy and efficiency. In addition, clients are asked to comment on the impact of MEP services on intermediate outcomes such as improvements in manufacturing, sales/marketing, human resources, information and management systems, and client satisfaction. The survey process is client-based rather than activity-based; it takes a more holistic approach, asking clients to estimate how the entire group of services an MEP Center has provided over the previous two years has affected business performance in the twelve month period prior to the survey date.

Two additional factors should be noted when considering the measures discussed below. First, MEP's data collection and reporting process lags by approximately one year due to the requirements of its surveying procedures; for example, clients who completed a project with MEP in January 2001 were surveyed in early 2002. Second, in the sections that follow, the targets for FY 1999 were computed using the old survey and method. The actual data for FY 1999, FY 2000, and all out-year projections are based on the new survey instrument and process.

MEP Impact: Improving the productivity of small manufacturing establishments

The model below demonstrates the impact path (or value creation chain) of the MEP Program—from inputs such as appropriated funds and staff to end-outcomes such as productivity improvements for the small manufacturing sector. In addition, the model also depicts how NIST measures the progress of the MEP program along its impact chain.

MEP's Impact Path and Evaluation Methods: Results-based Management for Advisory Services



FY 2002 Performance

Due to data collection requirements (lag is approximately one year), FY 2002 data for MEP output metrics will be reported in the FY 2003 Annual Program Performance Report. Data for FY 2001, which are reported here for the first time, demonstrate the significant client level of outcomes attributable to the program. However, the results for each metric did not meet anticipated targets. These results generally reflect the difficult economic conditions facing small manufacturers during the reporting period: weak demand, slow-to-negative growth, and higher unemployment. FY 2001 figures are based on survey responses from 4,804 clients.

Measure 4a: Increased Sales Attributed to MEP Assistance

	FY 1999	FY 2000	FY 2001	FY 2002
Target	\$443M	\$670M	\$708M	\$726M
Actual	\$425M	\$698M	\$636M	Available in the FY 2003 report
Met/Not Met	Not Met	Met	Not Met	

Measure 4b: Capital investment Attributed to MEP Assistance

	FY 1999	FY 2000	FY 2001	FY 2002
Target	\$359M	\$864M	\$913M	\$910M
Actual	\$576M	\$873M	\$680M	Available in the FY 2003 report
Met/Not Met	Met	Met	Not Met	

Measure 4c: Cost Savings Attributed to MEP Assistance

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	\$545M	\$576M	\$497M
Actual	\$364M	\$482M	\$422M	Available in the FY 2003 report
Met/Not Met		Not Met	Not Met	

Explanation of Measures

The goal of MEP is to assist small manufacturing establishments overcome barriers to productivity growth by providing information, decision support, and implementation assistance to help those businesses adopt new and more advanced manufacturing technologies, techniques, and business practices. The measures reported above allow MEP to track its activities (number of clients served), and more importantly the *impact* of its services on three key quantitative business indicators that as a set suggest the presence of business changes that are positively associated with productivity and revenue growth: (1) increased sales attributed to MEP assistance, (2) capital investment attributed to MEP assistance, and (3) cost savings attributed to MEP assistance. The measures represent only partial indicators of the impact of the MEP Centers.¹ Many of the benefits of MEP's services are intangible, difficult to quantify, and/or are qualitative in nature.

¹ Reported data reflect the impact of MEP services primarily on small manufacturing establishments; on some occasions, Centers will elect to serve establishments with over 500 employees. Based on recently compiled survey data, approximately 95 percent of the clients served by MEP are small establishments with fewer than 500 employees; these clients account for approximately 93 percent of the attributed sales impacts.

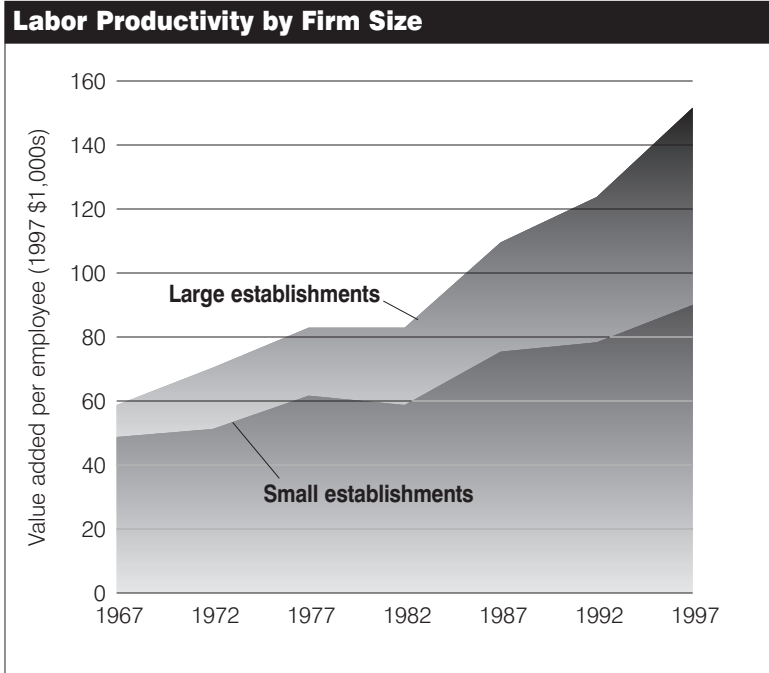
Program Evaluation

Small manufacturers consistently lag large firms in productivity (see graph). The MEP program provides the types of resources needed by small manufacturing establishments to overcome cost and knowledge barriers to realize productivity growth. The program's progress toward achieving its fundamental objective has been evaluated through rigorous, controlled-comparison studies that evaluate the productivity of MEP-served clients relative to similar companies that did not receive MEP assistance.

A five-year pilot study conducted by R.S. Jarmin of the Center for Economic Studies (U.S. Census Bureau) showed that MEP assisted clients had significantly higher rates of productivity growth than non-MEP clients (\$484M in additional value added for client firms).²

A recently-completed update to this original study (publication forthcoming) also prepared by the Center for Economic Studies found that the average MEP client experienced 5.2 percent higher productivity growth between 1996 and 1997 and 4.7 percent faster employment growth compared to non-MEP clients. The findings cover a larger subset of all MEP clients.

As with other NIST programs, the program objectives and management of MEP are reviewed regularly by the Visiting Committee on Advanced Technology (VCAT), a legislatively mandated panel of advisors that meets quarterly to review NIST's policies, organization, budget, and programs. MEP also is reviewed by its National Advisory Board (MEPNAB), which was established by the Secretary of Commerce in October 1996 and meets three times a year to 1) provide advice on MEP programs, plans, and policies; 2) assess the soundness of MEP plans and strategies; 3) assess current performance against MEP program plans; and 4) function solely in an advisory capacity, and in accordance with the provisions of the Federal Advisory Committee Act. The MEP members bring a variety of backgrounds to the Board, including small and large manufacturing, labor, academia, economic development, consulting, and state government. This mix provides MEP with the outside advice critical to maintaining and enhancing the program's focus on its customers—the U.S.'s smaller manufacturers.



² The benefit-cost ratio compares the net present value of benefits and costs over the time period being analyzed.

Performance Goal 5 (NIST): Assist U.S. businesses and other organizations in continuously improving their productivity, efficiency, and customer satisfaction by adopting quality and performance improvement practices

Corresponding Strategic Goal

Strategic Goal 2: Provide infrastructure for innovation to enhance American competitiveness.

Rationale for Performance Goal

Quality and performance improvement have become requirements—not options—for competitive businesses and high-performance organizations of all types. Through the Baldrige National Quality Program (BNQP), NIST provides a systematic, well-tested set of business values, performance criteria, and assessment methods that all organizations can use to improve their productivity and effectiveness. Overall, BNQP catalyzes the business community to define what organizations must do to improve their performance and attain (or retain) market leadership, and provides a mechanism for broadly disseminating that information.

FY 2002 Performance

For all National Quality Award output metrics, final data for FY 2002 will be reported in the FY 2003 Annual Program Performance Report. A portion of the discrepancy between target levels and actual performance is due to the difficulties inherent in collecting data from state and local programs. Data from state programs is uneven and can take months to collect. For example, in January 2002, fifty-four state, regional, and local quality award programs were asked to provide information on these and other metrics. Overall, forty-one programs responded and, of these, one program reported that its application information is confidential; six reported that they do not track Baldrige National Quality Program (BNQP) *Criteria for Performance Excellence* distribution or distributed *Criteria* solely through their Web sites; and four indicated that they did not operate an award cycle in 2001. The completeness and timeliness of data generated by state quality programs is difficult to influence. Even with these collection challenges, however, the available data provide a rough proxy for the leveraging effect of the Malcolm Baldrige National Quality Award (MBNQA) on state-level programs. BNQP uses other methods to assess the program's relevance and utility, such as occasional executive surveys and review of anecdotal evidence.

Measure 5a: Number of Applications to the Malcolm Baldrige National Quality Award (MBNQA) and Baldrige-based State and Local Quality Awards

	FY 1999	FY 2000	FY 2001	FY 2002
Target	892	916	935	954
Actual	1,067	911	646	Available in the FY 2003 report
Met/Not Met	Met	Not Met	Not Met	

Measure 5b: Number of Baldrige Criteria Mailed by BNQP and Baldrige-based State and Local Quality Programs

	FY 1999	FY 2000	FY 2001	FY 2002
Target	203,700	197,600	193,600	191,700
Actual	211,028	176,248	164,949	Available in the FY 2003 report
Met/Not Met	Met	Not Met	Not Met	

Explanation of Measures

Baldrige Criteria: Online Dissemination

In February 2001, the Baldrige National Quality Program began to track the number of times its *Criteria for Performance Excellence* documents were downloaded via the web [<http://www.quality.nist.gov>]. From February 2001 through the end of the fiscal year, the three types of Baldrige *Criteria* — for business, healthcare, and education — **were downloaded over 400,000 times**. This total demonstrates the very high level of dissemination of the *Criteria*, especially when considered in conjunction with the number of Baldrige documents distributed via mail. However, this count should not be interpreted as the number of distinct users who have read or utilized the documents. It is a direct count of the number of times the documents were downloaded in Adobe Acrobat form. For technical and privacy reasons, it is not possible to determine the number of unique users, if the document was printed, or how long each user spent on the site.

The BNQP reports two key output metrics: (1) the total number of applications to the MBNQA and Baldrige-based state and local awards, which reflects high-level corporate commitment to quality and high-performance business practices throughout the country; and (2) the number of printed BNQP *Criteria for Performance Excellence* documents that are distributed by BNQP and Baldrige-based state and local quality programs, which illustrates the dissemination of BNQP concepts and methods. Both of these metrics illustrate progress on core BNQP objectives: expanding the program itself and promoting the growth of quality awareness and performance excellence throughout the U.S. However, the data are only partial representations of BNQP's output. The application count does not capture the large number of organizations that use Baldrige *Criteria* internally but do not formally apply for MBNQA or state awards. The number of documents mailed also does not capture additional dissemination channels, such as electronic acquisition and dissemination, reproduction of the Baldrige *Criteria* in textbooks, articles, and other documents, and secondary modes of copying and distribution. This is one reason why “number of Baldrige *Criteria* mailed” (measure 6b) indicates a downward trend over time; as more copies of the *Criteria* are distributed via the Internet, the Program expects to mail fewer documents (see text box for additional information about electronic distribution). Moreover, direct counts of Baldrige *Criteria* do not capture various formal and informal ways in which BNQP concepts can be disseminated, such as through academic programs, consulting channels, business and organizational management literature, etc.

Program Evaluation

Economics professors Albert N. Link, of the University of North Carolina, and John T. Scott, of Dartmouth College, recently examined the MBNQA program and estimated the total economic benefits of the program at almost \$25 billion, for a benefit-to-cost ratio of 207 to 1. They determined the total operational costs, including the value of executives' volunteered time to review applications, to be \$119 million. Through 2000, forty-one companies had received the Baldrige National Quality Award, and NIST had received 785 applications. However, thousands of other organizations of all sizes and in all sectors of the economy have benefited by using the Baldrige *Criteria for Performance Excellence* as the foundation for performance management and quality improvement programs. Thousands of paper and electronic copies of the *Criteria* are disseminated each year to organizations across the country. Professors Link and Scott examined data from a survey of corporate members of the American Society for Quality (ASQ). They estimated the total benefits to the ASQ members from using the *Criteria* to be \$2.17 billion. To determine the benefits to the economy as a whole, they extrapolated the ASQ data based on the assumption that other companies in the economy benefit to the same extent as ASQ member companies.

In general, the program objectives and management of the BNQP are reviewed by the Visiting Committee on Advanced Technology (see VCAT information under "External Oversight and Evaluation" of the NIST Laboratories, following Performance Goal 3 above), a legislatively mandated panel of advisors that meets quarterly to review NIST's general policy organization, budget, and programs. In addition, the performance of BNQP is evaluated by the Board of Overseers, a federal panel of national quality experts from business and academia that advises the Secretary of Commerce. An important part of the board's responsibility is to assess how well BNQP is serving the national interest. The board reviews all aspects of BNQP, including the adequacy of the Baldrige *Criteria* and processes for making Baldrige Awards, and reports its recommendations to the Secretary. Other annual external reviews are provided to NIST by the Panel of Judges and the Foundation for the Malcolm Baldrige National Quality Award (MBNQA). See <http://www.quality.nist.gov> for additional information.

NIST-wide External Program Review and Oversight

The program goals and management policies of NIST as a whole, including each of its major programs, are reviewed regularly by the **Visiting Committee on Advanced Technology (VCAT)**. The VCAT is a legislatively mandated panel of external advisors that meets quarterly to review NIST's general policy, organization, budget, and programs. Please refer to the text box for the current list of VCAT members; see also: <http://www.nist.gov/director/vcat/index.htm> for additional information on the VCAT, including its most recent annual report. As described below, NIST's overall approach to performance measurement consists of three distinct evaluation mechanisms: peer review and other forms of external assessment, economic impact studies, and quantitative output tracking. NIST uses these three evaluation mechanisms as a system that, combined with quarterly VCAT reviews, provides a comprehensive approach to results-based management over time.

NIST Visiting Committee on Advanced Technology (VCAT): Current Membership — 2002

Mr. Gary Floss, Business Partner, Bluefire Partners

Dr. Deborah L. Grubbe, Corporate Director, Safety & Health, DuPont Safety, Health, Environment

Dr. Lloyd R. Harriott, Professor, Dept. of Electrical and Computer Engineering, University of Virginia

Dr. Jennie Hunter-Cevera, President, University of Maryland Biotechnology Institute

Dr. Caroline A. Kovac, Vice President, Services, Applications and Solutions, IBM

Dr. Thomas A. Manuel, President, Council for Chemical Research

Dr. Wayne H. Pitcher, Jr., Technology Management Consultant

Dr. F. Raymond Salemme, Founder, President, and Chief Scientific Officer, 3-Dimensional Pharmaceuticals, Inc.

Dr. Juan M. Sanchez, VCAT Chair, Vice President for Research, University of Texas, Austin

Dr. April M. Schweighart, Product Business Manager, Motorola

Dr. Masayoshi Tomizuka, Director, Engineering Systems Research Center, University of California, Berkeley

Performance Goal 6 (NTIS): Collect, organize, preserve, and disseminate government scientific, technical, and business-related information

Corresponding Strategic Goal

Strategic Goal 2: Provide infrastructure for innovation to enhance American competitiveness.

Rationale for Performance Goal

The National Technical Information Service (NTIS) operates a central clearinghouse of scientific and technical information that is useful to U.S. business and industry. Without appropriated funds, NTIS collects scientific and technical information; catalogs, abstracts, indexes, and permanently archives the information; disseminates products in the forms and formats most useful to its customers; develops electronic and other new media to disseminate information; and provides information processing services to other federal agencies. NTIS's revenue comes from (1) the sale of technical reports to business and industry, schools and universities, state and local government offices, and the public at large and (2) from services to federal agencies that help them communicate more effectively with their employees and constituents.

NTIS continues to meet the challenge of permanent preservation of and ready access to the taxpayers' investment in research and development through the acquisition, organization, and preservation of the titles added annually to the permanent collection. NTIS promotes the development and application of science and technology by providing technologically advanced global e-commerce channels for dissemination of specialized information to business, industry, government, and the public. NTIS is implementing a new initiative to provide the public with increased access to Government information. The NTIS bibliographic database (from 1997 to the present) is available via the Internet free of charge. NTIS allows users to download any item in its collection that NTIS has in electronic format for a single low fee, or at no charge if it is less than twenty pages. In addition NTIS will create links that will hyper-link customers to other agency Web sites that offer documents for free download. These recent developments and initiatives are a result of NTIS' new business model that maximizes utilization of the World Wide Web and e-commerce in its information collection and dissemination activities.

NTIS collects its material primarily from U.S. government agencies, their contractors, and grantees, as well as from international sources. The NTIS permanent collection includes approximately three million titles, including reports describing the results of federally sponsored research, statistical and business information, audiovisual products, computer software, and electronic databases developed by federal agencies, and reports prepared by foreign research organizations. NTIS maintains a permanent repository of these information products as well as offering approximately 500,000 online electronic items to its many customers, primarily researchers and business managers in private industry. The disseminated materials may include computer downloads, paper, microfiche, audiovisual, and electronic media.

Collection of scientific and technical information from various contributors, and dissemination of that information to an even larger audience is highly dependant on external factors and therefore, not entirely controllable. For example, the amount of new material available is highly dependent on budgetary and program decisions made by other agencies. NTIS's efforts to ensure the public easy access to available scientific and technical information through enhanced acquisition and dissemination activities are implemented and monitored through the following performance measures.

FY 2002 Performance

In FY 2002, NTIS had one goal and three measures. Of those measures, NTIS met all three. This reflects improvements in all reported measures from FY 2001. Implementation of NTIS's new business model, which focuses on its mission of disseminating information, stimulating innovation and discovery and thus supporting economic growth and job creation, has been a major influence on the success of the performance measures. NTIS managers will closely monitor the Bureau's performance and remain responsive to necessary changes in the overall operation.

Measure 6a: Number of New Items Available (Annual)

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	510,000
Actual			505,068	514,129
Met/Not Met				Met

Explanation of Measure

The number of items available for sale to the public from NTIS includes scientific, technical, and engineering information products added to the permanent collection, as well as items made available through online electronic subscriptions.

Each publication added to the permanent collection is abstracted, catalogued, and indexed so that it can be identified and merged into the permanent bibliographic database for future generations of researchers and the public who may benefit from this valuable research. Other information products are available as full text documents in electronic format through numerous NTIS online information services. This material is acquired primarily from U.S. government agencies, their contractors, and grantees, but also from international sources. NTIS collects approximately 32,000 scientific and technical reports annually and another 482,000 items in the form of articles, updates, advisories, etc. that are contained in various subscription products and databases it distributes. The number of new information products available each year from NTIS is approximately 514,000, but the number largely depends on input from other government agencies.

FY 2002 Performance

NTIS has expanded and refined its efforts to acquire new scientific and technical information products by harvesting products from the World Wide Web. These harvesting efforts together with increased availability of online electronic subscription products demonstrate NTIS' success in making new products available to the public.

Measure 6b: Number of Information Products Disseminated (Annual)

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	16,000,000
Actual			14,524,307	16,074,862
Met/Not Met				Met

Explanation of Measure

This measure represents information disseminated and includes compact discs, diskettes, tapes, online subscriptions, web site pages, as well as the traditional paper and microfiche products.

The shift in information dissemination practices from traditional paper copy to electronic-based dissemination has improved NTIS's ability to provide quality products, to increase the number of products distributed, and expand the number of customers that have access to valuable scientific and technical information. NTIS is continually striving to stay abreast of the latest technological advances in information dissemination processes to improve its ability to meet the demands of the public. NTIS has implemented an initiative that enables customers to locate and download information directly from the originating agency's Internet site. NTIS continues to enhance its ability to stay current in the e-commerce environment, while continuing to serve customers that require the more traditional distribution methods, as demonstrated in our targets above.

FY 2002 Performance

Due to recent shifts in information dissemination practices from traditional paper copy to electronic-based dissemination, NTIS implemented a new business model in FY 2002. The new business model was designed to increase information dissemination opportunities by expanding its customer base and increasing demand for its products. NTIS's new business model takes advantage of the opportunities offered by the World Wide Web and its ability to reach large numbers of customers, as demonstrated in the performance measure above.

Measure 6c: Customer Satisfaction				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	97%
Actual			97%	98%
Met/Not Met				Met

Explanation of Measure

This measure represents the percentage of NTIS customers that are satisfied with the quality of their order, the ease of order placement, and the timely processing of that order. Orders for NTIS's vast collection of scientific and technical information are received by phone, fax, mail, and online, and are filled in a variety of formats. NTIS's continual efforts to maintain and possibly improve this very high rate of customer satisfaction are essential to the success of NTIS's performance and mission to collect and disseminate scientific and business-related information.

The percentage of satisfied customers is derived from the number of customer complaints compared to the total number of orders taken. It does not take into account inquires about the status of an order or other general questions.

FY 2002 Performance

NTIS's efforts to ensure customer satisfaction have exceeded expectations for FY 2002. Continued efforts to improve ordering and delivery capabilities have demonstrated success in customer satisfaction.

Program Evaluation

The Office of the Inspector General (OIG) prepared an evaluation of NTIS' new business model. The model reflects NTIS' commitment to maximize dissemination of unclassified scientific, technical, engineering, and business-related information to U.S. business, industry, and the public. The OIG recommendations were: (1) make clear that there are major uncertainties associated with the business model's estimates during future discussions and presentations of the model, (2) periodically review the projections to determine whether they are realistic and achievable, and (3) evaluate the impact of the new business model on NTIS's operations on a monthly basis, and determine whether the new model is achieving the desired results or whether modifications are needed.

TA Data Validation and Verification

NIST's Program Office conducts an annual review of the quantitative performance data to ensure that it is complete and accurate. During this process, Program Office staff discuss the data with appropriate offices to assess results relative to forecasts and to understand long-term trends and drivers of performance. Program Office staff also evaluate the verification and validation procedures used by the offices that provide the source data and verify that the source data itself is identical to or consistent with the reported data. The Commerce Department Inspector General recently audited a set of NIST's quantitative performance measures and associated verification and validation procedures. NIST has implemented the suggestions for improvement identified in that audit.

For its qualitative performance measure, the NIST Program Office provides summary findings from the annual NRC review of the NIST laboratories; the complete results of that evaluation are available for public review. The Program Office also provides the results from economic impact studies, which are conducted by external economists and technical specialists using well-developed research methods and standard economic and business analysis metrics, as specified and monitored by NIST. The TA Data Validation and Verification table can be found starting on the following page.

TA Data Validation and Verification

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Outreach	OTP	OTP performance is cumulative and is reported annually.	OTP	Data represent verifiable tabulations of OTP activities.	Output only	OTP continues to refine this measure. During FY 2003 and FY 2004, it will be integrated into four other measures.
Analysis/Education	OTP	OTP performance is cumulative and is reported annually.	OTP	Data represent verifiable tabulations of OTP activities. For reporting activities, data are gathered and analyzed by technology policy analysts using accepted analytical practices, are submitted for peer review to other DOC bureaus, other agencies, and academia, as appropriate, prior to publication.	Elements of some of OTP's analyses must rely on anecdotal data. Such instances are clearly identified in the reports provided by OTP.	OTP continues to refine this measure. Because it is an integral part of all of OTP's activities and mission, during FY 2003 and FY 2004 this measure will be integrated into four improved measures.
Advocacy	OTP	OTP performance is cumulative and is reported annually.	OTP	Data represent verifiable tabulations of OTP activities.	Output Only	Due to the integral nature of this measure to OTP's activities, in FY 2003 and FY 2004 it will be incorporated and integrated into four improved measures.
Measure 2a: Qualitative assessment and performance evaluation using peer review	On-site interviews and discussions with NIST management and research staff by independent external scientific and technical experts, managed by the NRC.	Annual	NRC	Verification and oversight of laboratory-specific expert review panels provided by the NRC Board on Assessment of NIST Programs.	Data are qualitative in nature.	None
Measure 2b: Economic impact studies	Research is contracted to economic and technical experts, who generate quantitative estimates and qualitative information using performance data gathered through industry surveys and field research. Project cost data are supplied by NIST.	Intermittent	Contractors collect and maintain all data. Survey results, cost data, and all calculations are presented in final reports.	Data are gathered and analyzed by highly qualified economists and technical specialists using well-developed research methods and standard economic and business analysis metrics, as specified and monitored by NIST.	Elements of study populations often are too diffuse to measure; availability and quality of industry data often are uneven; impact estimation typically requires counterfactual data, which can be difficult to estimate; outcomes are specific to each project—i.e., results are not cumulative and not readily comparable.	None
Measure 2c: Standard Reference Materials (SRMs) available	NIST Standard Reference Materials Program.	Ongoing	NIST Standard Reference Materials Program.	Data represent direct and verifiable counts of SRMs available to customers at the close of the fiscal year. Internal verification includes review by NIST Technology Services and the NIST Director's Office and Budget Division.	Data provide information on output levels only.	There are no obvious replacements for these output tabulations; NIST continues to explore the use of additional metrics that could capture leverage in the secondary market and other factors related to downstream impact.

TA Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 2d: Standard Reference Data (SRD) titles available	NIST Standard Reference Program.	Ongoing	NIST Standard Reference Data Program.	Data represent a direct and verifiable count of SRD products developed and disseminated by NIST. Internal verification includes review by NIST Technology Services and the NIST Director's Office and Budget Division.	Output only	There are no obvious replacements for these output tabulations. NIST continues to explore the use of additional metrics that could capture use rates, leverage, and other factors that may provide partial indicators of downstream impact.
Measure 2e: Number of items calibrated	NIST Calibration Program.	Ongoing	NIST Calibration Program.	Data represent direct and verifiable counts of items calibrated by the NIST Laboratories. Internal verification includes review by NIST Technology Services and the NIST Director's Office and Budget Division.	Output only	There are no obvious replacements for these output tabulations. NIST continues to explore complementary metrics that could capture leverage in the secondary market and other factors that may provide partial indicators of downstream impact.
Measure 2f: Technical publications produced	NIST Office of Information Services.	Ongoing	Publications data are gathered and maintained by NIST Office of Information Services.	Data represent direct and verifiable counts of NIST technical publications that have been cleared for publication by the internal Washington and Boulder Editorial Review Boards. Internal verification includes review by the NIST Director's Office. In addition, in the past year database improvements have been made to better track and report publication counts.	Output only	NIST will continue to provide additional information to supplement these output counts, such as providing the breakdown of internal vs. external publications.
Measure 3a: Economic impact studies	Research is contracted to economic and technical experts, who generate quantitative estimates and qualitative information using performance data gathered through industry surveys and field research.	Intermittent	Contractors collect and maintain all data. Survey results, cost data, and calculations are presented in final reports.	Data are gathered and analyzed by highly qualified economists and technical specialists using well-developed research methods and standard economic and business analysis metrics, as specified and monitored by NIST.	Elements of study populations often are too diffuse to measure; availability and quality of industry data often are uneven; impact estimation typically requires counterfactual data, which can be difficult to estimate; outcomes are specific to each project—i.e., results are not cumulative and not readily comparable.	None

TA Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
<p>Measure 3b: Cumulative number of technologies under commercialization</p> <p>Measure 3c: Cumulative number of publications</p> <p>Measure 3d: Cumulative number of patents filed</p>	<p>Data are gathered from the portfolio of ATP project participants (funded since 1993) through company filings of patent information to the NIST Grants Office (a legal requirement) and an electronic survey instrument under ATP's Business Reporting System (BRS). Separate portfolio-based telephone surveys are conducted of project participants funded prior to 1993 and for post-project data collection.</p>	<p>Annually over the course of ATP funding for projects funded since 1993; intermittent for projects funded prior to 1993; every two years (up to six years) after ATP funding ends.</p>	<p>ATP's Office of Economic Assessment maintains BRS data in an integrated set of databases covering both descriptive information about the funded organizations and survey responses for all participants in ATP-funded research projects.</p>	<p>All ATP reports using Business Reporting System data and patent reports filed through the NIST Grants Office are monitored closely by ATP for research quality and are subject to extensive NIST-wide review and critique prior to being issued. In addition, a recent OIG audit of NIST's performance measures included review of two of these metrics — technologies commercialized and patents filed — and resulted in changes to procedures.</p>	<p>The BRS electronic survey and other telephone survey instruments represent a standardized reporting system. Standard sources of uncertainty include variation in interpretation of specific questions; variation in the estimation techniques used in response to specific questions; variation in the quality of industry data; and missing values.</p>	<p>Administrative procedures have been enacted to increase reliability, per recent DOC IG audit.</p>
<p>Measure 4a: Increased sales attributed to MEP assistance</p> <p>Measure 4b: Capital investment attributed to MEP assistance</p> <p>Measure 4c: Cost savings attributed to MEP assistance</p>	<p>The MEP client survey instrument was significantly revised in January 2000. The survey is administered by a private firm, Market Facts Incorporated (MFI), located in Arlington Heights, IL.</p>	<p>The survey is conducted four times per year, and clients are selected based on when they completed the first project with an MEP Center in the previous year. For example, a client that completed a project with an MEP Center in February 1999 was surveyed in January/February 2000. This change was implemented to reduce respondent burden, raise overall response rates, and improve data quality. Clients are asked to estimate how the group of MEP-provided services over the previous two years has affected their business performance in the 12-month period prior to the survey date.</p>	<p>Survey data is sent directly to MEP for analysis. MEP reviews and stores survey data received from MFI.</p>	<p>Internal verification includes significant review of the MFI data by MEP staff. Criteria are in place for identifying and verifying significant outliers in the data. In addition, a recent DOC OIG audit of NIST's performance measures included a review of one of MEP's measures ("increased sales attributed to MEP assistance"); in response to this audit, NIST implemented some improvements to data verification procedures.</p>	<p>As with similar survey instruments, sources of uncertainty include variation in interpretation of specific questions; variation in response to specific questions; variation in the quality of industry data; missing values; and other common survey problems. MFI uses standard survey techniques to clean the data, ensure accuracy and reliability, and improve the response rate (which is over 70 percent). Reported data reflect the impact of MEP services primarily on small manufacturing establishments; on some occasions, Centers will elect to serve establishments with over 500 employees. Based on recently compiled survey data (as of mid-2001), approximately 95 percent of the clients served by MEP are small establishments with fewer than 500 employees; these clients account for approximately 93 percent of the attributed sales.</p>	<p>Verification procedures recently improved per DOC OIG audit. Decisions about implementing additional improvements to verification procedures depend on a number of factors including the impact of these changes on MEP's relationships with the Centers and clients, cost, and feasibility.</p>

TA Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
<p>Measure 5a: Number of applications per year to the Malcolm Baldrige National Quality Award (MBNQA) and Baldrige-based state and local quality awards</p> <p>Measure 5b: Number of Baldrige Criteria mailed by BNOQ and Baldrige-based state and local quality programs</p>	<p>Application data are collected and tracked by the Baldrige National Quality Program; some data collected from state and local programs.</p>	<p>Based on the application cycle. Data from state programs are collected annually.</p>	<p>Baldrige National Quality Program.</p>	<p>Data represent direct and verifiable counts of BNOQ business activities and processes. Internal verification includes review by the NIST Director's Office. Data collected from state and local programs may be incomplete.</p>	<p>Output only</p>	<p>NIST will provide additional information to supplement these output counts, such as information about online usage of Baldrige Criteria materials, and will explore possible new or replacement measures. Recently completed assessment of the program provides information on economic impact of the Award program. See below, section on "Program Evaluation."</p>
<p>Measure 6a: Number of new items available (annual)</p>	<p>NTIS operates and maintains internal systems for processing collected information into available products.</p>	<p>Internal management activity reports are produced daily, summaries are produced monthly.</p>	<p>All performance-related information is stored within NTIS systems.</p>	<p>NTIS accounting and budget offices analyze and report performance output data and revenue and cost data to management. Data verification is provided through regular internal reporting.</p>	<p>None</p>	<p>None</p>
<p>Measure 6b: Number of information products disseminated (annual)</p>	<p>NTIS records every transaction using a commercial order processing system modified to meet its specific needs together with a standard Web analysis software package used by industry.</p>	<p>Internal management activity reports are produced daily, summaries are produced monthly.</p>	<p>All performance-related information is stored within NTIS systems.</p>	<p>NTIS accounting and budget offices analyze and report performance output data and revenue and cost data to management. Data verification is provided through regular internal reporting.</p>	<p>None</p>	<p>None</p>
<p>Measure 6c: Customer satisfaction</p>	<p>NTIS records every transaction using a commercial order processing system modified to meet its specific needs, together with internal processes for collecting required information.</p>	<p>Internal management activity reports are produced daily, summaries are produced monthly.</p>	<p>All performance-related information is stored within NTIS systems.</p>	<p>NTIS accounting and budget offices analyze and report performance output data and revenue and cost data to management. Data verification is provided through regular internal reporting.</p>	<p>None</p>	<p>None</p>



National Telecommunications and Information Administration

Mission Statement

The National Telecommunications and Information Administration (NTIA) advises the President on domestic and international communications policy, manages the federal government's use of the radio frequency spectrum, and performs research in telecommunications sciences.

NTIA's major responsibilities fall in the radio frequency spectrum management and communications policy arena. NTIA is the manager of the federal government's use of spectrum. NTIA is also the President's advisor on communications policy matters. NTIA is frequently asked by both the Administration and Congress to conduct studies of key policy issues.

In conjunction with the State Department and the Federal Communications Commission (FCC), NTIA represents the United States' interests on communications issues abroad. NTIA participates in a variety of international forums, such as the International Telecommunication Union, the Organization for Economic Cooperation and Development, the Asia-Pacific Economic Cooperation, and the Inter-American Telecommunications Commission. NTIA also participates in direct bilateral and multilateral negotiations with key strategic nations.

NTIA plays a major role in the continued successful functioning of the Internet through its contractual relationship with the Internet Corporation for Assigned Names and Numbers (ICANN), the private sector entity responsible for management of the Internet domain name system. NTIA is also involved in the management of .us, the U.S.'s country code top-level domain (TLD), through its contractual relationship with NeuStar, the new operator of the TLD.

The Institute for Telecommunication Sciences (ITS) is NTIA's chief research and engineering arm, and also serves as a principal federal resource for solving the telecommunications concerns of other federal agencies, state and local governments, and private associations and organizations.

NTIA's Public Telecommunications Facilities Program (PTFP) provides grants through a competitive process to help public broadcasting stations, state and local governments, Indian tribes, and nonprofit organizations construct facilities to bring educational and cultural programming to the American public.

NTIA currently is the lead agency for the communications and information sector to help private industry ensure that the critical communications networks remain functioning in the face of a cyber or physical attack.

Priorities/Management Challenges

NTIA's priorities are to promote competition and remove regulatory impediments to the development of new technologies, to promote international trade in telecommunications products and services, to identify and promote new wireless technologies and spectrum efficiencies, and to perform basic research on telecommunications technology. The major challenge for NTIA in the spectrum management area is to meet the ever-growing demands for spectrum by both the public and private sectors. This ultimately will involve significant changes in spectrum management practices, both in the U.S. and worldwide. A major portion of NTIA's resources is devoted to this challenge.

FY 2002 Performance

In the communications and information policy area, NTIA worked with regulators, industry, and consumers to promote broadband deployment, local competition, and universal access by removing regulatory and economic barriers to growth. NTIA promoted market-opening, competition-based U.S. telecom policy before international governing bodies and in international telecom forums. NTIA continued to promote effective privatization of the Internet domain name system (DNS) management functions through contractual arrangements with ICANN. NTIA extended for one year its Memorandum of Understanding (MOU) with ICANN, though expressed disappointment that ICANN's progress on the MOU tasks thus far has moved so slowly. The agreement to extend the MOU came at the end of a thorough examination of ICANN's performance of its transition responsibilities to date, as well as of ICANN's ongoing reform efforts.

NTIA awarded a contract to NeuStar for management of the .us TLD, greatly expanding eligibility requirements for acquiring names in that domain space. NTIA has initiated a notice and comment proceeding to evaluate whether currently-available Internet blocking and filtering technology measures adequately address the needs of educational institutions, and to evaluate the effectiveness of children's Internet safety policies. A report on the subject will be issued in FY 2003.

In August, NTIA hosted a roundtable to address issues relating to the convergence of communications technologies, including the Telephone Number Mapping (ENUM) Protocol. The ENUM Protocol creates a single identifier based on a user's public telephone number that could be used across various communications networks.

NTIA and the Economics and Statistics Administration published *A Nation Online: How Americans Are Expanding Their Use Of The Internet*. The data in this study are among the most broad-based and reliable datasets that have been gathered on Internet, broadband, and computer connectivity.

NTIA awarded \$36 million in PTFP grants to assist 97 public broadcasting stations across the country complete federally mandated conversions to digital technology. An additional \$6 million in PTFP grants were awarded for public radio, distance learning, and replacement of television equipment. The grants will be matched by more than \$74 million in funds raised by the recipients.

In the area of spectrum management reform policies, NTIA worked with the FCC, State Department, and international spectrum managers to reform spectrum management; it worked with Congress to enact spectrum relocation fund legislation. NTIA also worked with other executive branch agencies, the FCC, and industry to propose internal and external market oriented spectrum reform. NTIA coordinated with the FCC on Ultra wideband technologies to achieve a balanced approach to promote innovation, stimulate economic growth, create jobs, and enhance public safety. Culminating efforts begun in FY 2000, NTIA released a plan in July that concluded that 90 MHz of radio spectrum could be made available in the future for advanced wireless (third generation, or "3G") telecommunications services to meet the anticipated demand for new wireless services. In a related proceeding, NTIA developed rules formalizing reimbursement procedures for new licensees to compensate federal agencies that relocate their operations to make frequency spectrum available for commercial use by auction.

NTIA hosted a Spectrum Management Summit in April to help identify the best solutions to challenges posed by management of the nation's airwaves. In June, NTIA hosted the "Current and Emerging Solutions to Public Safety Communications Interoperability Summit" to assess public safety communications issues. NTIA published the reports *Current and Future Spectrum Use by the Energy, Water, and Railroad Industries* and *Alternative Frequencies for Use by Public Safety Systems*.

In FY 2002, NTIA had two goals and two measures. NTIA's policy-related activities were not covered by measures in FY 2002 (measures have been developed for policy activities in the FY 2004 APP). Of those two measures, NTIA met one and made substantial progress toward meeting the other. NTIA spectrum management operations processed 104,830 frequency assignment actions, reflecting greatly increased levels of operation as it worked 24 hours a day, 7 days a week for several months to support federal, state, and local public safety agencies in the wake of the September 11 tragedies. NTIA's role awarding grants through the Technology Opportunities Program (TOP) benefits non-profit organizations, and state and local governments. TOP received over 700 applications for funds in FY 2002, and grants totaling more than \$12 million were awarded to twenty-five recipients. The grants were matched by private sector, and state and local organization contributions. The program highlights the uses of information technology to address areas of public concern including housing, safety, economic development and electronic government capabilities. Average grant sizes exceeded original target expectations.

Targets and Performance Summary

See individual Performance Goal section for further description of each measure.

Performance Goal 1: Ensure that the Allocation of Radio Spectrum Provides the Greatest Benefit to All People

Measure	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Number of new agency-requested spectrum assignment actions	80,181	90,615	113,654	91,000	104,830	X	

Performance Goal 2: Promote the Availability, and Support New Sources, of Advanced Telecommunications and Information Services

Measure	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Number of models or grants available for nonprofit or public-sector organizations	43	35	74	30	25		X

Resource Requirements Summary

(Dollars in Millions. Funding amounts reflect total obligations.)

Information Technology (IT)

Full-Time Equivalent (FTE)

Performance Goal 1: Ensure Allocation of Radio Spectrum Provides the Greatest benefit to all people

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Salaries and Expenses	\$18.1	\$19.8	\$21.5	\$27.6
Domestic and International Policies	1.0	0.9	1.0	4.3
Spectrum Management	16.2	17.8	19.3	23.4
Telecommunication Sciences Research	1.8	2.0	2.1	4.3
Total Funding	18.1	19.8	21.5	27.6
IT Funding ¹	0.0	2.4	3.2	5.0
FTE	138	135	133	168

Performance Goal 2: Promote the Availability, and Support New Sources, of Advanced Telecommunications and Information Services

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Salaries and Expenses	\$6.9	\$5.4	\$5.6	\$5.6
Telecommunication Sciences Research	0.0	0.0	0.0	5.6
Public Telecommunications Facilities Planning and Construction	23.6	27.5	44.2	47.6
Grants	21.7	25.8	42.0	45.4
Program Management	1.9	1.7	2.2	2.2
Information Infrastructure Grants	21.4	17.7	46.3	15.5
Grants	17.6	13.9	42.9	12.4
Program Management	3.8	3.8	3.3	3.1
Total Funding	51.9	50.6	96.0	68.6
IT Funding ¹	0.0	0.6	0.7	0.7
FTE	87	85	86	76

Grand Total	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Salaries and Expenses	\$29.0	\$28.8	\$30.7	\$33.2
Public Telecommunications Facilities Planning and Construction	23.6	27.5	44.2	47.6
Information Infrastructure Grants	21.4	17.7	46.2	15.5
Total Funding	74.0	74.0	121.1	96.3
Direct	56.5	56.2	101.8	77.1
Reimbursable ²	17.5	17.8	19.4	19.1
IT Funding ¹	0.0	4.5	5.4	5.7
FTE	256	246	244	244

¹ IT funding included in total funding.

² Reimbursable funding included in total funding.

Skill Summary:

NTIA employs policy analysts with legal, economics, and technical skills to perform these activities. NTIA does not have a separate budget category for these activities.

FY 2002 Performance Goals

Performance Goal 1: Ensure allocation of radio spectrum – a scarce resource essential to all communications – provides the greatest benefit to all people

Corresponding Strategic Goal

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

Rationale for Performance Goal

The availability of the radio frequency spectrum is key to the development and implementation of innovative telecommunications technologies such as Ultra wideband (UWB) and Third Generation (3G) wireless services. The National Telecommunication and Information Administration's (NTIA's) spectrum management activities are intertwined with its policy activities because existing uses of spectrum by both the private and federal sectors must be examined to determine where spectrum will be made available for new and innovative spectrum-using services that provide benefits to all consumers. Recent examples include actions to provide spectrum for 3G and ultra wideband wireless services. NTIA's activities include (1) identifying and supporting new wireless technologies that promise innovative applications for customers of the federal and the private sectors; (2) providing the fifty-six federal agencies with the spectrum needed to support their missions for national defense, law enforcement and security, air traffic control, national resource management, and other public safety services; (3) developing plans and policies to use the spectrum effectively; (4) satisfying the U.S.'s future spectrum needs globally through participation with the 190 other countries of the International Telecommunication Union in establishing binding treaty agreements through world radio-communication conferences; and (5) improving through telecommunications research and engineering the understanding of radio-wave transmission, thereby improving spectrum utilization and the performance of radio-communications systems.

FY 2002 Performance

In April, NTIA hosted a two-day Spectrum Management Summit with joint participation by the FCC. The objective was to hear from the experts about the successes and failures of current spectrum management policies, as well as how to further improve the process. From the summit, several basic spectrum management goals emerged that have guided NTIA's work in FY 2002 and will continue in FY 2003. First, the U.S. government agencies involved in spectrum management — NTIA, FCC and the State Department — must work collaboratively as “one spectrum team” to serve the nation's collective interest. Second, policies that encourage spectrum efficiency must be further developed. NTIA has long advocated and required the use of spectrum efficient technologies by federal agencies. For example, NTIA has developed, and the federal agencies are now implementing, a transition to narrowband technology to relieve the congestion in the land mobile radio bands used by the federal government. NTIA and the federal public safety agencies have adopted technical standards for receivers to minimize interference and increase overall spectrum efficiency. NTIA is also exploring innovative new technologies, including those that will permit radios to select their operating frequencies, decrease power, and adjust coverage, based on sensing the operating environment and dynamically selecting unused channels. Third, forward-looking policies must be established that enable technological advances and eliminate legacy regulations that stand in the way of innovation. One such promising reform

in this area is the FCC’s proceeding on creating secondary markets that would permit parties to “lease” their spectrum to others to put otherwise unused spectrum to its most efficient use. Another is the accommodation of frequency flexible wireless systems, such as those under the 802.11 standard, on an unlicensed basis. Fourth, policies must assure the deployment of robust wireless networks that are prepared for the worst of crises and able to deliver the very best of services to the American people. The events of September 11, 2001 demonstrated how critically important communications capabilities are for the nation’s first-responders. Interoperability among these agencies is essential to their ultimate success. NTIA is attempting to assist in achieving this goal through research at its Boulder, Colorado laboratory, and through education and outreach. NTIA and the Public Safety Wireless Network Program co-hosted a summit in Washington, D.C. to focus on current and emerging solutions for achieving interoperability.

In FY 2002, NTIA, in coordination with the FCC, the Department of Defense, and other federal agencies, announced a plan to make 90 MHz of radio spectrum available in the future to meet the needs for advanced, 3G wireless telecommunications services. After extensive public outreach and work with industry and affected agencies on technical analyses of the various band options, NTIA and the federal agencies identified 45 MHz from the 1710-1755 MHz band, while the FCC identified 45 MHz from the 2110-2170 MHz band. The cooperative efforts of all the interested stakeholders resulted in a plan known as the “3G Viability Assessment” that will accommodate critically-important spectrum requirements for national security at the same time it frees up valuable spectrum needed to bring innovative new services to U.S. consumers. NTIA will be working with the FCC in FY 2003 as it moves forward on the recommendations in the viability assessment. In related activity, NTIA helped with the process of relocating federal spectrum users by developing the rules for reimbursement of displaced users, as required by the Balanced Budget Act of 1997. NTIA continues to work on proposed legislation to further refine the process by creating a “special fund” from the proceeds of auctions conducted for that spectrum to reimburse federal users. A process involving a special fund should provide more information to bidders and less friction in the reimbursement and relocation process.

In May 2000, the FCC issued a notice of proposed rulemaking to amend its rules to accommodate UWB devices in the radio spectrum without causing harmful interference to governmental operations, including critical air traffic control, weather warning systems, and national defense systems; or commercial communications systems, including TV and radio broadcasting, domestic and international commercial satellites, and cellular telephones. NTIA conducted extensive measurements and analyses, including tests and analyses of UWB effects on a number of governmental systems and the satellite-based global positioning system (GPS). NTIA worked closely with the affected Federal agencies, including DOD and the FCC, to ensure that the FCC’s rules will protect critical government uses of the spectrum. The rulemaking process concluded in FY 2002, and the FCC and NTIA were able to develop a technically-sound set of regulations for the safe and effective authorization of UWB technology while preserving public safety and national security.

Measure 1a: Number of New Agency-requested Spectrum Assignment Actions

	FY 1999	FY 2000	FY 2001	FY 2002
Target	NEW	80,000	91,000	91,000
Actual	80,181	90,615	113,654	104,830
Met/Not Met		Met	Met	Met

Explanation of Measure

This measure was intended to cover the broad array of spectrum management activities. NTIA included, among other things, the average time required to process spectrum assignments when reporting internally on annual performance results. By FY 2003, NTIA will replace the spectrum assignment total number measure with new measures on timeliness of processing, percentage of requests accomplished entirely online, and the completeness and accuracy of agency assignment requests. NTIA will also resume reporting on its annual customer satisfaction surveys.

FY 2002 Performance

NTIA processed 78,750 new, modification, and deletion frequency assignment actions, and 26,080 corrections to Government Master File assignments for a total of 104,830 Frequency Assignment Actions. In response to the September 11th tragedy, NTIA operated 24-hours-a-day, 7-days-a-week to process frequency requests by federal agencies for law enforcement, special operations, and search and rescue operations at the World Trade Center and the Pentagon. NTIA also processed spectrum assignment requests from the Departments of Defense (DOD), Justice, Treasury, and Energy; the Federal Emergency Management Agency; the White House Communications Agency; and the American Red Cross. To meet DOD's spectrum needs alone, NTIA expedited coordination on almost 7,000 frequency assignments through the use of a unique computer automation process.

Program Evaluation

NTIA management reviewed and assessed policy and program priorities in the development of FY 2003 and 2004 budgets. In addition, NTIA convened a spectrum summit in FY 2002 to begin an inquiry on how to better manage and allocate this finite resource among competing uses. The ongoing inquiry will yield information about new and innovative ideas for spectrum policy and management that encourage spectrum efficiency, that provide spectrum for new technologies, and that improve the effectiveness of the domestic and international spectrum management process. To meet its current obligations and to address improvements, NTIA's spectrum management functions will continue to consume the largest share of agency resources.

Performance Goal 2: Promote the Availability, and Support New Sources, of Advanced Telecommunications and Information Services

Corresponding Strategic Goal

Strategic Goal 2: Provide infrastructure for innovation to enhance American competitiveness

Rationale for Performance Goal

In addition to its policy-related activities, the National Telecommunications and Information Administration (NTIA) supports innovative telecommunications and information technologies through a grant program and through basic research performed at its laboratory, the Institute for Telecommunication Sciences (ITS). NTIA's Public Telecommunications Facilities Program (PTFP) provides grants to public television and radio stations as well as distance-learning projects. A growing proportion of the public television grants support conversion to digital broadcasting, which has implications for the digital conversion of all television broadcasting and the potential availability of analog broadcasting spectrum for new telecommunications and information services. ITS performs extensive basic research on quality of digital speech, audio and video compression, and transmission characteristics. This research has the potential to improve both the performance of telecommunications networks and the availability of digital content on the Internet. Basic research at ITS also supports U.S. positions in international standard-setting bodies and NTIA's development of Administration policies related to the introduction of new technologies, such as ultra wideband (UWB) and third generation (3G) wireless services.

FY 2002 Performance

NTIA awarded \$36 million in Public Telecommunications Facilities Program (PTFP) grants to assist 97 public broadcasting stations across the country complete federally mandated conversions to digital technology. An additional \$6 million in PTFP grants were awarded for public radio, distance learning, and replacement of television equipment. The federal grants, which total \$42 million, will be matched by more than \$74 million in funds raised by the recipients. Of the 116 PTFP grants awarded, most of the funds, in 52 awards totaling over \$36 million, will be used to assist 97 public television stations in their conversion efforts, while seven of the television awards will help stations replace basic equipment.

NTIA awarded 59 grants totaling \$37.4 million to public television stations; 52 grants totaling \$3.1 million to public radio stations; four distance learning grants totaling \$1 million; and one grant to the University of Hawaii for \$475,000 for the PEACESAT project (Pan-Pacific Educational and Cultural Experiments by Satellite). In addition to these projects, NTIA awarded three grants from a special supplemental appropriation earlier in the year to three stations in New York City—WNET-TV, WNYC-FM, and WKCR-FM. The grants are helping to re-establish the stations' transmission facilities that were destroyed by the September 11, 2001 terrorist attack on the World Trade Center.

Measure 2a: Number of Models or Grants Available for Non Profit or Public Sector Organizations

	FY 1999	FY 2000	FY 2001	FY 2002
Target	43	50	80	30
Actual	43	35	74	25
Met/Not Met	Met	Not Met	Not Met	Not Met

Explanation of Measure

This measure reflected the number of grants by NTIA’s Technology Opportunities Program (TOP). The FY 2002 target has been decreased to reflect a lower funding level. There is no target for FY 2003. NTIA staff will continue to monitor existing grantees for compliance with grant terms through required reporting and closeout procedures. The Inspector General may also conduct audits of grantees.

FY 2002 Performance

NTIA awarded \$12.4 million in TOP grants to 25 non-profit organizations, including state and local governments, in 19 states and the District of Columbia. TOP received 741 applications for FY2002 funds. TOP grants, matched by \$13.6 million in contributions from the private sector and state and local organizations, demonstrate how information technology can be used to address public concerns over areas such as housing, safety, economic development, and e-government. The average size of the actual grants was larger than first expected when the target was developed.

Program Evaluation

NTIA management reviewed and assessed policy and program priorities in the development of FY 2003 and 2004 budgets. As a result, ITS research will focus on supporting those spectrum management reform activities undertaken in NTIA’s policy development (see Goal 1 above.)

NTIA Data Validation and Verification

NTIA reviews performance data to ensure that it is complete and accurate. There were no significant deviations from projected targets. The actual validation process is conducted following similar audit principles including sampling and verification of data. Unclassified spectrum management data is published and distributed on CD-ROM and has been examined for accuracy by the Department’s Inspector General and the General Accounting Office (GAO). Grant information is verified by the Department’s Office of Financial Assistance and published on the NTIA website. Additionally, documentation is reviewed and a determination is made on its adequacy and sufficiency to support claims that outcomes and outputs have been achieved. The NTIA Data Validation and Verification table can be found on the following page.

NTIA Data Validation and Verification

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 1: Number of new agency-requested spectrum assignment actions	Government Master File (GMF) of frequency assignments.	Monthly updates	GMF is stored on a mission critical system and is issued monthly to federal agencies on compact disk.	GMF has built in checks and receives extensive program staff review.	None	Measure spectrum assignment actions.
Measure 2: Number of models or grants available for nonprofit or public-sector organizations	NTIA's grant awards are made annually, and information on all applicants and recipients is posted on the NTIA Web site at http://www.ntia.doc.gov .	Annual	Data is stored on servers located at NTIA headquarters in the Herbert C. Hoover Building in Washington, D.C.	Data on grants awarded can be verified by the Department of Commerce's Office of Financial Management.	None	Survey of grants.

STRATEGIC GOAL 3

*Observe and manage the Earth's environment
to promote sustainable growth*



DEPARTMENT OF COMMERCE



★ UNITED STATES OF AMERICA ★



National Oceanic and Atmospheric Administration

Mission Statement

The National Oceanic and Atmospheric Administration's (NOAA's) mission is to describe and predict changes in the Earth's environment, and conserve and manage wisely the nation's coastal and marine resources so as to ensure sustainable economic opportunities.

NOAA is a future minded environmental science agency whose mission is to describe and predict changes in the Earth's environment and conserve and manage the nation's coastal and marine resources to ensure sustainable economic opportunities. Known as the oceans and atmosphere agency, NOAA is also an Earth sciences and space agency. Understanding ocean and atmosphere is essential to sustaining the U.S.'s environmental and economic health. As an agency, NOAA provides products that form a critical part of the daily decisions made across the U.S. From satellite imagery to tornado warning, navigational charts to fishery stock assessments, hurricane tracking to El Niño and harmful algal bloom predictions, severe weather forecasts to coastal zone management—every day NOAA's science, service and stewardship are essential to the lives of millions of people in the U.S. Accurate predictions of severe weather safeguard both lives and economic structure of communities. A deeper understanding of long-term climate and environmental trends can impact daily activities from the strategic planting of crops to better management of water and energy resources. Coastal communities, representing over 30 percent of the U.S. gross domestic product, depend heavily on sustaining healthy marine habitats and a robust ocean ecosystem. With effective partnerships among governments, universities, non-governmental organizations, and communities, NOAA helps to manage the critical issues along the U.S. coasts and the Great Lakes. A healthy coastal environment is intrinsic to the U.S.'s economic prosperity.

On September 11, 2001, the U.S. experienced unprecedented attacks on the World Trade Center and the Pentagon. NOAA responded to the attacks rapidly and with focused support through its agency-wide Incident Response Plan. NOAA was able to deploy critical assets, capabilities, and expertise immediately to support response and recovery efforts. NOAA personnel in weather offices, satellite and remote-sensing teams, hazardous materials units, marine transportation and geodesy offices, and fisheries enforcement teams provided a range of products and services to assist first responders in dealing with this tragedy. The September 11 attacks altered the context of NOAA's incident response planning by providing the impetus to reexamine all of NOAA's response capabilities and improve internal safety and preparedness.

To coordinate the diverse functions needed for this effort, NOAA has established a Homeland Security Coordination Team that includes representatives from across the organization. NOAA is striving to develop the capacity to support federal and state partners and local communities, and will respond to the evolving needs of the Office of Homeland Security. NOAA will continue to protect property, serve as environmental stewards, and, most important, save lives.

Priorities/Management Challenges

In FY 2002, a task force comprised of NOAA senior managers and staff was formed to take a bottom-up review of NOAA's organization, operation, and resource utilization. The mandate of the Program Review Team (PRT) was to respond to three central questions:

- Is NOAA's organization aligned with its current missions, now and for the future?
- Are NOAA's resources properly aligned with requirements?
- Is NOAA doing things as efficiently as possible?

The review was expected to not only develop answers and positions on the larger issues of NOAA's requirements and structure, but to improve NOAA's business processes like Grant Management and Facilities planning and capital improvement. This review also assisted in developing and refining the new NOAA Strategic Plan.

Based on the program review, several recommendations were provided, many of which can be implemented at the NOAA level. A limited number of proposals will require the concurrence of the Department, Office of Management and Budget, and/or Congress. For a more detailed listing and explanation of the recommendations, please visit the following Web site:

http://www.accessnoaa.noaa.gov/laut_letter.html

NOAA, as described by the recommendations developed by the PRT, reflects a dynamic organization that builds upon current programs and talents while embracing the central themes of the President's Management Agenda: an organization that is citizen-centered, results-oriented and market-based. The future mission statement will build on NOAA's current programs and talents in order to remain the premier oceanic and atmospheric science, service, and stewardship agency for the U.S. NOAA will carry out these missions innovatively in partnership with other nations; other federal, state and local agencies; the private sector, and academia.

FY 2002 Performance

NOAA met 71 percent of the targets for FY 2002. In the case of the Advanced Short-term Weather Forecast goal, nine out of twelve performance targets were met in FY 2002. Performance targets were met for tornado, winter storm, and flash flood warning lead time and accuracy; hurricane track forecasts; and heavy precipitation forecasts.

NOAA performance measures in long-term climate focused on observing system development. Substantial advances took place in deployment of an observing system for tracking carbon storage in North America and in the ocean. For monitoring of the global carbon cycle, expanded carbon measurements allow more precise characterization of global trends in greenhouse gases. In addition, early deployments of the highly accurate Climate Reference Network are resulting in reduced uncertainty in U.S. average measures of temperature and precipitation.

In terms of Promote Safe Navigation, NOAA produced eighty new Electronic Navigational Charts (ENCs), and now maintains a suite of 215 ENCs. Built to international standards, NOAA ENCs are an accurate and detailed chart database that can be displayed on electronic charting systems aboard ships. In partnership with local sponsors, NOAA dedicated two new PORTS® (Physical Oceanographic Real-Time System)—Chesapeake Bay, and Anchorage, Alaska—bringing the total number of PORTS® to nine. PORTS® supports safe and cost-efficient navigation by providing shipmasters and pilots with accurate real-time information required to avoid groundings and collisions. In recognition of the 2002 Winter Olympic Games in Salt Lake City, NOAA established a commemorative, high accuracy reference station on the campus of the University of Utah.

The commemorative station will provide the means for the local surveying and mapping community to access the National Spatial Reference System, which provides accurate and timely positioning through a consistent national coordinate system. NOAA has now mapped and/or evaluated the shoreline in over 60 percent of the nation's critical port areas within the past five years.

In FY 2002, NOAA accomplished a number of activities related to Sustain Healthy Coasts. For example, NOAA and the Environmental Protection Agency granted full approval to two new state coastal nonpoint pollution programs, bringing the total number of fully-approved programs to ten. In addition, NOAA responded to several oil and chemical spills, search and rescue efforts, and other emergencies. NOAA's Damage Assessment Center (DAC) worked on approximately twenty natural resource damage assessment and restoration cases. Five major cases were finalized in FY 2002. In addition, the Department of Commerce Office of the Inspector General conducted a review of this strategic goal and provided several recommendations.

The FY 2002 fisheries data will not be available until the FY 2003 Annual Program Performance Report is published. Therefore, it is not possible at this time to assess fisheries-related performance goals and determine whether the targets have been met. However, NOAA continued its work to build sustainable fisheries and recover protected species. NOAA Fisheries implemented harvest specifications and management measures that included many new protective management measures to reduce or eliminate directed or incidental catch of overfished Pacific groundfish stocks. In addition, Fisheries Management Plans have been amended and rebuilding plans will be crafted to address overfished stocks. Regarding protected species, NOAA proposed changes to fishing rules to better protect North Atlantic right whales and other large whales from entanglement in lobster trap, pot, and gillnet gear along the east coast of the U.S. NOAA also implemented measures to reduce incidental capture of sea turtles and modifications to the Turtle Excluder Device (TEDs) regulations to ensure exclusion (escapement) of turtles in affected fisheries.

Targets and Performance Summary

See individual Performance Goal section for further description of each measure.

Performance Goal 1: Build Sustainable Fisheries							
Measure	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Reduce the number of overfished major stocks of fish from 56 to 45 by FY 2007	New	56	46	55	Available in the FY 2003 report		
Reduce the number of major stocks with an "unknown" stock status to no more than 98 by FY 2007	New	120	120	120	Available in the FY 2003 report		
Increase the percentage of plans to rebuild overfished major stocks to sustainable levels	New	93%	93%	94%	Available in the FY 2003 report		

Performance Goal 2: Sustain Healthy Coasts							
Measure	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Number of acres of coastal habitat benefited (cumulative)	New	New	83,802 ¹	108,531 ¹	108,531	X	
Reduce introductions and effects of invasive species in a total of six regions within the United States	0	1	2	2	2	X	
Percentage of U.S. shoreline and inland areas that have improved ability to reduce coastal hazard impacts	7%	8%	8%	15%	8%		X

Performance Goal 3: Recover Protected Species							
Measure	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Reduce by 10 (from a FY 2000 baseline of 27) by FY 2007, the number of threatened species at risk	New	New	2	2	Available in the FY 2003 report		
Increase the number of commercial fisheries that have insignificant marine mammal mortality	New	New	2	6	Available in the FY 2003 report		
Reduce by 11 (from a FY 2000 baseline of 29) by FY 2007, the number of endangered species at risk of extinction	New	New	3	6	Available in the FY 2003 report		

Performance Goal 4: Advance Short-term Warnings and Forecasts

Measure		FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Lead time (minutes), accuracy (%), and false alarm rate (FAR, %) for severe weather warnings for tornadoes	Lead Time	12	10	10	11	12	X	
	Accuracy	70%	63%	67%	69%	77%	X	
	FAR	73%	76%	73%	71%	76%		X
Lead time (min) and accuracy (%) for severe weather warnings for flash floods	Lead Time	44	43	46	45	52	X	
	Accuracy	85%	86%	86%	86%	89%	X	
Accuracy of hurricane track forecasts (48 hour)	Nautical Miles	New	New	New	142	124	X	
Accuracy (%) of three-day forecast of precipitation		New	16%	19%	17%	26%	X	
Lead time (hours) and accuracy (%) for winter storm warnings	Lead Time	11	9	13	13	13	X	
	Accuracy	85%	85%	90%	86%	89%	X	
Accuracy (%) and FAR (%) of forecasts of ceiling and visibility (aviation forecasts)	Accuracy	19%	15%	18%	18%	13%		X
	FAR	52%	53%	51%	52%	58%		X
Accuracy (%) of forecast for winds and waves (marine forecasts)		50%	51%	52%	53%	53%	X	

Performance Goal 5: Implement Seasonal to Interannual Climate Forecasts

Measure		FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Determine the accuracy of the correlation between forecasts of the southern oscillation index (SOI) and El Niño / La Niña events		0.85	0.84	0.85	0.85	0.85	X	
U.S. temperature—skill score		23	25	20	20	18		X
Number of new monitoring or forecast products that become operational/year (cumulative)		New	New	4	8	8	X	
New climate observations introduced		New	New	132	174	192	X	

Performance Goal 6: Predict and Assess Decadal to Centennial Climate Change

Measure	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Assess and model carbon sources and sinks throughout the United States	New	New	New	Establish five new pilot atmospheric profiling sites and four new oceanic carbon tracks	Identified five new pilot atmospheric profiling sites and four new oceanic carbon tracks.		X
Assess and model carbon sources and sinks globally	New	New	New	Establish three new global background sites as part of the global flask network.	Established three new global background sites as part of the global flask network.	X	
Determine actual long-term changes in temperature and precipitation throughout the United States	New	New	New	Capture more than 60% of true contiguous U.S. temperature trend and capture more than 25% of true contiguous U.S. precipitation trend.	Captured more than 85% of true contiguous U.S. temperature trend and captured more than 55% of true contiguous U.S. precipitation trend.	X	

Performance Goal 7: Promote Safe Navigation

Measure	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2002 Actual	FY 2002 Met	FY 2002 Not Met
Reduce the hydrographic survey backlog (square nautical miles) for critical navigation areas (cumulative percentage)	20.8%	24.3%	31.2%	35.0%	34.3%		X
Percentage of National Spatial Reference System completed (cumulative)	59%	71%	75%	78%	81%	X	

¹ Based upon the recommendations from the draft U.S. Department of Commerce Office of the Inspector General Audit Report No. FSD-14998 (November 2002), the targets and actuals for FY 2001 and FY 2002 have been revised to more accurately document this performance measure. As a result, the actual for FY 2001 is 83,802 acres and the target for FY 2002 should have been 108,531 acres (as opposed to the original target of 122,000) which is also the actual for FY 2002.

Resource Requirements Summary

(Dollars in Millions. Funding amounts reflect direct obligations.)

Information Technology (IT)

Full Time Equivalent (FTE)

Performance Goal 1: Build Sustainable Fisheries				
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Operations, Research, and Facilities				
National Ocean Service	9.2	9.1	0.0	9.8
National Marine Fisheries Service	291.4	309.1	439.1	400.4
NOAA Research	35.1	37.1	93.0	44.0
Program Support	26.2	21.6	18.7	41.1
Procurement, Acquisition, and Construction				
National Marine Fisheries Service	–	–	62.5	14.8
Program Support	–	–	3.7	5.8
Other Accounts				
Discretionary—National Marine Fisheries Service	–	–	2.4	0.0
Mandatory—National Marine Fisheries Service	–	–	6.9	16.4
Mandatory—Program Support	–	–	3.5	–
Total Funding	404.4	441.6	629.8	533.7
IT Funding ²	24.5	13.5	17.9	5.2
FTE	2,330	2,205	2,053	2,158

Performance Goal 2: Sustain Healthy Coasts

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Operations, Research, and Facilities				
National Ocean Service	152.6	165.0	275.8	275.3
National Marine Fisheries Service	17.1	17.3	23.0	28.4
NOAA Research	63.2	58.4	28.3	80.0
National Environmental Satellite, Data, and Information Service (NESDIS)	6.2	6.2	4.0	4.8
Program Support	6.7	7.9	14.9	25.1
Procurement, Acquisition, and Construction				
National Ocean Service	–	–	53.9	61.7
NOAA Research	–	–	14.0	0.0
Program Support	–	–	3.5	3.1
Other Accounts				
Discretionary—National Ocean Service	–	–	152.9	142.7
Mandatory—National Ocean Service	–	–	0.0	9.0
Mandatory—Program Support	–	–	2.6	1.3
Total Funding	260.9	278.6	572.9	631.4
IT Funding ²	N/A	2.1	16.2	4.6
FTE	890	509	1,047	1,144

Performance Goal 3: Recover Protected Species

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Operations, Research, and Facilities				
National Ocean Service	0.0	0.3	0.0	2.8
National Marine Fisheries Service	74.1	90.2	172.0	157.9
NOAA Research	0.3	0.3	0.0	0.0
NESDIS	1.2	0.0	0.0	0.4
Program Support	3.2	4.6	8.5	18.6
Procurement, Acquisition, and Construction				
National Marine Fisheries Service	–	–	0.0	0.0
Program Support	–	–	9.8	5.2
Other Accounts				
Discretionary—National Marine Fisheries Service	–	58.0 ¹	–	–
Mandatory—Program Support	–	–	1.2	3.7
Total Funding	79.4	153.4	301.3	343.0
IT Funding ²	24.5	7.2	7.0	1.9
FTE	575	519	813	824

Performance Goal 4: Advance Short-term Warnings and Forecasts

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Operations, Research, and Facilities				
NOAA Research	56.8	61.6	49.7	48.8
National Weather Service	547.8	587.0	629.0	674.1
NESDIS	54.4	54.0	56.2	73.0
Program Support	43.9	41.2	49.0	50.6
Procurement, Acquisition, and Construction				
NOAA Research	–	–	3.0	2.0
National Weather Service	–	–	63.4	71.9
NESDIS	–	–	515.0	517.1
Program Support	–	–	8.5	6.2
Other Accounts				
Mandatory – Program Support	–	–	2.2	2.3
Total Funding	1,269.4	1,260.9	1,376.0	1,446.0
IT Funding ²	160.9	290.3	241.1	232.8
FTE	6,351	5,812	5,997	5,859

Performance Goal 5: Implement Seasonal to Interannual Climate Forecasts

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Operations, Research, and Facilities				
NOAA Research	63.6	70.5	58.5	77.8
National Weather Service	4.7	4.7	0.4	1.0
NESDIS	40.0	41.6	61.8	64.2
Program Support	3.6	4.3	4.0	10.3
Procurement, Acquisition, and Construction				
Program Support	–	–	0.8	1.2
Other Accounts				
Mandatory – Program Support	–	–	1.4	2.7
Total Funding	112.5	121.1	126.9	157.2
IT Funding ²	20.4	22.8	35.8	30.4
FTE	549	350	323	399

Performance Goal 6: Predict and Assess Decadal to Centennial Change

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Operations, Research, and Facilities				
NOAA Research	67.9	69.2	97.8	95.4
National Weather Service	8.2	9.7	0.0	0.0
NESDIS	8.2	6.3	3.0	0.5
Program Support	5.1	5.2	3.5	11.8
Procurement, Acquisition, and Construction				
NOAA Research	0.6 ¹	4.9 ¹	–	–
NESDIS	–	–	6.0	11.6
Program Support	–	–	0.0	0.0
Program Support	–	–	0.7	0.8
Other Accounts				
Mandatory – Program Support	–	–	0.9	1.0
Total Funding	90.0	95.3	111.9	121.0
IT Funding ²	9.6	22.1	18.9	26.1
FTE	485	127	370	487

Performance Goal 7: Promote Safe Navigation

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Operations, Research, and Facilities				
National Ocean Service	92.2	98.4	114.4	118.6
NOAA Research	0.4	0.4	0.0	0.9
Program Support	4.9	5.7	5.5	20.2
Procurement, Acquisition, and Construction				
Program Support	–	–	–	–
Program Support	–	–	12.6	15.6
Other Accounts				
Mandatory – Program Support	–	–	3.5	3.7
Total Funding	97.5	104.5	136.0	159.0
IT Funding ²	3.9	9.7	22.8	13.5
FTE	878	807	870	734

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Grand Total	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual
Operations, Research, and Facilities				
National Ocean Service	254.0	266.3	390.2	406.4
National Marine Fisheries Service	382.6	416.6	634.1	586.8
NOAA Research	287.3	297.5	327.3	347.3
National Weather Service	560.7	601.4	629.4	675.2
NESDIS	100.6	101.8	125.0	142.5
Program Support	93.6	90.5	104.1	177.8
Procurement, Acquisition, and Construction				
National Ocean Service	–	–	53.9	61.7
National Marine Fisheries Service	–	–	62.5	14.8
NOAA Research	–	–	23.0	13.6
National Weather Service	–	–	63.4	71.9
NESDIS	–	–	515.0	517.1
Program Support	–	–	39.6	37.7
Other Accounts				
Discretionary	–	–	–	–
National Ocean Service	–	–	152.9	154.4
National Marine Fisheries Service	–	–	112.2	142.7
Mandatory	–	–	–	–
National Ocean Service	–	–	0.0	9.0
National Marine Fisheries Service	–	–	6.9	16.4
Program Support	–	–	15.3	16.2
Total Funding	2,304.7	2,442.6	3,254.6	3,391.5
Direct	2,304.7	2,442.6	3,254.6	3,391.5
Reimbursable ³	256.0	290.6	204.0	197.0
IT Funding ²	243.8	367.7	408.2	314.5
FTE	12,058	10,329	11,472	12,330

¹ For FY 1999 and FY 2000, detailed stewardship portfolio spreads were not available for program support, PAC, and other accounts.

² IT funding included in total funding.

³ Reimbursable funding not included in total fundng.

Notes:

NOAA changed its methodology for allocating support costs by Performance Goal to more accurately reflect the distribution of the budget across performance goal.

Other Accounts/Mandatory/Program Support is a breakout of the CSRS funds.

PAC/Program Support includes the distribution of CAMS.

The differences between FY 1999 IT dollars and FY 2000, FY 2001, and FY 2002 amounts is a result of several factors: (1) In previous years, the amounts accounted for major projects only. We have expanded the definition of IT dollars to include all projects identified in Exhibit 53, NOAA's President's Budget for FY 1999. (2) The FY 1999 amount for performance goal 3, "recover protected species," was in error. This amount was inadvertently duplicated from performance goal 1, "build sustainable fisheries." The appropriate response should have been not applicable. (3) The apparent decrease in dollars for performance goal 1, "build sustainable fisheries," is actually a realignment of the stewardship portfolio.

Skill Summary

Marine ecologists, environmental educators, land use planners, toxicologists, economists, hydrologists, electronic technicians, hydrometeorological technicians, atmospheric scientists, computer specialists, instrumentation engineers, instrumentation technicians, physicists, mathematicians, electronic engineers, cartographers, photogrammetrists, geodesists, hydrographers, fishery biologists, fishery economists, oceanographers, engineers, chemists, meteorologists, physical scientists, and computer scientists.

IT Requirements

- National Marine Fisheries Service Fishing Information Technology System
- Sustaining Healthy Coasts does not rely on any one IT system
- National Marine Fisheries Service Fishing Information Technology System
- Advanced Weather Interactive Processing System, Next Generation Weather Radar System, Geostationary Operational Environmental Satellites Ground System, and Automated Surface Observing System Satellite Active Archive, NOAA Virtual Data System, National Environmental Data Archive and Access System, and Climate Prediction Centers Climate Computer Geophysical Fluid Dynamics Laboratory Nautical Charting and Hydrographic Surveying System, Physical Oceanographic Real-time Systems, and Data Processing and Analysis Subsystem for National Water Level Observation Network, and Geodetic Support System

FY 2002 Performance Goals

Performance Goal 1: Build Sustainable Fisheries

Corresponding Strategic Goal

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

Rationale for Performance Goal

Billions of dollars in economic growth, thousands of jobs, and countless commercial and recreational fishing opportunities are not realized as a result of overfishing and overcapitalization in commercial and recreational fisheries. While many fisheries are well-managed and produce positive benefits, others are severely depleted or overcapitalized and must be restored and managed to realize their long-term potential. Rebuilding and reducing overcapitalization in existing fisheries will promote the economic and biological sustainability of U.S. fishing resources. Building sustainable fisheries will increase greatly the nation's wealth and quality of life.

The basis for the existing suite of performance measures is the sequence of events associated with sustaining or rebuilding fisheries over time. In concept, these events occur in the following order: (1) The first task is to identify if a stock is overfished; the performance measure on stock assessment and reducing the number of unknown stocks addresses this step. (2) Once a stock has been classified as overfished, the National Oceanic and Atmospheric Administration (NOAA) is mandated to create a rebuilding plan by statute; the rebuilding performance measure addresses this outcome. (3) Each rebuilding plan will have a trajectory and timeframe to achieve the rebuilding objective of recovering the stock to sustainable levels; the performance measure describing the number of overfished stocks measures how closely this target and trajectory is being met and other measures for this goal that are important indicator measures of these influences. An additional important area of concern that NOAA will address through its performance measures in the future is the issue of bycatch and its effect on fish stocks and protected species. Beginning in FY 2005, NOAA Fisheries is planning to begin measuring its success in reducing bycatch in ten fisheries toward its ultimate goal of reducing the level of bycatch by 30 percent in all fisheries with unacceptable levels of bycatch from FY 2001 levels by FY 2008.

Changes to the Performance Measures

For the moment, NOAA will continue to use the existing performance measures for this strategic planning goal. However, NOAA Fisheries is currently making improvements on its performance measures to better reflect the Agency's challenging responsibilities and performance in managing the living marine resources of the U.S. To assist NOAA Fisheries, a workshop was held in June 2002 to solicit input from fisheries stakeholders and map a new path for fisheries management performance. Among the input, the workshop participants recommended three new focus areas for performance measures that could potentially be developed into objectives relevant to this strategic planning goal. The three areas are: 1) biological sustainability, 2) socio-economic sustainability, and 3) internal administration and process. Specific recommendations for each focus area are stated in the FY 2004 Annual Performance Plan.

FY 2002 Performance

The FY 2002 fisheries data will not be available until the FY 2003 Annual Program Performance Report is published. Therefore, it is not possible at this time to assess this performance goal and determine whether the targets have been met. However, NOAA continued in FY 2002 the task of building sustainable fisheries.

Among the activities to address overfishing, NOAA implemented harvest specifications for the groundfish fisheries of the Bering Sea, Aleutian Islands, and Gulf of Alaska. The 2002 harvest limits and associated management measures became effective in January 2002 under an emergency rule that also implemented Stellar sea lion production measures. NOAA also proposed annual specifications and management measures which include many new protective management measures to reduce and eliminate directed or incidental catch of overfished Pacific groundfish stocks. In addition, NOAA declared that certain Pacific groundfish species were overfished. NOAA expects the Pacific Fishery Management Council to recommend large-scale closures for 2003 of the continental shelf off Washington, Oregon, and California to groundfish fishing. Some of the overfished species that are most severely depleted are continental shelf species. Rebuilding plans for all these species will be crafted in at least two amendments to the Fishery Management Plan (FMP). Regarding the east coast, the New England Fishery Management Council approved a new Deep-sea Red Crab FMP. The plan would put in place measures to prevent overfishing, provide better management information, and control effort in this fishery. Also, NOAA completed Amendment 6 to the FMP for the salmon fisheries in federal waters off Alaska. Amendment 6 brings the FMP into compliance with the requirements of the Magnuson-Stevens Act by specifying objective and measurable criteria for identifying when fisheries are overfished. Conservation and management measures are also included to prevent overfishing or end overfishing and rebuild fisheries.

Measure 1a: Reduce the Number of Overfished Major Stocks of Fish from 56 to 45 by FY 2007				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	55
Actual		56	46 ¹	Available in the FY 2003 report
Met/Not Met				

¹ The original baseline was fifty-six of which ten were later reclassified as not being subject to overfishing requirements as defined in the Fisheries Management Plan.

Explanation of Measure

This measure focuses on the total number of overfished stocks defined as major stocks for which status is known; major stocks for which status is known numbers 167. A major stock is defined as a stock that yields annual catches of more than 200 thousand pounds (90.7 metric tons). There are approximately 905 stocks overall (as reported in the Annual Report to Congress), of which more than 600 are either unknown or undefined. The goal for this measure is to decrease the number of overfished major stocks from a FY 2000 baseline of forty-six to thirty-one by 2008. The original baseline was fifty-six of which ten were later reclassified as not being subject to overfishing requirements as defined in the Fisheries Management Plan.

The term overfishing means that the harvest rate is above a prescribed threshold. Overfished means that the biomass of a given fishery’s stock is below a prescribed threshold. Overfished stocks are defined in the Fisheries Management Plan.

FY 2002 Performance

The FY 2002 fisheries data will not be available until the FY 2003 Annual Program Performance Report is published. At this time, it is not possible to assess this performance measure and determine whether the target has been met. However, NOAA Fisheries continued carrying out activities to address overfishing in FY 2002.

As stated previously, NOAA Fisheries implemented harvest specifications for the groundfish fisheries of the Bering Sea, Aleutian Islands, and Gulf of Alaska. The 2002 harvest limits and associated management measures became effective in January 2002 under an emergency rule that also implemented Stellar sea lion production measures. NOAA also proposed annual specifications and management measures which include many new protective management measures to reduce and eliminate directed or incidental catch of overfished Pacific groundfish stocks.

NOAA Fisheries also implemented in FY 2002 a Grants-based Process for Quota-based Research on Federally-Managed Fisheries in the Mid-Atlantic. The research program will allow for the set-aside of up to three percent of a species’ annual quota for research purposes. The program provides a mechanism to fund research and compensate vessel owners through the sale of fish harvested under the research quota. Through the Federal Register, NOAA solicited proposals for research. Collectively, the proposals to NOAA Fisheries involved research relating to the evaluation of changes in gear design that could reduce bycatch and discards in certain fisheries and cooperative stock assessment surveys in areas not traditionally sampled by NOAA’s Northeast Fisheries Science Center.

NOAA Fisheries completed the Fishermen’s Report of the 2002 Spring Bottom Trawl Survey that contains a catch summary of commercially and recreationally important species caught in the Cape Hatteras–Gulf of Maine area. Although records in this report are provisional and subject to change, the data provide fishermen with useful information about the distribution and relative abundance of species inhabiting the survey area.

Measure 1b: Reduce the Number of Major Stocks with an “Unknown” Stock Status to No More than 98 by 2007				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	120
Actual		120	120	Available in the FY 2003 report
Met / Not Met				

Explanation of Measure

The NOAA Fisheries Stock Assessment Improvement Plan identifies the current status of knowledge regarding the health of each stock under NOAA Fisheries authority. In many cases the current status is unknown. Not all unknown stocks are of equal importance, based on such parameters as the value and quantity of landings and known role in the ecosystem as key predators or forage. This performance measure tracks progress on improving the state of knowledge regarding the relative health of major stocks as defined in the annual Report to Congress on the status of stocks. By conducting stock assessments, NOAA Fisheries can reveal the potential yield of the stock relative to current yield and potential benefits forgone by overfishing, as well as subsequently specifying a target and trajectory for rebuilding the stock if overfished. This metric reports on the outcome of investments in staff, data acquisition (e.g., charter and research vessel days-at-sea), and stock assessment methodological research.

FY 2002 Performance

The FY 2002 fisheries data will not be available until the FY 2003 Annual Program Performance Report is published. At this time, it is not possible to assess this performance measure and determine whether the target has been met. However, to better understand the resources, NOAA continues to conduct stock assessments.

In FY 2002, NOAA completed a stock assessment for Pacific sardine with estimates indicating the stock biomass remains at a relatively high abundance level, nearly 1.1 million metric tons. The population had been increasing at a rate of about 30 percent per year since the mid 1980s, but the rate of increase now appears to be more moderate.

In FY 2002, NOAA Fisheries researchers began cooperative research with tuna scientists from Japan and Taiwan on a new stock assessment model for North Pacific albacore. The research represents the first attempt to explore length-based modeling for albacore in the North Pacific. Length-based catch, size frequency, and fishing effort statistics have been compiled for some twenty-six international albacore fisheries across the North Pacific and a preliminary modeling framework has been established.

NOAA's Northwest Fisheries Science Center completed full stock assessments for Pacific whiting and canary rockfish. The Center provides the Pacific Fishery Management Council with stock assessments that are used to help determine the portion of the fish stock which may be harvested, given certain management objectives.

Also in FY 2002, NOAA completed a survey that provides the only fishery-independent estimate of juvenile pelagic shark abundance off the west coast. Some declines in catch per unit of effort and size of catch have been observed. Concurrent studies are providing valuable information on the life histories of these shark populations.

Measure 1c: Increase the Percentage of Plans to Rebuilding Overfished Major Stocks to Sustainable Levels				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	94%
Actual		93%	93%	Available in the FY 2003 report
Met / Not Met				

Explanation of Measure

This measure relates directly to the statutory requirements in the Magnuson Stevens Act that require Regional Councils to develop rebuilding plans for stocks of fish that have been identified as overfished. Section 304(e) outlines the specific parameters and time frames required for rebuilding. At this point in time, major and minor stocks have been differentiated to highlight the relative priorities and complexities of producing a rebuilding plan, and the consequent impact on performance measurement. Measurement of this metric will occur in the annual status of stocks report to Congress.

FY 2002 Performance

The FY 2002 fisheries data will not be available until the FY 2003 Annual Program Performance Report is published. At this time, it is not possible to assess this performance measure and determine whether the target has been met. However, NOAA continued its task of rebuilding fisheries.

In FY 2002, NOAA declared that certain Pacific groundfish species were overfished. NOAA expects the Pacific Fishery Management Council to recommend large-scale closures for 2003 of the continental shelf off Washington, Oregon, and California to groundfish fishing. Some of the overfished species that are most severely depleted are continental shelf species. Rebuilding plans for all these species will be crafted in at least two amendments to the Fishery Management Plan.

Regarding the east coast, the New England Fishery Management Council approved a new Deep-sea Red Crab Fishery Management Plan. The plan would put in place measures to prevent overfishing, provide better management information, and control effort in this fishery.

NOAA also completed Amendment 6 to the FMP for the salmon fisheries in federal waters off of Alaska. Amendment 6 brings the FMP into compliance with the requirements of the Magnuson-Stevens Act by specifying objective and measurable criteria for identifying when fisheries are overfished. Conservation and management measures are also included to prevent overfishing or end overfishing and rebuild fisheries.

Program Evaluation

Virtually every aspect of National Marine Fisheries Service's (NMFS) fisheries science program is peer reviewed, either internally within NMFS or outside the agency by, for example, the National Academy of Sciences or the National Science Foundation. NMFS also relies on extensive informal networks of university partnerships and laboratories throughout the U.S. Moreover, reviews often occur by opposing parties' scientists in the court system when fisheries management decisions are litigated.

Performance Goal 2: Sustain Healthy Coasts

Corresponding Strategic Goal

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

Rationale for Performance Goal

The National Oceanic and Atmospheric Administration (NOAA) has three primary objectives to sustain healthy coastal ecosystems and the communities and economies that depend on them. These are to (1) protect, conserve, and restore coastal habitats and their biodiversity; (2) promote clean coastal waters; and (3) foster well-planned and revitalized coastal communities. To meet these objectives, NOAA integrates a broad range of research, assessment, and management activities from four of NOAA's five line offices: the National Ocean Service (NOS); the Office of Oceanic and Atmospheric Research (OAR); the National Marine Fisheries Service (NMFS); and the National Environmental Satellite, Data, and Information Service. NOAA works with many governmental and nongovernmental partners at local, state, national, and international levels to address the critical challenges facing coastal areas. NOAA measures its performance in meeting these objectives by tracking key outcomes, such as the acres of coastal habitat restored, changes in coastal water quality, number of coastal states with effective nonpoint pollution control programs, and the percentage of U.S. shoreline covered by improved ability to identify and mitigate the impacts of natural hazards.

FY 2002 Performance

In FY 2002, the Department of Commerce Office of the Inspector General conducted a review of this strategic goal and provided several recommendations. Some of these recommendations are reflected in the appropriate performance measures (see below).

In FY 2002, NOAA also accomplished a number of activities related to this strategic goal.

Several years of work with the State of Indiana paid off in 2002 when Indiana became the thirty-fourth state to join the Coastal Zone Management Program. In accordance with the Coastal Zone Management Act, Indiana is now eligible for federal funds in order to better manage its coastal zone. Under the program, Indiana is encouraged to balance economic growth with the protection of natural resources and sensible coastal development.

NOAA and the Environmental Protection Agency granted full approval to two new state coastal nonpoint pollution programs, bringing the total number of fully approved programs to ten. The Virgin Islands and Delaware join Maryland, Rhode Island, California, Puerto Rico, Virginia, Pennsylvania, New Hampshire, and Massachusetts as the only coastal states/territories with fully approved plans. States and territories with approved coastal nonpoint programs are eligible to receive federal funds intended to improve water quality by implementing enhanced stormwater management and erosion control programs, identifying and replacing failing septic systems, and building local capacity to manage pollution.

NOAA released the first-ever assessment of the conditions of the U.S. Coral Reefs. Led by NOS, under the auspices of the U.S. Coral Reef Task Force, this report indicates that there is increasing degradation of shallow-water reefs near inhabited coastal areas. In contrast, coral reefs distant from inhabited shores where fishing pressure is low are still in near-pristine condition. The report establishes a baseline against which future assessments will be compared, and provides scientists with a way to track and ultimately predict changes in reef conditions.

During FY 2002, NOAA's Hazardous Materials Response Division (HAZMAT) responded to more than ninety events, including oil and chemical spills, search and rescue efforts, and other emergencies. HAZMAT coordinated with industry and federal, state, and local agencies in these response efforts. For example, NOAA responded to a spill in Little Lake, Louisiana, of 70,000 to 90,000 gallons of oil from a submerged BP pipeline that ruptured when it was struck by a tugboat. HAZMAT assisted the USCG by coordinating the on-scene scientific response to the spill: conducting reconnaissance overflights, determining the fate and effect of the oil, evaluating cleanup techniques and results, and assessing the risk to natural resources and shorelines.

NOAA's Damage Assessment Center (DAC) worked on approximately twenty natural resource damage assessment and restoration cases. Five major cases were finalized in FY 2002. Among the cases brought to closure was one involving Mulberry Phosphates, Inc., which will pay \$4.6 million for the release of approximately fifty million gallons of acidic waste water into the Alafia River in Florida after a gypsum stack wall failed. Restoration of coastal wetland and riverine habitats and creation of oyster reefs will compensate for injuries that destroyed wetland vegetation, killed fish and shellfish, and violated water quality standards.

The multi-year cooperative effort between NOAA, the U.S. Navy, and the Mariners' Museum in Newport News, Virginia, to preserve the USS Monitor reached another major milestone in 2002. The ship's 150-ton revolving gun turret was successfully raised off the ocean floor, 140 years after it sank off the coast of North Carolina. This massive gun turret was the warship's most prominent feature and a landmark in naval engineering. The expedition has recovered more than 600 artifacts from the historic Civil War vessel, including its steam engine, condenser, a glass button, hydrometers, working thermometers, several intact lantern chimneys and two stanchions.

Measure 2a: Number of Acres of Coastal Habitat Benefited (Cumulative)				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	108,531
Actual			83,802	108,531
Met/Not Met				Met

Explanation of Measure

This measure, which tracks “acres benefited,” replaces a discontinued measure that tracked “acres restored.” Basically, this measure reflects the number of acres that benefit from projects sponsored by NMFS and funded under the Coastal Wetlands Planning, Protection, and Restoration Act (CWPPRA). The count includes acres adjacent to those restored that benefit from the restoration as well. For example, one project in 2001 will create seventy acres of marsh and protect up to thirty acres of the main habitat; it also will create about seventy-three acres of wetlands by trapping sediment. For a brief period the measure was changed to “acres restored,” which does not accurately reflect the results of the program. The discontinued measure was recalibrated in FY 2001 and replaced with the more accountable measure of acres benefited. The new baseline includes acres benefited by NMFS-sponsored projects funded under CWPPRA. (See: <http://www.nmfs.noaa.gov/habitat/restoration/CWPPRA/index.html>)

FY 2002 Performance

Based upon the recommendations from the draft U.S. Department of Commerce Office of the Inspector General Audit Report No. FSD-14998 (November 2002), the targets and actuals for FY 2001 and FY 2002 have been revised to more accurately document this performance measure. As a result, the actual for FY 2001 is 83,002 acres and the target for FY 2002 should have been 108,531 acres (as opposed to the original target of 122,000) which is also the actual for FY 2002. Therefore, based on the revision, NOAA has met the target for FY 2002.

The original FY 2001 performance results incorrectly included one project scheduled for completion in FY 2002, two scheduled for completion in FY 2003, and two for which the number of benefited acres was overstated by 50 percent. Taken together, these five projects inflated NOAA’s FY 2001 count by approximately 33,000 acres (39 percent). The supported number of acres that should have been reported as benefited was approximately 83,002, not the 116,000 contained in the FY 2001 APP/FY 2003 APP.

Measure 2b: Reduce Introductions and Effects of Invasive Species in a Total of Six Regions within the United States				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	1	1	2	2
Actual	0	1	2	2
Met/Not Met	Not Met	Met	Met	Met

Explanation of Measure

Executive Order 13112, dated February 3, 1999, defines invasive species as “an alien species whose introduction does or is likely to cause economic or environmental harm or harm to human health.” Many such species displace native species, disrupt the ecological integrity of ecosystems, and threaten the economic and recreational value of coastal resources. NOAA’s Sea Grant Program divides the country into six regions (Great Lakes, Northeast, Mid-Atlantic, Southeastern Atlantic and Gulf of Mexico, Pacific, and Northwest) for its activities related to invasive species.

Primarily through research and education, this measure covers the two components that result in an overall reduction in the number of invasive species introductions in the six regions around the country: (1) a decrease in the number of new non-indigenous species that become established in U.S. coastal regions from other countries, when compared to a base period and (2) a decrease in the spread of new non-indigenous species out of the region where they originally became established. Basically, this measure means that in any given period of time, NOAA is continually working towards the reduction of invasive species in at least two of the six regions, although the activities may also have positive effects on the other regions as well.

Invasive nuisance species have become a major threat to global biodiversity, second only to habitat degradation and loss. The nation’s coastal habitats and aquatic resources are both directly and indirectly affected by non-indigenous species silently entering our waters through a variety of pathways, including ballast water discharge, live bait, and aquaculture. Many of these invaders displace native species, disrupting the ecological integrity of their ecosystems and threatening the economic and recreational value of these coastal resources. A recent Cornell University assessment (Environmental and Economic Costs of Nonindigenous Species in the United States, by Pimental, Zuniga, and Morrison. 2000. BioScience 50: 53-65.) estimated that

the annual cost of all invasive species to the U.S. economy exceeds \$130 billion, which is more than twice the annual cost of damage caused by all natural disasters. NOAA's Office of Oceanic and Atmospheric Research will implement a program to monitor national marine sanctuaries for invasive species, develop rapid-response strategies to prevent and control invasive species in national marine sanctuaries and other areas, and continue support of ballast water demonstration projects.

FY 2002 Performance

In FY 2002, several projects were conducted by NOAA and could contribute significantly to solving invasive species. The following are examples of specific projects conducted within the six regions although final results will not be available until the end of the calendar year.

Preliminary reports indicate a degree of success in eradicating the invasive marine snail *Littorina saxatilis* from San Francisco Bay. In addition a control plan for the green crab that is likely to affect both shellfish aquaculture and crab fisheries on the west coast was completed in FY 2002. Although the plan covers both the east and west coasts, from a practical standpoint, control efforts are only likely to have an impact on the west coast.

NOAA's Great Lakes Environmental Research Laboratory has conducted research that demonstrates a serious environmental impact from zebra mussels in Lake Michigan. Amphipods, *Diporeia* spp., represent up to 75 percent of the benthic biomass in parts of Lake Michigan. They are a key prey item for many fish species, including whitefish, one of the few commercial species left in the Great Lakes. Because of competition from zebra mussels, *Diporeia* have virtually disappeared from large areas of Lake Michigan.

After successfully working to develop small-scale technology for ballast water treatment, NOAA has initiated a research program for ballast water technologies at a full-scale level. The Maritime Administration has partnered with NOAA and is allowing ships from the ready reserve fleet to be used as testing platforms.

NOAA has completed a rapid response protocol for western states that will enable the states to respond in a timely fashion to future invasions. Also, in order to detect new invasions in a timely manner, it is necessary to conduct monitoring activities. The National Estuarine Research Reserve System held a workshop on conducting monitoring surveys in coastal and estuarine areas.

NOAA's National Centers for Coastal Ocean Sciences has completed an inventory of non-native species for most taxa in Hawaiian waters. This establishes a baseline to enable NOAA to respond rapidly to new introductions of invasive species.

After testing over 600 different pathogens, NOAA Sea Grant-sponsored research may have found a pathogen which is extremely effective against zebra mussels and species specific so that it will not harm native bivalves. It is a pseudomonas bacterium found in soil and it affects the digestive gland on zebra mussels.

Measure 2c: Percentage of U.S. Shoreline and Inland Areas that have Improved Ability to Reduce Coastal Hazard Impacts

	FY 1999	FY 2000	FY 2001	FY 2002
Target	5%	14%	6%	15%
Actual	7%	8%	8%	8%
Met/Not Met	Met	Not Met	Met	Not Met

Explanation of Measure

This measure tracks improvements in NOAA's ability to estimate the risks of natural hazards in U.S. coastal regions. Activities are underway to develop a coastal risk atlas that will enable communities to evaluate the risk, extent, and severity of natural hazards in coastal areas. The risk atlas will help coastal communities make more effective hazard mitigation decisions to reduce the impacts of hazards to life and property. Currently, many coastal communities make major decisions on land use, infrastructure development, and hazard responses without adequate information about the risks and possible extent of natural hazards in their area. Through the coastal risk atlas, NOS, with other federal and state agencies, will provide a mechanism for coastal communities to evaluate their risks and vulnerabilities to natural hazards for specific U.S. coastal regions and improve their hazard mitigation planning capabilities. Two projects begun in FY 2001, however, were not scheduled for completion until FY 2002. Annual percentages are calculated by dividing the total amount of U.S. shoreline (97,128 miles) into the cumulative amount of shoreline addressed by projects in support of this measure.

Regarding the dramatic decline in the FY 2001 target, the FY 2000 target was based on an expectation that the Coastal Risk Atlas would receive funding that year and work would be done. The project was not funded in FY 2000, so anticipated progress on the measure was not made. The one percent added in FY 2000 (from 5 percent in 1999 to a total cumulative 6 percent in 2000) resulted from other projects benefiting the shorelines of Tillamook County, Oregon; Maui County, Hawaii; and the entire coast of Rhode Island.

FY 2002 Performance

In FY 2002, NOAA anticipated the completion of coastal risk atlas pilot projects for Mississippi and Florida. Florida has 8,436 miles of shoreline and Mississippi has 359 miles of shoreline. However, following an end-of-year review of the product delivered by a project partner, NOAA determined that the pilots needed additional work before they could be considered complete. Therefore, NOAA did not meet its FY 2002 target for this measure.

In FY 2002, the Department of Commerce Office of the Inspector General performed an audit on this particular performance measure. Findings from the audit required NOAA to modify performance figures reported in past years. Specifically, earlier reporting included only 675 miles of shoreline in North Carolina. The entire shoreline of North Carolina, totaling 3,375 miles, should have been counted. In addition, an updated calculation of the total amount of shoreline in the United States revealed a total of 97,128 miles. The figure previously used was 95,439 miles. These adjustments are reflected in the numbers reported above.

Program Evaluation

NOAA's goal to sustain healthy coasts is the product of more than twenty-five years of experience helping to understand and manage coastal resources so that their ecological and economic productivity can be fully realized and sustained. Evaluation efforts exist at a variety of levels, from peer reviews of proposals and evaluations of individual projects, to internal and external reviews of entire programs and quarterly reviews of NOAA's overall performance in coastal stewardship areas. Constituent input is an important part of the evaluation process and is solicited regularly through constituent workshops.

Performance Goal 3: Recover Protected Species

Corresponding Strategic Goal

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

Rationale for Performance Goal

To recover protected species, the National Oceanic and Atmospheric Administration (NOAA) aims to prevent the extinction of protected species and to maintain the status of healthy species. NOAA measures its performance in meeting these objectives by focusing on the Agency's ability to manage protected species through conservation programs and recovery plans and through constant monitoring of and research into the status of species and the stresses that affect their mortality.

Changes to the Performance Measures

For the moment, NOAA will continue to use existing performance measures for this strategic planning goal. However, NOAA Fisheries is continually making improvements on its performance measures to better reflect the Agency's challenging responsibilities and performance in managing the living marine resources of the U.S. These new measures will be integrated as they are developed and will also be considered carefully during the development of a new NOAA strategic plan.

To assist NOAA Fisheries, a workshop was held in June 2002 to solicit input and map a new path for fisheries management performance. Regarding endangered and threatened species, recommendations were made that performance measures should not only evaluate recovery of the stock but also show whether the stock population is increasing or decreasing and how it relates to recovery plan or take reduction plan goals. Performance measures should also indicate the value added of fishing gear modification and change, e.g., number of turtles saved. With regards to bycatch, performance measure needs to define the bycatch level, evaluate the level of bycatch, and show changes in response to management actions. Performance measure should also evaluate how well the U.S. meets international bycatch agreements.

FY 2002 Performance

The FY 2002 fisheries data will not be available until the FY 2003 Annual Program Performance Report is published. Therefore, it is not possible at this time to assess this performance goal and determine whether the targets have been met. However, NOAA continued its work to recover protected species.

NOAA proposed changes to fishing rules to better protect North Atlantic right whales and other large whales from entanglement in lobster trap, pot and gillnet gear along the east coast of the U.S. The proposed rule changes would add to existing measures to reduce large whale entanglements. NOAA also worked with Cornell University and the Gulf of Maine Oceanographic Observation Program to support and help coordinate the installation of passive listening devices in right whale habitats. The outcome has been very good with numerous right whale detections being made and correlated with co-occurrence of prey.

NOAA developed a Stock Assessment Improvement Plan for Marine Mammals in FY 2002 which includes an appraisal of information needs to assess the status of marine mammals and to support the management decisions related to marine mammal conservation. NOAA also completed draft recovery plans for loggerhead and Kemp's ridley turtles.

In early FY 2002, NOAA published a policy on human recreational interactions with wild marine mammals. The policy is intended to be an immediate step to address the numerous inquiries NOAA Fisheries receives from constituents about inappropriate, impermissible, and potentially harmful interactions between the public and marine mammals in their natural habitats.

NOAA's Northwest Fisheries Science Center has developed a "biggest bang for the buck" approach that melds economics and biology in one cost-effectiveness ratio for Pacific salmon management actions. Pilot research has established this to be both feasible and defensible. NOAA fisheries scientists are now applying this approach to particular recovery arenas. Specifically, scientists are estimating the increase in growth of EPA-listed salmon populations per million dollars of direct costs associated with well-defined management actions.

Measure 3a: Reduce by 10 (from a FY 2000 Baseline of 27) by FY 2007, the Number of Threatened Species at risk of extinction				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	2	2
Actual			2	Available in the FY 2003 report
Met/Not Met			Met	

Explanation of Measure

The measure addresses ten of the twenty-seven threatened species that have been identified as the threatened species most in danger of becoming endangered with extinction. The authority to list species at "threatened" or "endangered" is shared by the National Marine Fisheries Service, which is responsible for listing most marine species, and the Fish and Wildlife Service of the Department of the Interior, which administers the listing of all other plants and animals. There are two classifications under which a species may be listed:

- Species determined to be in imminent danger of extinction throughout all of a significant portion of their range are listed as "endangered"
- Species determined likely to become endangered in the foreseeable future are listed as "threatened."

The threatened species include the Atlantic salmon, Johnson's seagrass, the loggerhead turtle, the green turtle, the olive ridley turtle, Stellar sea lions, and four species of Pacific salmonids.

Strategies to accomplish this performance measure include enforcing existing conservation measures; conducting priority research as identified in species recovery plans; developing partnerships with states and others to implement conservation programs; and building the tools and technology to improve the effectiveness of conservation actions.

FY 2002 Performance

The FY 2002 fisheries data will not be available until the FY 2003 Annual Program Performance Report is published. At this time, it is not possible to assess this performance measure and determine whether the target has been met. However, NOAA undertook several activities relevant to this performance measure.

In FY 2002, NOAA implemented an emergency rule to protect Stellar sea lions, which includes harvest limits and associated management measures for the groundfish fisheries in federal waters off the coast of Alaska. The rule initiates the permanent implementation of the Fisheries Management Council’s recommendation on measures to mitigate impacts of the Pollock, Pacific cod, and Atka mackerel fisheries on Stellar sea lions and their critical habitat.

NOAA Fisheries implemented measures to reduce incidental capture of sea turtles in pound net fisheries of the mid-Atlantic. Strandings of sea turtles have been documented in high numbers and have been primarily linked to the pound net fishery in certain areas and under certain gear configurations.

NOAA Fisheries also implemented modifications to the Turtle Excluder Device (TEDs) regulations to ensure exclusion (escapement) of large loggerheads, green turtles, and leatherbacks in affected fisheries. In addition, NOAA Fisheries increased enforcement through stepped-up state and federal patrols for TEDs enforcement along the Atlantic seaboard.

NOAA Fisheries also completed the estimation of survival of juvenile salmon passing through the Snake and Columbia River dams and reservoirs. Accurate and up-to-date survival information is essential for recovering listed populations of Columbia River Basin salmon and to ensure sustainability of non-listed stocks.

Measure 3b: Increase the Number of Commercial Fisheries that Have Insignificant Marine Mammal Mortality

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	2	6
Actual			2	Available in the FY 2003 report
Met/Not Met			Met	

Explanation of Measure

This measure tracks the number of commercial fisheries where marine mammal deaths are substantial and where deaths will be reduced to insignificant levels by 2007. By definition, insignificant levels mean that total mortality or rate of death is no more than 10 percent of the maximum number of marine mammals that could die from human-caused mortality. For this measure, fifteen out of thirty-two fisheries have been targeted.

One of the most significant impacts on marine mammal stocks is death from entanglement and drowning in fishing gear. Certain marine mammal species are particularly vulnerable to interactions with fisheries because of location and type of fishing gear used. The fifteen fisheries and marine mammal stocks targeted in this measure are the following: For the Western North Atlantic stock of coastal bottlenose dolphins, the fisheries are the Mid Atlantic coastal gillnet, North Carolina inshore gillnet, Southeast Atlantic gillnet, Southeast Atlantic shark gillnet, Atlantic blue crab trap or pot, Mid Atlantic haul or beach seine, North Carolina long haul seine, North Carolina roe mullet stop net, and Virginia pound net. For the Gulf of Main/Bay of Fundy stock of harbor porpoise, the fishery is the Northeast sink gillnet. For the Atlantic large whale, the fisheries are the Northeast and Mid Atlantic American lobster trap or pot, Northeast sink gillnet, Mid Atlantic coastal gillnet, and Southeast Atlantic shark gillnet. Finally, for the Pacific new fishing technologies to reduce gear impacts need to be developed, and strategies to reduce offshore cetaceans, it is the California and Oregon fishery for thresher shark and swordfish. interactions between fishing gear and marine mammals need to be devised. NOAA also needs to educate fishermen about how they can avoid marine mammals while still being able to catch fish.

A successful program to reduce mortality of marine mammal stocks will require research on marine mammal behavior, assessment of marine mammal populations, reduction of interactions in problem fisheries, and monitoring and analysis via the observer program.

FY 2002 Performance

The FY 2002 fisheries data will not be available until the FY 2003 Annual Program Performance Report is published. At this time, it is not possible to assess this performance measure and determine whether the target has been met.

In FY 2002, NOAA Fisheries implemented multiple management components to increase protection for right whales. This is consistent with the provisions of reasonable and prudent alternatives in biological opinions on the lobster, multispecies, monkfish, and dogfish fishery management plans. The components include management provisions and expanded gear modifications for lobster and gillnet fisheries.

In FY 2002, NOAA Fisheries reported on the incidental mortality of marine mammals in the California gillnet fisheries. The incidental mortality estimates of marine mammals in this fishery are used to monitor the magnitude of marine mammal/fishery interactions and to assist in fishery management.

In addition, NOAA partnered with the states of Maine, Massachusetts, and Rhode Island and representatives of the commercial fishing industry and organized a workshop on gear modifications to reduce the risk of entanglement to marine mammals.

Measure 3c: Reduce by 11 (from a FY 2000 Baseline of 29) by FY 2007, the Number of Endangered Species at Risk of Extinction				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	3	6
Actual			3	Available in the FY 2003 report
Met/Not Met			Met	

Explanation of Measure

The term “endangered species” is defined in the Endangered Species Act as any species that is in danger of extinction. Of the list of twenty-nine endangered species, eleven have been identified as the most critically in danger of extinction. These eleven species include the Pacific leatherback turtle, kemp’s ridley turtle, hawksbill turtle, Hawaiian monk seal, Western Stellar sea lion, shortnose sturgeon, and five species of Pacific salmonids. Efforts to prevent extinction will focus on identifying the factors that contribute to extinction and developing and implementing recovery plans to address these factors. Reducing the probability of extinction requires a reduction in human activities that are detrimental to the survival of protected species, that is, reducing incidental and direct catch (takes), increasing species habitat, decreasing negative interactions, and mitigating natural phenomena.

FY 2002 Performance

The FY 2002 fisheries data will not be available until the FY 2003 Annual Program Performance Report is published. At this time, it is not possible to assess this performance measure and determine whether the target has been met.

In FY 2002, NOAA conducted surveys off the coastal waters of Puerto Rico and the U.S. Virgin Islands combining passive acoustic technology and visual sighting methods to effectively document the distribution and habitat use of humpback whales during winter breeding season. Significant numbers of endangered humpback whales migrate to the West Indies each year to breed, and many occupy the coastal waters of Puerto Rico and the U.S. Virgin Islands.

NOAA also conducted three comprehensive aerial surveys to determine nesting activity of leatherback turtles along the Pacific coast of Mexico and Central America. These collaborative surveys with Mexico fulfill U.S. commitments under the Mexico-U.S. Pacifico Agreement to census and protect nesting leatherback turtle populations.

NOAA completed a draft recovery plan for the endangered Gulf of Maine Distinct Population Segment Atlantic salmon. In FY 2001, NOAA Fisheries and the Department of Interior Fish and Wildlife Service listed this species as endangered. The final recovery plan should be completed by May 2003.

In FY 2002, research was conducted on the genetic effects of interactions between hatchery and native salmon species (wild). A key conservation goal is to mitigate any adverse genetic effects that hatchery fish may have on wild populations of salmon, but this is possible only if genetic effects can be quantified. Biologists understand that a big step in that direction is to acquire a sound estimate of the relative mating success and survival of hatchery-produced and natural-produced salmon.

Program Evaluation

Evaluation efforts include peer reviews of proposals, internal and external reviews of programs, and quarterly reviews of NOAA's overall performance in protected species recovery. Constituent input is an important part of the evaluation process and is solicited regularly through constituent workshops.

Performance Goal 4: Advance Short-term Warnings and Forecasts

Corresponding Strategic Goal

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

Rationale for Performance Goal

The environment has profound effects on human welfare and economic well-being. Each year hundreds of lives and billions of dollars are lost due to severe storms, floods, and other natural hazards. The National Oceanic and Atmospheric Administration’s (NOAA’s) current ability to predict short-term change is restricted by observations that are incomplete. This limits the ability to improve basic understanding and predictive modeling of weather and other natural phenomena. Although we can do nothing to prevent natural disturbances, we must do everything possible to minimize impact on humans. NOAA must improve its observing systems, develop a better understanding of natural processes, and enhance numerical weather prediction models and dissemination systems.

FY 2002 Performance

Overall, nine out of twelve performance targets were met for this goal in FY 2002. NOAA met its performance targets for tornado, winter storm and flash flood warning lead time and accuracy; hurricane track forecasts, and heavy precipitation forecasts. The targets for aviation ceiling and visibility forecasts and tornado warning false alarm rate were not met.

Measure 4a: Lead Time (minutes), Accuracy (%), and False Alarm Rate (FAR, %) for Severe Weather Warnings for Tornadoes					
		FY 1999	FY 2000	FY 2001	FY 2002
Lead time (min)	Target	11	12	13	11
	Actual	12	10	10	12
	Met / Not Met	Met	Not Met	Not Met	Met
Accuracy (%)	Target	70%	70%	68%	69%
	Actual	70%	63%	67%	77%
	Met / Not Met	Met	Not Met	Not Met	Met
FAR (%)	Target	72%	65%	73%	71%
	Actual	73%	76%	73%	76%
	Met / Not Met	Not Met	Not Met	Met	Not Met

Explanation of Measure

The lead time for a tornado warning is the difference between the time the warning was issued and the time the tornado affected the area for which the warning was issued. The lead times for all tornado occurrences throughout the year are averaged to get this statistic. The accuracy of the warnings is the percentage of times a tornado actually occurred in an area that was covered by a warning. The false alarm rate is the percentage of times a tornado warning was issued but no tornado occurrence was verified. The false alarm rate was added as a reportable measure in FY 2000, although it had been collected and used internally previously. NOAA will continue data collection and verification, and false alarm rates will be reported in future years.

FY 2002 Performance

NOAA Weather Service exceeded the performance targets for both tornado warning lead time and accuracy. The target for FAR was missed by two percent that is statistically insignificant when considering the overall trend line for the measure. Improved performance in FY 2002 can be attributed to, in part, improved training for NOAA field forecasters through use of a weather event simulator, implementation of best practice procedures during storm events, and providing improved resolution of precipitation data to forecasters by retrofitting NEXRAD processors.

Measure 4b: Lead Time (minutes) and Accuracy (%) for Severe Weather Warnings for Flash Floods

		FY 1999	FY 2000	FY 2001	FY 2002
Lead time (min)	Target	54	55	45	45
	Actual	44	43	46	52
	Met / Not Met	Not Met	Not Met	Met	Met
Accuracy (%)	Target	85%	86%	86%	86%
	Actual	85%	86%	86%	89%
	Met / Not Met	Met	Met	Met	Met

Explanation of Measure

The lead time for a flash flood warning is the difference between the time the warning was issued and the time the flash flood affected the area for which the warning was issued. The lead times for all flash flood occurrences throughout the year are averaged to get this statistic. The accuracy of the warnings is measured by the percentage of times a flash flood actually occurred in an area that was covered by a warning. NOAA's actions include data collection and verification, and new performance measures will be reported in future years. NWS expects steady improvement in both flash flood lead time and accuracy leading into FY 2003. The steady improvement is linked to the planned implementation of new flash flood decision assistance tools in FY 2002 and NEXRAD retrofits in FY 2003. The NEXRAD retrofits will allow NWS forecasters to run new algorithms for improved rainfall estimates.

FY 2002 Performance

NOAA met both goals for flash flood warning lead time. Improved performance in FY 2002 can be attributed, in part, to implementation of new software (FFMP 2.0) that provides improved decision-making tools for forecasters during flash flood events. In addition, NOAA Weather Service has improved training for field forecasters through use of a weather event simulator and by providing them with improved resolution of precipitation data by retrofitting NEXRAD processors (i.e., ORPG).

Measure 4c: Accuracy of Hurricane Track Forecasts (48 Hours)

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	New	142
Actual				124
Met/Not Met				Met

Explanation of Measure

Track forecasts have a significant impact on the U.S. economy. The average cost to evacuate the Atlantic coastline of the U.S. is approximately \$1 million dollars per mile. By improving track forecasts NOAA can both save lives and avoid unnecessary economic losses. This goal measures the difference between the projected location and the actual location in nautical miles for a 48-hour forecast. This measure has been reintroduced in the FY 2003 Annual Performance Plan (in FY 1998, NOAA stopped using the 48-hour forecast), replacing hurricane landfall warning lead time. Although landfall warnings are critical, only one to two storms make landfall in the U.S. each year. No storms made landfall during 2000 and 2001. Based on feedback from our key users, including emergency managers, NOAA Weather Service has concluded the track forecast measure provides a better gauge for the performance of our hurricane forecasting operations. Although NOAA Weather Service maintains statistics on 24-, 48-, and 72-hour hurricane track forecasts, the 48-hour measure is the most important time frame for emergency managers and other government officials to make planning decisions related to hurricanes, including coastal evacuations. The FY 2002 target was consistent with the trend for the last thirty years. The track accuracy will show steady improvements in the outyears with continued investment in hurricane models and forecasting techniques, including use of ensemble forecasts and completion of ongoing research within the U.S. Weather Research Program (USWRP).

FY 2002 Performance

NOAA met its target for FY 2002. NOAA’s performance was better than expected during an El Niño year. Forecasts for late season storms such as Isador, Lila, and Kyle were better than average, improving the overall score for the year. The systems formed in the lower latitudes and lasted for a longer period of time, helping forecasters predict the track of the storm.

Measure 4d: Accuracy (%) of 3-day Forecast of Precipitation

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	20%	22%	17%
Actual		16%	19%	26%
Met/Not Met		Not Met	Not Met	Met

Explanation of Measure

The measure reflects the ability to accurately forecast a precipitation event three days in advance. NOAA’s actions include data collection and verification.

The Hydrometeorological Prediction Center (HPC) of the NOAA National Weather Service began providing quantitative precipitation forecasts (QPFs) in 1961. These forecasts indicate how much precipitation is expected, not just whether it will rain or snow. HPC has focused on relatively heavy amounts of precipitation, usually a half inch or more in a 24-hour period, because of the major safety and economic impacts such heavy precipitation can have in producing flooding, alleviating drought, and affecting river navigation. The HPC began making QPFs through two days into the future in 1965 and through three days in 2000.

The HPC has tracked the accuracy of these forecasts very carefully over the years using a metric that is very challenging. This accuracy metric ranges from zero percent, indicating no skill, to 100percent for a perfect forecast. In verifying the accuracy of a one-inch precipitation forecast for day 1, for example, the HPC first determines everywhere in the U.S. where an inch or more actually fell and was observed by rain gauges. On a given day this occurs only over a very small percentage of the country, although wherever it falls is a significant event for the people and nature existing in that particular area. The HPC then compares these observed one-inch areas with the one-inch areas it had forecasted counting only those points in the U.S. where HPC forecasted and observed at least an inch as being an accurate forecast (these points are called “hits”). Thus, if HPC forecasts one inch to fall at the point representing Washington, DC, and it observed only three quarters of an inch actually had fallen in that specific area, the forecast is then rated as a “miss”, even if an inch of rain was observed to have fallen at the points nearby representing the area of Fairfax City, Virginia, or the area of Upper Marlboro, Maryland. The overall accuracy score for the country for that particular day 1 forecast is then determined by dividing the total number of correctly forecast points (hits) by the total number of points where HPC had either forecast it would rain an inch or it had actually rained an inch. In summary, to earn a high accuracy score, HPC has to forecast the time, place, and amount of precipitation very well.

Two important points should be noted. First, although the accuracy scores are low with respect to perfection, the accuracy is clearly sufficiently high to be of major utility to U.S. decision-makers. Second, the scores are continuing to improve in accuracy. The metrics from the last forty years indicate the day 2 forecasts of one inch of precipitation in 2001 had the skill of day 1 forecasts in 1984, and our day 3 forecasts in 2001 were as accurate as our day 2 forecasts in 1989.

FY 2002 Performance

The skill in FY 2002 was significantly higher than anticipated. The higher scores can be attributed to the following factors: 1) higher resolution regional weather models run on the new weather and climate supercomputer, 2) a focused training effort for forecasters, 3) new collaborative forecasts approach between HPC and the River Forecast Centers, and 4) a higher number of intense rainfall events in the later half of the year that were easier to forecast. NOAA Weather Service plans to revise out-year performance targets for this goal, given the improved skill scores in FY 2002.

Measure 4e: Lead Time (Hours) and Accuracy (%) of Winter Storm Warnings					
		FY 1999	FY 2000	FY 2001	FY 2002
Lead time (hrs)	Target	New	12	13	13
	Actual	11	9	13	13
	Met / Not Met		Not Met	Met	Met
Accuracy (%)	Target	New	85%	86%	86%
	Actual	85%	85%	90%	89%
	Met / Not Met		Met	Met	Met

Explanation of Measure

A winter storm warning is issued when four or more inches of snow or sleet are expected in the next twelve hours, or six or more inches in twenty-four hours, or one-quarter of an inch or more of ice accretion. This performance indicator measures the accuracy and advance warning lead time of these conditions. Improving the accuracy and advance warnings of winter storms enables the public to take the necessary steps to prepare for disruptive weather conditions. With the introduction of high-resolution regional forecast models and the introduction of new operational forecast techniques in FY 2002 and FY 2003, NWS lead times will improve to fifteen minutes and 90 percent accuracy by FY 2005.

FY 2002 Performance

NOAA met both performance measure targets for Winter Storm Warnings. In FY 2002, NOAA Weather Service began using higher resolution (i.e., 12 km) regional weather forecast models and shorter-range ensemble forecasts to improve skill. In addition, NOAA Weather Service conducted intense field training sessions to leverage best practices processes and improve multi-office coordination during storm events.

Measure 4f: Accuracy (%) and FAR (%) of Forecasts of Ceiling and Visibility (Aviation Forecasts)					
		FY 1999	FY 2000	FY 2001	FY 2002
Accuracy (%)	Target	New	20%	21%	18%
	Actual	19%	15%	18%	13%
	Met / Not Met		Not Met	Not Met	Not Met
FAR (%)	Target	New	50%	51%	52%
	Actual	52%	53%	51%	58%
	Met / Not Met		Not Met	Met	Not Met

Explanation of Measure

In accordance with the NOAA Weather Service strategic plan, this measure was added in FY 2000 to reflect a segment of customers that had not been represented in other performance measures. Visibility and cloud ceiling forecasts are critical for the safety of aircraft operations.

FY 2002 Performance

NOAA Weather Service missed the target for accuracy and false alarm rate. The missed targets were primarily related to unforeseen season weather patterns. The winter of FY 2001/2002 was the second warmest winter on record, reducing the overall number of poor visibility events by thirty percent to thirty-five percent below the annual average. Fewer events tend to lower skill scores in a given year. NOAA Weather Service plans to replace this performance target in the FY 2004 Annual Performance Plan with aviation forecasts for instrument flight rules. This new goal is more relevant to key users, provides better skill targets, and occurs more often, reducing the impact of seasonal weather variation.

Measure 4g: Accuracy (%) of Forecast for Winds and Waves (Marine Forecasts)

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	49%	51%	53%
Actual	50%	51%	52%	53%
Met/Not Met		Met	Met	Met

Explanation of Measure

In accordance with the NOAA Weather Service strategic plan, this measure was added in FY 2000 to reflect another segment of customers that had not been represented in other performance measures. This performance indicator measures the accuracy of wind and wave forecasts, which are important for marine commerce. NOAA actions to be taken include data collection and verification, which will be added to forecasts for the Great Lakes.

FY 2002 Performance

NWS met the target for FY 2002. Forecasting skill improved slightly due to implementation of a new wave forecasting model and focused training for NWS forecasters.

Program Evaluation

NOAA’s vision for FY 2005 is to provide significantly-improved short-term warning and forecast products and services that enhance public safety and the economic productivity of the U.S. While it is difficult to see the improvements on an annual basis because of the scientific nature and seasonal variations of weather events, historical trends have shown that NOAA continues to improve the accuracy and advance warning lead time of severe weather hazards.

Program evaluations at NWS Field Offices are conducted annually. Quality control procedures are followed to ensure the highest reliability of gathered data and weather products. The National Academy of Sciences is also involved in program analysis and evaluation processes on a national level.

Performance Goal 5: Implement Seasonal to Interannual Climate Forecasts

Corresponding Strategic Goal

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

Rationale for Performance Goal

The National Oceanic and Atmospheric Administration (NOAA) works with academic and international partners to provide one-year lead time forecasts of global climate variability, especially that result from El Niño/Southern Oscillation (ENSO), and consequent precipitation and surface temperature distributions. These forecasts increase society’s ability to mitigate economic losses and social disruption resulting from such events.

FY 2002 Performance

Based on preliminary data, the target was met on three of the four performance measures for this goal.

For the measure on correlation accuracy, the FY 2002 correlation was again computed using the past fifteen years of monthly values of forecast. Anomalous sea surface temperature (SST) was also observed in a particular area in the Eastern Tropical Pacific Ocean region. An anomalous SST or SST anomaly is the amount by which the SST differs from the long-term average (also called the climatological average).

Regarding the temperature skill score, NOAA missed the goal for the year. The El Niño pattern experienced in FY 2002 was less severe than anticipated, impacting the overall accuracy of climate forecasts for the year.

For the new climate observation measure, U.S. deployments of the Argo profiling float system increased substantially during FY 2002 and continued above target. This system is the largest new climate observing system currently being deployed with NOAA support.

Measure 5a: Determine the Accuracy of the Correlation between Forecasts of the Southern Oscillation Index (SOI) and El Niño / La Niña Events				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	0.85	0.85	0.85	0.85
Actual	0.85	0.84	0.85	0.85
Met/Not Met	Met	Not Met	Met	Met

Explanation of Measure

The atmosphere is tightly linked to ocean temperatures and circulation patterns. The pattern of warming of the tropical Pacific over periods of three to seven years known as ENSO has a tremendous impact on U.S. and global climate. This measure specifically assesses the correlation between forecasts of Pacific sea surface temperatures (based on models) and actual sea surface temperature (based on satellite and on site observations).

NOAA's ENSO forecasts have become much more reliable in recent years. The 1997–98 El Niño (the warm phase of the ENSO cycle) was the best monitored and most successfully predicted El Niño on record. Typical impacts on the U.S. and the Atlantic basin include the following:

- Hurricanes: Below normal number of tropical storms/hurricanes in the Atlantic, although this does not imply any limits on the strength or location of any given tropical system.
- Monsoons: A drier-than-normal North American monsoon, especially for Mexico, Arizona and New Mexico.
- Drought: A drier-than-normal fall and winter in the U.S. Pacific Northwest.
- Wintertime Storms: A wetter-than-normal winter in the Gulf Coast states from Louisiana to Florida, and in central and southern California if El Niño is strong.
- Warmer Temperatures: A warmer than normal late fall and winter in the northern Great Plains and upper Midwest.

NOAA provided advanced forecast of El Niño effects, leading to great savings in a variety of economic sectors. Weather and climate sensitive industries that are directly impacted by weather (such as agriculture, construction, energy distribution, and outdoor recreation) account for nearly 10 percent of GDP. Furthermore, weather and climate indirectly impact an even larger portion of the nation's economy, extending to parts of finance and insurance, services, retail and wholesale trade, as well as manufacturing. El Niño impacts important business variables like sales, revenues, and employment in a wide range of climate-sensitive industries and sectors. Overall, total U.S. economic impacts of the 1997-1998 El Niño were estimated to be on the order of \$25 billion.

ENSO forecasts require a variety of data, such as ocean observations, remote satellite-based observations, and terrestrial measurements. This program is the only federal effort aimed at providing forecasts of climate events and their consequent impact. NOAA will undertake efforts to determine the limits of predictability of atmospheric changes induced by tropical Pacific sea surface temperature changes; to diagnose and model the global response to warm, cold, and neutral states of the ENSO cycle; and to examine the changes in probabilities of extreme events induced by ENSO.

FY 2002 Performance

The FY 2002 correlation was computed using the past fifteen years of monthly values of forecast. Anomalous sea surface temperature (SST) was also observed in a particular area in the Eastern Tropical Pacific Ocean region. As stated previously, an anomalous SST or SST anomaly is the amount by which the SST differs from the long-term average (also called the climatological average). For example, if an observed SST is thirty degrees Celsius and the climatological average for that location and for that time of year is twenty-eight degrees Celsius, then the anomalous SST is two degrees Celsius. The area with this observed anomaly extends from about 550 kilometers south of the Equator to 550 kilometers north, starting from about 1100 km east of the dateline and extends eastward 5500 km. Researchers will refer to this area in shorthand as the Nino3.4 area.

The global atmospheric circulation is particularly sensitive to the surface temperatures of the tropical oceans. Persistent temperature anomalies in the tropics can lead to a shift in the global climate. On seasonal to interannual time-scales the El Niño -Southern Oscillation (ENSO) phenomenon is by far the strongest example. One way that El Niño manifests itself is by strong SST anomalies in the eastern tropical Pacific. In the ENSO forecasts, it is of particular concern that these anomalies are accurately observed. So to measure the accuracy of the forecast, the forecast temperature anomalies are compared with subsequently observed temperature anomalies averaged over the Nino3.4 area. This performance measure is the correlation between these two series of numbers. For FY2002 the series extend from September 1987 through August 2002. The computed correlation is 0.85.

This sea surface temperature correlation is a measure of how accurately we can predict the warmth in a key part of the tropical Pacific, a central feature of the ENSO cycle. A correlation of 1.0 would be a perfect forecast, which is unattainable. In years when there is a strong El Niño, NOAA will typically do better than when such a warm event is absent.

Measure 5b: U.S. Temperature – Skill Score				
	FY 1999	FY 2000	FY 2001	FY 2002
Target	20	20	20	20
Actual	23	25	20	18
Met/Not Met	Met	Met	Met	Not Met

Explanation of Measure

The Heidke Skill Score is one of several accepted standards of forecasting in the scientific community. It is calculated as follows:

$$\text{Heidke skill score: } S = ((c-e)/(t-e)) \times 100$$

where c = number of stations correct

and e = number of stations correct by chance = (1/3) x total number of stations in a 3 equal class system

and t = number of stations, total

S is approximately equal to one-half of the correlation between forecast and observations.

The end of the year actual represents a running average of mean score for the previous forty-eight months. Accurate measures of temperature are critical to many sectors of the U.S. economy, including agriculture and energy utilities. This measure compares actual observed temperatures with forecasted temperatures from areas around the country. For those areas of the U.S. where a temperature forecast (warmer than normal, cooler than normal, normal) is made, this score measures how much better the prediction is than the random chance of being correct.

Therefore, the HSS is a function of both whether a forecast verifies and whether it was predicted, but does not reward when the forecast verifies by chance. Skill score is based on a scale of -50 to +100. If forecasters match a random prediction, the skill score is zero. Anything above zero shows positive skill in forecasting. Given the difficulty of making advance temperature and precipitation forecasts for specific locations, a skill score of 20 is considered quite good and means the forecast was correct in almost 50 percent of the locations forecasted. Forecasts will likely be better in El Niño years than in non-El Niño years. A physical interpretation of small departures in the average skill score around 20 is hard to quantify.

FY 2002 Performance

NOAA Weather Service missed the target for the year. Skill of seasonal prediction is influenced by the strength of predictors, El Niño being one. The El Niño pattern experienced in FY 2002 was weak-to-moderate, resulting in reduced overall accuracy of climate forecasts for the year. However, the preliminary actual is within the standard deviation of +/- 1 point for this measure. NWS is planning a major increase in climate computing capacity and associated model resolution in FY 2003. These computing enhancements may provide some improvement in skill scores.

Measure 5c: Number of New Monitoring or Forecast Products that Become Operational per Year (cumulative)

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	4	8
Actual			4	8
Met/Not Met			Met	Met

Explanation of Measure

This performance measure reflects the seasonal to interannual climate team’s commitment to public service by stressing products that are available for public usage rather than data sets. A major motivation for this change was the formation of the new NOAA Climate Observations and Services program. New products will be developed and tested through NOAA research and implemented operationally through the NWS’s Climate Prediction Center or NCDC, as appropriate. As NOAA implements these products, usage will be evaluated through data transfers and external constituent interactions.

FY 2002 Performance

Four new operational monitoring and forecast products became available to the public in FY 2002, namely:

- 1 A gridded, daily U.S. surface temperature analysis for monitoring monthly and seasonal outlooks.
- 2 Global monthly precipitation analyses extending back to 1948.
- 3 A prototype near real-time global precipitation analyses every half hour at 8 Km spatial resolution.
- 4 Heat Index forecasts expressed in probabilistic terms.

Research advances provide the potential for NOAA to significantly expand its range of climate products and services, particularly in areas of high customer demand for information and where climate variability significantly affects national interests. Examples include improved information on and forecasts of extreme climate events, such as droughts and floods, and development of new forecasts on time scales that are not currently included in NOAA’s operational product line but where customer demand and interest is large and growing.

Measure 5d: New Climate Observations Introduced

	FY 1999	FY 2000	FY 2001	FY 2002
Target	New	New	120	174
Actual			132	192
Met/Not Met			Met	Met

Explanation of Measure

NOAA is undertaking new efforts to better describe the atmosphere—ocean—land system to improve its climate monitoring and prediction capability. As a part of this effort, the Office of Oceanic and Atmospheric Research and NESDIS will expand their existing observation systems, that is, data buoys and new satellites.

The oceans provide the largest source of potential predictability for the climate system as well as the potential to produce large climatic surprises, and yet they are currently critically underobserved for certain variables and in many regions. This measure will continue NOAA’s long-term and sustained effort to improve ocean observational capabilities, and to increase the usefulness of observations for this critical part of the Earth’s climate system. NOAA will complete an annual report detailing how these new climate observations increased data density and coverage and how they will be used in climate analysis and prediction.

NOAA’s actions include, as resources permit, expanding its ocean observing systems, focusing on the highest priority variables for climate monitoring and prediction, and addressing critical oceanic data voids. NOAA will also place high priority on improving the assimilation and optimal use of ocean observations in climate models that are used for climate analyses and forecasts. NOAA will also estimate the reduction in analysis error that accompanies increases in data quality, density, and coverage.

FY 2002 Performance

U.S. deployments of the Argo profiling float system, the largest new climate observing system currently being deployed with NOAA support, increased substantially during FY 2002 and continued above target. As of October 2002, the U.S. contributed 33 percent of the global Argo array and was the largest international contributor. The profiling floats provide report measurements of the upper ocean temperature and salinity in real time. This is a critical measure for climate, as heat storage in the ocean will largely determine the rate of climate change. Current description of the global Argo array can be found online at <http://argo.jcommops>

Program Evaluation

A number of NOAA line offices participate in the seasonal- to-interannual goal. The Office of Oceanic and Atmospheric Research conducts periodic reviews of the activities of its Environmental Research Laboratories. NESDIS holds management performance reviews several times a year. NOAA Weather Service conducts reviews of the National Centers for Environmental Prediction. In addition, the National Science Foundation and the National Research Council also evaluate programs. NOAA holds annual constituent workshops where NOAA’s seasonal climate forecasts efforts are discussed with the community of seasonal-to-interannual climate forecast users and where NOAA solicits input to shape future efforts.

Performance Goal 6: Predict and Assess Decadal to Centennial Change

Corresponding Strategic Goal

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

Rationale for Performance Goal

National Oceanic and Atmospheric Administration (NOAA) scientists provide policymakers with the scientific information and expert assessments necessary to make decisions on long-term global and regional environmental issues. NOAA research, conducted in conjunction with its national and international partners, contributes significantly to the understanding of these issues. Experts in these fields periodically compile, summarize, and evaluate the current state of scientific knowledge and report their findings in assessment documents. NOAA's research, authors, and review of these documents are essential to ensure the highest quality science is available to support important decisions on long-term climate issues. Additionally the national effort in climate research increasingly focuses on reducing uncertainty in projections of climate change and on building the research, modeling, and observational systems to further this objective. Central to the issue of climate change are descriptions of the greenhouse gases that influence how radiation is absorbed by the planet. Knowledge of how carbon dioxide is stored and released and how this will change in the future is essential. Other greenhouse gases and aerosols with shorter atmospheric lifetimes may offer the chance to influence climate change over a shorter period, as well as provide benefits for other environmental issues.

FY 2002 Performance

NOAA performance measures in long-term climate focused on observing system development. Substantial advances took place in deployment of an observing system for tracking carbon storage in North America and in the ocean. For monitoring of the global carbon cycle, expanded carbon measurements allow more precise characterization of global trends in greenhouse gases. In addition, early deployments of the highly accurate Climate Reference Network are resulting in reduced uncertainty in U.S. average measures of temperature and precipitation.

For the FY 2003 APP / FY 2001 APPR, NOAA substantially changed their performance measures for this performance goal in an effort to better show the activities related to this performance goal. Therefore, targets and actuals for FY 1999–FY 2001 do not exist.

Measure 6a: Assess and Model Carbon Sources and Sinks Throughout the United States

FY 2002

Target	Establish five new pilot atmospheric profiling sites and four new oceanic carbon tracks.
Actual	Identified five pilot carbon profiling sites and four new oceanic carbon tracks.
Met/Not Met	Not Met

Explanation of Measure

Carbon dioxide is the most important of the greenhouse gases that are undergoing change due to human activity. On average, about one half of all the carbon dioxide emitted by human activity is taken up by the oceans and the terrestrial biosphere (trees, plants and soils). These reservoirs of carbon are known as carbon “sinks.” However, the variation in the uptake from year to year is very large and not understood. A large portion of the variability is believed to be related to the terrestrial biosphere in the Northern Hemisphere, and quite likely North America itself. NOAA needs to understand the source of this variability if it is to provide scientific guidance to policy-makers who are concerned with managing emissions and sequestration of carbon dioxide. This can only be done by making regional-scale measurements of the vertical profile of carbon dioxide across the U.S. which, combined with improved transport models, can be used to determine carbon dioxide sources and sinks on a regional (about 600 mile) scale. This will provide a powerful tool to gauge the effectiveness of carbon management and enhanced sequestration efforts.

Additional data on carbon dioxide will reduce the uncertainties in climate projections and depends on major advances in understanding and modeling radiative forcings (atmospheric concentrations and radiative roles of greenhouse gases and aerosols) and climate feedback mechanisms. In addition, these data will provide the advanced climate-modeling community with the capability to project future climate under a range of potential scenarios.

FY 2002 Performance

Atmospheric Profiling Sites: The five pilot carbon profiling sites have been tentatively identified and include preliminary aircraft measurements with existing equipment at a site in Wisconsin near the tall tower site that NOAA Climate Monitoring and Diagnostics Laboratory (CMDL) has been operating for several years. New coastal sites being planned include Vancouver Island, near the U.S.–Canadian border, and Trinidad Head, California, to cover inflow into North America from the Pacific; Corpus Christi, Texas, to cover inflow from the Gulf; and sites to be chosen in New Hampshire and North Carolina to cover outflow from the continent. The carbon profiles will be made in conjunction with on-going surface carbon measurements at a co-located lighthouse. For the remaining sites there will be some delay in equipment procurement because of bidding regulations and receipt of funds late in the FY 2002 fiscal year. Contracts for construction of the automatic aircraft sampling systems are still in the bidding process and it is likely that measurements will not begin until summer 2003.

Oceanic Carbon Tracks: The oceanic component of the Northern Hemisphere Carbon sink project will entail producing seasonal carbon flux maps in the North Atlantic and North Pacific. These maps will be produced by an integrated effort of surface observations, remote sensing, and modeling. To obtain appropriate coverage the ocean observations will be made from many ships of opportunity, such as merchant marine ships, cruise ships, and NOAA ships performing their routine missions. A consortium has been formed between the NOAA research laboratories, Atlantic Oceanographic and Meteorological Laboratory (AOML), Pacific Marine Environmental Laboratory (PMEL), and three academic institutions to install state-of-the-art sensors to measure surface water and marine air carbon dioxide on ships sailing from Newark, Delaware to Bermuda;

Norfolk, Virginia to Iceland; and Los Angeles, California to the Far East. Operational protocols have been instituted and plans for common instrumentation have been developed. Instrumentation to measure surface water carbon dioxide was installed on the cruise ship *Explorer of the Seas* in March 2002, providing the first weekly estimates of carbon dioxide fluxes in the Intra-American seas.

Measure 6b: Assess and Model Carbon Sources and Sinks Globally

FY 2002

Target	Establish three new global background sites as part of the global flask network ¹ .
Actual	Established three new global background sites as part of the global flask network ¹ .
Met/Not Met	Met

¹ The Global Flask Network is an observational network of monitoring stations with headquarters in Boulder, Colorado.

Explanation of Measure

The research community is moving toward monthly mean maps, but it is hampered by data that are not at the appropriate temporal resolution. In addition, carbon models are only partially coupled to computer models that account for a changing ocean, atmosphere, and land.

Preliminary work suggests that feedbacks between the land and ocean and the atmospheric carbon dioxide concentration can be strong and result in release of carbon to the atmosphere from the stored pools on land and in the ocean.

Activities planned to assess and model carbon sources and sinks in both the North American and global programs are similar but vary in scale with the North American network having a finer spatial scale. These activities consist of increasing the observing network by establishing new sampling sites, and completing and improving computer models to simulate atmospheric transport of carbon. Both cases will result in more accurate estimates of the atmospheric carbon balance.

The carbon atmospheric observing system over North America has been designed to develop regional (about 600 mile) scale estimates of carbon dioxide sources and sinks, especially within the U.S. It requires vertical profiling over terrestrial ecosystems using aircraft and tall towers.

The global atmospheric observing system is designed to determine carbon dioxide sources and sinks for global continental-scale regions and involves additional surface measurements at background (clean air) sites such as coastal regions. The current lack of data results in large variations in carbon source-sink estimates at this scale.

FY 2002 Performance

The Climate Monitoring and Diagnostics Laboratory (CMDL) has established a new sampling site at the Max Planck Institute of Biogeochemistry (Jena, Germany) Ochsenkopf site in Germany. This will allow inter-comparisons with the German group. Discussions are underway to establish a new flask sampling site at the Global Atmosphere Watch (GAW) station on Mt. Kenya in Africa. This would be the first of several sites on the African continent. Other land-based sites that are high on the list are: Lampedusa, Italy (Mediterranean island), Bukit Kototabang, Indonesia (GAW station), Arembepe, Brazil (GAW station) and Tiahuanacu, Bolivia. The logistics of getting samplers to local scientists and technicians in these locations and getting them back to Boulder for analysis is difficult and will require some time to reach a smooth operation. The possibility of obtaining vertical carbon dioxide profiles with aircraft supplied by the South Africans is also being investigated.

CMDL's cooperative atmospheric carbon measurements aboard ships of opportunity have been reinstated with sampling on two ships in the Pacific Ocean traveling between Los Angeles and Auckland, New Zealand. This entails taking air samples every five degrees of latitude and returning the samples to Boulder for analysis. An additional ship that travels between Auckland and Valparaiso, Chile is being investigated for future measurements.

Measure 6c: Determine the Actual Long-term Changes in Temperature and Precipitation Over the United States

FY 2002	
Target	Capture more than 60% of true contiguous U.S. temperature trend and Capture more than 25% of true contiguous U.S. precipitation trend.
Actual	Captured more than 85% of true contiguous U.S. temperature trend and Captured more than 55% of true contiguous U.S. precipitation trend.
Met/Not Met	Met

Explanation of Measure

This measure is designed to address the significant shortcomings in past and present observing systems by capturing more than 95 percent of the true contiguous U.S. national temperature trend and 80 percent of the true contiguous U.S. national precipitation trend by FY 2006.

Inadequacies in the present observing system increase the level of uncertainty when government and business decision-makers consider long-range strategic policies and plans. The U.S. Climate Reference Network, a benchmark climate-observing network, will provide the nation with long-term (fifty to 100 years) high quality climate observations and records with minimal time-dependent biases affecting the interpretation of decadal to centennial climate variability and change. The fully deployed network will ensure that NOAA can measure more than 90 percent of the variance in monthly trends of temperature and precipitation at the national level. NOAA will deploy instrument suites in a combination of single and nearby paired sites.

Deployment of the U.S. Climate Reference Network is continuing, with stations added over the next several years. However, due to funding limitations, the full implementation has been scaled back to ensure that funds are allocated to maintain the operational performance of the network and that the quality of the data are the highest possible, given the current state of technologies. While national trends will still be captured, as noted in the performance measure, the smaller sized network will not be able to achieve the level of monitoring and evaluation of climate variations and trends at the regional scale.

FY 2002 Performance

The performance for this measure achieved the intended target. A total of twenty-one stations were operational across the coterminous U.S. by the end of the fiscal year. These stations collectively account for approximately 85 percent of the variance in the U.S. temperature time series and 55 percent in the U.S. precipitation time series. This exceeds the original targets of 60 percent and 25 percent, respectively.

Program Evaluation

NOAA's programs are routinely evaluated by a variety of outside reviewers. The NOAA Science Advisory Board, made up of private sector, university, and other federal agency scientists, provides input on climate and air quality research. NOAA's Office of Global Programs, funded in OAR's Climate and Global Change research line item, receives review from international science agencies, universities, and private sector scientists, as well as the National Research Council and the National Science Foundation. The NOAA Research Laboratories are reviewed on a regular basis. The Sea Grant Colleges are visited at least every two years by a review panel.

Performance Goal 7: Promote Safe Navigation

Corresponding Strategic Goal

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

Rationale for Performance Goal

The National Oceanic and Atmospheric Administration (NOAA) serves commercial and recreational mariners by providing these customers with nautical charts, tides and currents data, and geographic positioning data for safe navigation. Geodetic services are vital to the mapping and surveying industry nationwide because they provide integrity to geographic coordinates obtained from Global Positioning Satellite (GPS) system signals for accurate positioning in support of numerous applications, including land surveying, navigation, mapping, and infrastructure development such as 911 emergency response and scientific applications. Shoreline data and real-time tides and currents information also serve the coastal resource management and oil spill and disaster response communities. NOAA continues to explore innovative ways to modernize its services in a cost-efficient manner to meet customer needs.

FY 2002 Performance

Several offices within NOAA contributed to the Promote Safe Navigation Goal in FY 2002. NOAA produced eighty new Electronic Navigational Charts (ENCs), and now maintains a suite of 215 ENCs. Built to international standards, NOAA ENCs are an accurate and detailed chart database that can be displayed on electronic charting systems aboard ships. NOAA also produced 293 new paper chart editions. In partnership with local sponsors, NOAA dedicated two new PORTS® (Physical Oceanographic Real-Time System) — Chesapeake Bay, and Anchorage, Alaska — bringing the total number of PORTS® to nine. PORTS® supports safe and cost-efficient navigation by providing ship masters and pilots with accurate real-time information required to avoid groundings and collisions. NOAA made significant upgrades to the National Water Level Observation Network (NWLON) stations in the Great Lakes in 2002. Real-time access to all the Great Lakes water level gauges and associated data is now available on the Internet at <http://glakesonline.nos.noaa.gov/> and by phone. In addition, two new water level gauges were added to the network in areas critical to safe navigation, bringing the total number of stations to fifty-one. NWLON supports the marine transportation system, coastal managers, the scientific community, and many other users by providing both a long-term record of water levels, relevant to climate change and sea level trends, and real-time observations, critical for safe navigation, and storm surge warnings. In recognition of the 2002 Winter Olympic Games in Salt Lake City, NOAA established a commemorative, high accuracy reference station on the campus of the University of Utah. The commemorative station will provide the means for the local surveying and mapping community to access the National Spatial Reference System, which provides accurate and timely positioning through a consistent national coordinate system. This effort was undertaken cooperatively with the Utah Council of Land Surveyor, the City of Salt Lake, Salt Lake County, and the University of Utah. Shoreline in nine critical port areas was mapped this year. NOAA has now mapped and/or evaluated the shoreline in over 60 percent of the U.S.'s critical port areas within the past five years. Additional performance information concerning hydrographic surveys and the National Spatial Reference System follows below.

Measure 7a: Reduce the Hydrographic Survey Backlog (Square Nautical Miles) for Critical Navigation Areas (Cumulative Percentage)

	FY 1999	FY 2000	FY 2001	FY 2002
Target	20.7%	24.3%	27.8%	35.0%
Actual	20.8%	24.3%	31.2%	34.3%
Met/Not Met	Met	Met	Met	Not Met

Explanation of Measure

NOAA conducts hydrographic surveys to determine the depths and configurations of the bottoms of water bodies, especially of those that pertain to navigation. This includes the detection, location, and identification of wrecks, primarily through the use of side scan and multibeam sonar technology and GPS. This information is critically important to NOAA navigation products, such as paper and electronic navigational charts, for safe and efficient navigation. In addition to the commercial shipping industry, other user communities that benefit include recreational boaters, the commercial fishing industry, port authorities, coastal zone managers, and disaster response planners. Ships traversing our coastal waters rely on charts based on sounding data that are more than fifty years old in many places. Responsible for charting the entire U.S. Exclusive Economic Zone, NOAA determined in 1994 that of this 3.4 million square nautical mile Zone, 500,000 square nautical miles of U.S. waters were navigationally significant and in need of survey. NOAA then prioritized 43,000 square nautical miles as being in critical need of survey. This area is known as the critical survey backlog. Many of these high-priority areas carry heavy commercial traffic, are less than thirty meters deep, and are changing constantly. NOAA’s surveying activities balance in-house resources with contracts, and use the latest full bottom coverage sounding technologies to eliminate the remaining critical area backlog of approximately 28,250 square nautical miles in the U.S.’s ports, harbors, and other coastal areas. NOAA’s hydrographic fleet supporting in-house surveying capabilities consists of the Whiting, the Rude, and the Rainier. These assets are supplemented by contracts with the private sector for hydrographic survey data collection-

FY 2002 Performance

FY 2002 performance on the critical survey backlog was impacted by NOAA’s Homeland Security response. Following September 11, 2001, NOAA and the U.S. Navy redirected survey assets from planned activities to collecting baseline data for port and harbor approaches. Although this data will be very useful for general navigation and nautical chart updates, some areas surveyed do not count as part of the critical survey backlog reduction. NOAA’s in-house and contract resources collected a total of 1,669 square nautical miles (snm) of survey data in FY 2002. 1,314 of this total falls into the critical backlog category (1,314 / 43,000 = 3.1%). The remainder of the area surveyed in FY 2002 (335 snm) was for Homeland Security or other special projects. Had the 335 snm been included in reducing survey backlog, NOAA would have met the FY 2002 target. This measure will be revised in future to capture all categories of hydrographic survey data collected during a fiscal year.

Measure 7b: Percentage of National Spatial Reference System (NSRS) completed (Cumulative %)

	FY 1999	FY 2000	FY 2001	FY 2002
Target	59%	64%	75%	78%
Actual	59%	71%	75%	81%
Met/Not Met	Met	Met	Met	Met

Explanation of Measure

This measure was added in FY 2000 to replace the Physical Oceanographic Real Time System measure, which was discontinued due to lack of funding increases in 1999 and 2000. The NSRS performance measure is effective because it integrates the different components of the geodesy program (spatial earth measurements) into a product more useful to customers rather than measuring individual components of horizontal and vertical positioning.

In order to meet the U.S.'s navigation and other positioning needs, NOAA is enhancing the NSRS to provide the higher accuracy and accessibility needed for use with the space-based Global Positioning Systems (GPS), whose satellites transmit signals that allow determination of position, height, velocity, and time. The NSRS, a system of reference stations and monuments across the U.S., provides integrity to geographic coordinates obtained from GPS satellite signals for accurate positioning in support of numerous applications, including land surveying, navigation, mapping, and infrastructure development such as 911 emergency response and scientific applications. New uses for GPS are being found every day, and many of them involve precision heights.

NSRS has evolved over time in response to technological changes, growth in geodetic networks, and changes in ownership/responsibility. The primary technological change was the introduction of the Global Positioning System (GPS) and subsequently, the use of GPS for measuring accurate heights.

To measure progress on NSRS, NOAA uses three elements:

- 1 **Horizontal** — Percentage of permanent survey control networks with latitude and longitude coordinates accurately determined and referenced to the North American Datum of 1983 (NAD 83)
 - a There are over a million permanent survey control stations nationwide. These stations are survey markers constructed of brass and steel and set in bedrock or concrete marks set in the ground. These station markers are very stable and permanent. Users must actually visit the site and make measurements to access NSRS. Approximately 1500 of these are a federal responsibility. In the mid-1990s, NGS developed techniques using GPS to determine very accurate horizontal coordinates (latitude and longitude). Through a GPS survey campaign, NGS measured accurate latitudes and longitudes of the 1500 stations. The horizontal element of the NSRS reached 100 percent completion in FY 1999.
- 2 **Vertical** — Percentage of permanent survey control networks with elevation coordinates accurately determined and referenced to the North American Vertical Datum of 1988 (NAVD 88) — This element has several sub elements representing different types of networks.
 - b At the time the Horizontal survey campaign began, GPS was not able to provide accurate height information. By 1998, NGS had developed techniques to get accurate height data from GPS and began emphasizing the importance of the vertical or height component. The emphasis since then has been to provide permanently marked reference marks with accurate heights connected to the North American Datum of 1988 (NAVD 88). The Vertical element is itself made up of several sub elements representing different types of survey control networks. The Vertical component is 48 percent complete.

3 Continuously Operating Reference Stations (CORS) — Percentage of the Coterminous United States within 200 km of a National CORS.

- C** CORS allows GPS users to access NSRS without visiting the control site. Data from the CORS site are made available to the public via the Internet. GPS users are able to use CORS data to correct their own measurements and derive accurate locations. Progress on CORS has been captured by the percentage of the coterminous United States within 200 km of at least one CORS and serves as the third element in computing the NSRS performance metric.

FY 2002 Performance

In FY 2002 NOAA added ninety-five new stations to the National CORS network. Ninety-five percent of the coterminous U.S. is now within 200 km of a National CORS station. Accurate heights were connected to the North American Vertical Datum of 1988 (NAVD 88) for thirty-seven NWLON sites, bringing this element of the system to 81 percent completion. This is one element of the Vertical component of the NSRS.

The percentage completion of NSRS is equal to the sum of the percentages complete of the horizontal, vertical, and CORS components divided by three or:

$$((\% \text{ of Horizontal}) + (\% \text{ of Vertical}) + (\% \text{ of CORS}))/3 = ((100\%) + (48\%) + (95\%))/3 = 81\%$$

Program Evaluation

NOAA's goal to promote safe navigation is evaluated at a variety of levels, from peer reviews of products, papers, and projects, to internal and external reviews of entire programs and quarterly reviews of NOAA's overall performance in navigation products and services. Constituent input is an important part of the evaluation process and is solicited regularly through constituent workshops.

From 1992 to 1996, a number of National Research Council Marine Board studies examined the nautical charting program and its transition into the digital era. NOAA incorporated study recommendations on areas such as reducing the survey backlog, implementing new digital production techniques, and delivering new electronic chart products to the program. The Hydrographic Services Improvements Act of 1998 provided Congress and NOAA an opportunity to evaluate NOAA's capabilities for acquisition and dissemination of hydrographic data, develop standards and formats for hydrographic services, and contract for the acquisition of hydrographic data. NOAA now contracts out over 50 percent of its annual critical area hydrographic survey requirements while maintaining federal competence and expertise with existing and developing surveying technologies. A 2001 KPMG Consulting cost analysis of survey platform options supported NOAA's concept of a time charter for continuous survey operations. Pending FY 2003 appropriations, NOAA plans to contract for a time charter to test its effectiveness in real-world applications.

In 1998, Congress authorized the Height Modernization study to evaluate the technical, financial, legal, and economic aspects of modernizing the national height system with GPS. The study demonstrated the significant benefits to the U.S. in terms of dollars and lives saved associated with GPS technology, and it led to current development of the vertical component of the NSRS. In 1999 NOAA completed an assessment of its tidal currents program to develop guidelines for future current surveys to update U.S. reference stations for the Tidal Current Tables. Finally, the September 1999 Report to Congress that assessed the U.S. Marine Transportation System (MTS) further articulated the need for coordinated federal leadership to achieve the MTS vision of becoming the world's most technologically advanced, safe, efficient, globally competitive, and environmentally responsible system for moving goods and people. NOAA's navigation safety support functions underwent substantial review to identify opportunities for greater integration among federal agencies.

NOAA Data Validation and Verification

NOAA's Office of Finance Administration/Budget Office coordinates an annual review of the performance data to ensure that it is complete and accurate. During this process, significant deviations from projected targets, if any, are discussed with the appropriate NOAA Line Office so that changes or corrections can be made to help meet NOAA's performance goals. The actual validation process is conducted by individual NOAA Line Offices. The verification aspects depend on individual Line Office. For oceans and fisheries-related measures, stock assessments and reviews (internal, and/or peer) are common. For weather related measures, the verification process is, among other things, through comparison of predicted weather to the actual event. For the climate-related measures, verification is through, among other things, quality control of data. Satellite data are compared with on site data to help validate data accuracy. The NOAA Data Validation and Verification table can be found starting on the following page.

NOAA Data Validation and Verification

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 1a: Reduce the number of overfished major stocks of fish from 56 to 45 by FY 2007	NOAA/National Marine Fisheries Service (NMFS) report to Congress: <i>Status of Fisheries of the United States.</i>	Annual	NMFS Office of Sustainable Fisheries.	Stock assessments and peer reviews (internal and outside the agency).	None	None
Measure 1b: Reduce the number of major stocks with an "unknown" stock status to no more than 98 by 2007	NOAA/National Marine Fisheries Service (NMFS) report to Congress: <i>Status of Fisheries of the United States.</i>	Annual	NOAA/NMFS Office of Sustainable Fisheries.	Stock assessments and peer reviews (internal and outside the agency).	None	None
Measure 1c: Increase the percentage of rebuilding plans in place for overfished major stocks to sustainable levels	NOAA/National Marine Fisheries Service (NMFS) report to Congress: <i>Status of Fisheries of the United States.</i>	Annual	NOAA/NMFS Office of Sustainable Fisheries.	Stock assessments and peer reviews (internal and outside the agency).	None	None
Measure 2a: Number of acres of coastal habitat benefited (cumulative)	Primary source is NMFS's Office of Habitat Conservation; NOS provides additional input.	Annual	NMFS's Habitat Office will collect information, conduct assessments, and store data.	NMFS's Habitat Office will collect quality controlled data to ensure performance data criteria are being met.	None	None
Measure 2b: Reduce introductions and effects of invasive species in a total of six regions within the United States	OAR, U.S. Department of the Interior, and state agencies.	Annual	OAR will collect data, conduct assessments, and store data.	Original research data verified through peer review; OAR will obtain quality-controlled data from other sources to ensure criteria are being met for inclusion in performance calculations.	Reaching these targets depends on activities of other federal and state agencies with management responsibilities in this area.	None
Measure 2c: Percentage of U.S. shoreline and inland areas that have improved ability to reduce coastal hazard impacts.	NOS, other federal and state agencies.	Annual	NOS will collect information, conduct assessments, and store data.	All data used in coastal hazard risk assessments are quality controlled; risk assessment models are tested for accuracy and coverage (amount of shoreline covered). Shoreline in the states of NC, SC, AL, RI, OH, and parts of OR and HI were counted under earlier projects, and could potentially be double counted if a coastal risk atlas is generated for those states.	This measure tracks development and implementation of coastal hazard risk atlases as an indicator of improved ability to identify the extent and severity of coastal hazards. Reaching these targets will depend on the activities of other federal and state agencies with management responsibilities in this area.	None

NOAA Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
<p>Measure 3a: Reduce by 10 (from a FY 2000 baseline of 27) by FY 2007, the number of threatened species at risk of extinction</p> <p>Measure 3b: Increase the number of commercial fisheries that have insignificant marine mammal mortality</p> <p>Measure 3c: Reduce by 11 (from a FY 2000 baseline of 29) by FY 2007, the number of endangered species at risk of extinction</p>	NMFS	Annual	NMFS's Office of Protected Resources.	Audits and internal peer review within NOAA and external peer review by regional fishery councils, the National Science Foundation, the National Academy of Science, and other organizations.	None	None
<p>Measure 4a: Lead time (minutes), accuracy (%) and false alarm rate (FAR, %) for severe weather warnings for tornadoes</p>	National Weather Service (NWS) field offices.	Monthly	NWS headquarters and the Office of Climate, Water, and Weather Services (OCWWS).	Verification is the process of comparing the predicted weather to the actual event. The process begins with the collection of warnings from every NWS office across the nation. The severe weather event program includes extensive quality control procedures to ensure the highest reliability of each report. The data in each report are entered into a database that contains severe weather warnings where the warnings and events are matched and appropriate statistics are calculated and made available to all echelons of the NWS.	There are limitations of scientific verification in assessing data. The fundamental purpose of scientific verification is to objectively assess program performance through the use of standard statistical analysis. However, a number of factors unique to the atmospheric sciences must be considered to ensure proper interpretation of objectively derived statistics. The primary factor to consider is the natural variation of this performance measure related to annual fluctuations in meteorological conditions associated with severe weather.	Review the storm data from individual events to pinpoint the causes and take corrective actions.
<p>Measure 4b: Lead time (minutes) and accuracy (%) for severe weather warnings for flash floods</p>	National Weather Service (NWS) field offices.	Monthly	NWS headquarters and the Office of Climate, Water, and Weather Services (OCWWS).	Verification is the process of comparing the predicted weather to the actual event. The process begins with the collection of warnings from every NWS office across the nation. The severe weather event program includes extensive quality control procedures to ensure the highest reliability of each report. The data in each report are entered into a database that contains severe weather warnings where the warnings and events are matched and appropriate statistics are calculated and made available to all echelons of the NWS.	There are limitations of scientific verification in assessing data. The fundamental purpose of scientific verification is to objectively assess program performance through the use of standard statistical analysis. However, a number of factors unique to the atmospheric sciences must be considered to ensure proper interpretation of objectively derived statistics. The primary factor to consider is the natural variation of this performance measure related to annual fluctuations in meteorological conditions associated with severe weather.	NOAA will continue to collect data while reporting additional measures in the future.

NOAA Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
<p>Measure 4c: Accuracy of hurricane track forecasts (48 hours)</p>	NWS/Tropical Prediction Center (TPC).	Annual	TPC	Hurricane storm verification is performed for hurricanes, tropical storms, and tropical depressions regardless of whether these systems are over land or water. The TPC issues track and intensity forecast throughout the life of a hurricane. The actual track and intensity are verified through surface and aircraft measurements. NOAA calculates the average accuracy of the TPC track and intensity forecasts for the Atlantic basin at the end of each hurricane season.	Verification of actual track and intensity versus forecast is very accurate. However, actual annual scores vary up to 20% in some years due to the type and location of the hurricane events. Some types of systems can be more accurate forecasted than others. For example, hurricanes that begin in the northern sections of the hurricane formation zone tend to be much harder to accurately forecast. Outyear measures depend on a stable funding profile and take into account improved use of the Weather Service Radar (WSR-88D), new satellites, improved forecast models, new and continued research activities of the U.S. Weather Research Program (USWRP), and investments in critical observing systems.	NOAA will report on the tracking of forecasts at 24-, 48-, and 72-hour intervals.
<p>Measure 4d: Accuracy (%) of 3-day forecast of precipitation</p>	The Hydrometeorological Prediction Center.	Annual	World Weather Building.	The Hydrometeorological Prediction Center has produced the Quantitative Precipitation Forecast since the early 1960s and has kept verification statistics related to the Quantitative Precipitation Forecast program since that time. All data are examined for accuracy and quality control procedures are applied.	The NWS routinely prepares and distributes to internal and external customers predictions of heavy rainfall. The Hydrometeorological Prediction Center has the responsibility to prepare both graphical and text products depicting the areas threatened by heavy precipitation in the contiguous United States. There will be a significant amount of variability, and the improvements may not be achieved exactly as predicted. Out-year measures depend on a stable funding profile and take into account improved use of the WSR-88D, new satellites, improved forecast models, new and continued research activities of the USWRP investments in critical observing systems, and continued support of the Advanced Weather Interactive Processing System (AWIPS).	NOAA will implement planned weather model improvements along with ongoing research projects.
<p>Measure 4e: Lead time (hours) and accuracy (%) of winter storm warnings</p>	NWS field offices.	Daily	NWS headquarters and OCWWS.	Verification is the process of comparing the predicted weather with the actual event. The process begins with the collection of forecasts and observations from each NWS office across the nation. The quality-controlled, collated data are transmitted to the National Centers for Environmental Prediction in Camp Springs, Maryland, where the data are stored as computer files. The data files are retrieved by the NWS headquarters' Office of Science and Technology. Following additional quality control the data are stored on an Office of Science and Technology workstation and used to generate semiannual statistics on forecast accuracy.	Documentation for heavy snowfall is printed annually. Due to the relatively few number of cases each year, the projections assume a three-year average (current plus two previous years, all equally weighted). Due to the large volume of data gathered and computed, a document for lead time and accuracy of winter storm warnings cannot be finalized until well into the following fiscal year. Outyear measures depend on a stable funding profile and take into account improved use of the WSR-88D, new satellites, improved forecast models, new and continued research activities of the USWRP investments in critical observing systems, and continued support of AWIPS.	Introduce high-resolution regional models.

NOAA Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 4i: Accuracy (%) and FAR (%) of forecast of ceiling and visibility (aviation forecasts)	NWS field offices.	Daily	NWS headquarters and OCWWS.	Verification is the process of comparing the predicted weather with the actual event. The process begins with the collection of forecasts and observations from each NWS office across the nation. The quality-controlled, related data are transmitted to the National Centers for Environmental Prediction in Camp Springs, Maryland, where the data are stored as computer files. The data files are retrieved by the NWS headquarters' Office of Science and Technology. Following additional quality control the data are stored on an Office of Science and Technology workstation and used to generate semi-annual statistics on forecast accuracy.	Due to the large volume of data gathered and computed, documentation for this measure cannot be finalized until well into the following fiscal year. Out-year measures depend on a stable funding profile and take work with the National Aeronautics and Space Administration and the Federal Aviation Administration to develop new software tools and forecast techniques.	NOAA will improve and expand its training program and work with the National Aeronautics and Space Administration and the Federal Aviation Administration to develop new software tools and forecast techniques.
Measure 4g: Accuracy (%) of forecast for winds and waves (marine forecasts)	NWS field offices.	Daily	The NWS and the National Centers for Environmental Prediction's Ocean Modeling Branch.	Verification is the process of comparing the predicted weather with the actual event. The process begins with the collection of forecasts and observations from each NWS office across the nation. The quality-controlled, related data are transmitted to the National Centers for Environmental Prediction, where they are stored as computer files. The data files are retrieved by the NWS and the National Centers for Environmental Prediction's Ocean Modeling Branch. Following additional quality control the data are used to generate quarterly statistics on forecast accuracy.	Due to the large volume of data gathered and computed, documentation for the accuracy of forecast for wind and waves cannot be finalized until well into the following fiscal year. Out-year measures depend on a stable funding profile and take into account improved use of the WSR-88D, new satellites, improved forecast models, new and continued research activities of the USWRP, investments in critical observing systems, and implementation of AWIPS.	NOAA will deploy enhanced versions of AWIPS (Build 5), implement new wave forecast models, and improve communication and dissemination techniques to marine users.
Measure 5a: Determine the accuracy of the correlation between forecasts of the southern oscillation index (SO) and El Niño/La Niña events	Forecasts of sea surface temperature in a portion of the Pacific Ocean and observations from buoys, ships, and satellites.	Annual	The National Weather Service's (NWS's) National Centers for Environmental Prediction.	NOAA quality controls the incoming data (for example, through error checking and interstation comparison) and compares the satellite data with on site data to help validate data accuracy.	This measure assesses the correlation between forecasts of sea surface temperature (based on models) and actual sea surface temperature (based on satellite and on site observations). Improvements in forecasting ability depend upon improved observations, models, and research. Forecasts will likely be more accurate in El Niño years than in non-El Niño years.	None
Measure 5b: U.S. temperature skill score	Forecast data, observations from U.S. Weather Forecast Offices, and from a cooperative network maintained by volunteers across the nation.	Annual	NWS's National Centers for Environmental Prediction.	NOAA performs quality assurance analysis of the data (for example, error checking, elimination of duplicates, and interstation comparison) both at the national and U.S. Weather Forecast Office level.	Given the difficulty of making advance temperature and precipitation forecasts for specific locations, a skill score of 20 is considered quite good and means the forecast was correct in almost 50% of the locations forecasted. Forecasts will likely be better in El Niño years than in non-El Niño years.	None
Measure 5c: Number of new monitoring or forecast products that become operational per year (cumulative)	NWS's Climate Prediction Center and National Environmental Satellite, Data, and Information Service's (NESD/IS's) National Climatic Data Center (NCDC).	Annual	NCDC	Products are reported to NOAA management at quarterly reviews.	The new products are a response to increasing customer demands for expanded NOAA climate information and services. New products will be subsequently monitored for use and, in the case of forecast products, current skill and projected improvements.	None

NOAA Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 5d: New climate observations introduced	Observations from data buoys, ships, and satellites.	Annual	Oceanic and Atmospheric Research Laboratories, NES-DIS, and NCDC.	NOAA performs quality assurance analysis and data processing.	Percentages of observing platforms operational at a given time and analyses of data quality and errors; observations received in time to be incorporated in operational climate analyses and forecasts.	None
Measure 6a: Assess and model carbon sources and sinks throughout the United States	Observations from atmospheric profiling sites in North America and ship-board ocean-board sampling.	Annual	Climate Monitoring and Diagnostics Laboratory.	Quality assurance and calibration against known standards performed by NOAA.	Number of profiling/ocean sites and our ability to incorporate these data into advanced carbon models.	None
Measure 6b: Assess and model carbon sources and sinks globally	Flask samples taken from a global network and analyzed by NOAA.	Annual	Climate Monitoring and Diagnostics Laboratory.	Quality assurance and calibration against known standards performed by NOAA.	Number of flask sites and our ability to incorporate these data into advanced carbon models.	None
Measure 6c: Determine the actual long-term changes in temperature and precipitation over the United States	NOAA's National Climatic Data Center.	Annual	NOAA's National Climatic Data Center.	Monte Carlo simulations based on operation stations.	None	None
Measure 7a: Reduce the hydrographic survey backlog (square nautical miles) for critical navigation areas (cumulative percentage)	Progress reports on data collected from hydrographic survey platforms.	Annual	National Ocean Service will store data and publish nautical charts.	National Ocean Service will apply established verification and validation methods.	Progress in reducing the backlog is measured against a base line value of 43,000 square nautical miles as determined in 1994. Weather can affect scheduled surveys.	None
Measure 7b: Percentage of national spatial reference system (NSRS) completed (cumulative %)	The National Ocean Service and the National Geodetic Survey define and manage the NSRS, the foundation for the nation's spatial data infrastructure.	Ongoing, annual reporting.	Automated database at National Ocean Service.	National Ocean Service will apply standard verification and validation methods.	Weather conditions, security, employment, and funding issues can affect field operations. The National Geodetic Survey also works cooperatively with state organizations; accommodating partners can also impact activities to some extent.	None

FISCAL YEAR 2002 FINANCIAL REPORT



DEPARTMENT OF COMMERCE



UNITED STATES OF AMERICA

UNITED STATES OF AMERICA

FINANCIAL MANAGEMENT AND ANALYSIS



DEPARTMENT OF COMMERCE



UNITED STATES OF AMERICA

Financial Management and Analysis

Introduction

The Office of Financial Management (OFM), within the Department of Commerce formulates and prescribes Department-wide financial management and accounting policies, procedures, and controls. OFM also provides assistance in the implementation of these measures.

OFM Mission

To provide financial information, services, and systems of a quality unparalleled in Government to meet the needs of the Department of Commerce's program managers and administrators.

OFM Vision

- Program managers must also be knowledgeable, responsible, and accountable fiscal managers;
- Accurate and timely financial data must be readily available to management and stakeholders; and
- Financial management must be conducted through a Department-wide financial management system that directly supports work and resource planning and program performance measurement.

Initiatives and Priorities

We are creating a financial management environment that complies with federal laws and regulations and that will provide our executives with timely, accurate financial and performance information. As part of this process, we are pursuing the following major initiatives:

- Improve financial accountability;
- Improve financial management systems;
- Improve administration of federal grant programs; and
- Develop human resources in the financial management community.

Improve Financial Accountability

Under the Secretary's leadership, we are continuing to give the highest priority to providing accurate financial data to our internal and external customers, and to our accountability for all assets. This is evidenced in part, by the Department's receipt of unqualified audit opinions for several years and the decrease in internal control weaknesses cited in our audits.

The Department received a "red" rating on the financial management section of the Executive Branch Management Scorecard. The rating was mainly due to the Department's lack of a single integrated financial management system and a repeat material internal control weakness. However, during FY 2002, the Department received a "green" rating from the Office of Management and Budget (OMB) for its planning and progress in this area.

In FY 2002, we aggressively moved toward improving the Department's overall financial management. This was evidenced by the following:

- The Department received an unqualified opinion on the FY 2002 consolidated financial statements.
- The Department submitted accelerated semi-annual financial statements to OMB by the prescribed deadlines.
- The Commerce Administrative Management System (CAMS) was implemented at our largest bureau, National Oceanic and Atmospheric Administration (NOAA) in October 2002. NOAA closed out of FY 2002 using CAMS.
- The Department was able to improve financial management controls and eliminate a long-standing reportable condition in overall financial management.
- Although still identified as a material weakness, the Department made progress in resolving IT control weaknesses previously identified during self-assessments and in audit reports.

For FY 2003 and beyond, we will continue our efforts to ensure the integrity of our financial information and explore new ways to enhance our current processes. We will submit accelerated quarterly financial statement information to OMB and prepare for the submission of the FY 2004 Combined Performance and Accountability Report by the mandated November 15, 2004 deadline. Monitoring the progress of correcting internal control weaknesses and identifying other areas for improvement will remain a high priority. With the accomplishment of all these goals and plans, we anticipate moving toward a "green" rating for meeting the standards for improved financial performance.

Improve Financial Management Systems

The lack of an integrated financial system was reported as a material weakness in the Department's Fiscal Year 2001 Federal Managers' Financial Integrity Act letter and in the Independent Auditors' Report on Internal Controls. The Department prepared a detailed Federal Financial Management Improvement Act (FFMIA) Remediation Plan and audit action plans to address this weakness. The implementation of CAMS is a key factor in meeting the needs of a single integrated system. CAMS has replaced most financial systems within the Department. Bureaus that were previously on compliant systems continue to use those systems with some entities planning on converting to CAMS at a future point in time. The financial information from these systems and CAMS is integrated in the Corporate Database (as discussed further below) for consolidated financial reporting.

We continue our progress in the implementation of CAMS. At the end of FY 2002, CAMS was implemented at ten departmental entities, including NOAA, Commerce’s largest bureau. The implementation of CAMS at the National Institute of Standards and Technology, which provides cross-services to the National Telecommunications and Information Administration, and Technology Administration, is on target to be successfully completed by October 2003. The graph below depicts our implementation, successes, and future plans for CAMS, by bureau.

The Department evaluated and implemented a Corporate Database to produce consolidated financial reports. The Corporate Database provides an integrated solution to financial statements and Federal Agency Centralized Trial Balance System I (FACTS I) Adjusted Trial Balance reporting at the Department, bureau, and Treasury Appropriation/Fund Group level, and also provides the ability to perform data analysis.

During FY 2002, the Corporate Database was utilized to produce the interim financial statements that were submitted to OMB by the mandated deadline. Also, the database was updated to produce the Department’s footnotes, financial analysis reports, and other additional information required for the government-wide financial statements.

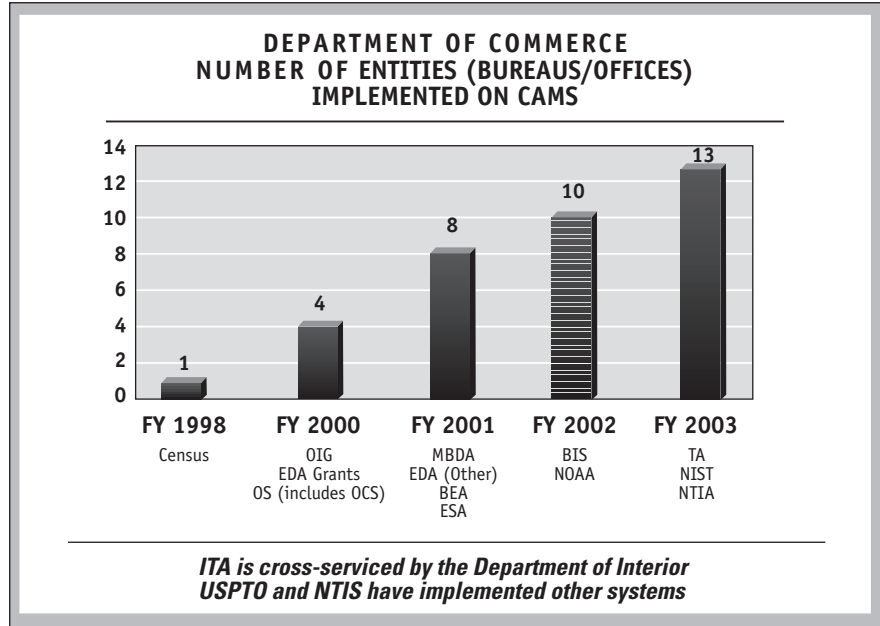
Although the Department will have an integrated financial system with the implementation of CAMS and the Corporate Database, there is a need to look forward to ensure that we continue to provide reliable, timely and accurate financial data to management.

With the assistance of an independent contractor, the Department has examined the organization, staffing and funding necessary to ensure CAMS can achieve and maintain full Joint Financial Management Improvement Program (JFMIP) compliance during its useful life.

Improve Administration of Federal Grant Programs

The Department ensures policy consistency across grant programs through its Office of Executive Assistance Management (OEAM) under the Department’s Chief Financial Officer and Assistant Secretary for Administration (CFO/ASA). OEAM is charged with developing, issuing, and overseeing implementation of policies and procedures for the administration of the Department financial assistance programs, including grants, cooperative agreements, loans, and loan guarantees. OEAM also works closely with the Office of the General Counsel (OGC), Office of the Inspector General (OIG), and the Grants Officers to develop, implement, and coordinate policies relating to financial assistance matters.

The Department’s Grants and Cooperative Agreements Manual, issued in February 2002, provides agency-wide guidance on grants administration and provides a uniform set of minimum procedures for soliciting, reviewing, awarding, managing, and closing out grants.



The Department is in the final stages of implementing the Automated Standard Application for Payments (ASAP), which is an all-electronic payment and information system developed jointly by the Financial Management Service at the Department of Treasury and the Federal Reserve Bank of Richmond. ASAP is a system through which grantee organizations receiving federal funds can draw from accounts preauthorized by federal agencies. The bureaus have signed Memorandum of Understandings with Treasury and are at various stages of enrolling grant recipients to the ASAP system. Additionally, the CAMS and ASAP interface has been completed and certified by Treasury and the Federal Reserve Bank system.

In addition, OMB has designated the Department of Commerce as a partner E-Grants agency. E-Grants is a government-wide electronic portal that will include grant opportunity announcement (E-FIND) and electronic application (E-APPLY) capabilities. The Department's grants administration and program officials are working with information technology staff to review and prepare existing grants systems for successful integration with E-Grants solutions.

Develop Human Resources

All of the Department's bureaus have established Chief Financial Officer (CFO) positions or similar positions of financial leadership. The Department has both a CFO Council and Finance Officer's Council that meet monthly to discuss common financial management issues and problems, including human resources, budget, procurement, and information technology systems, as well as financial accountability issues. Conferences of bureau finance officials are held as necessary, to ensure complete understanding and agreement with Departmental financial management objectives and approaches. OFM also participates in meetings of the government-wide CFO Council and of the Federal Financial Managers Council to address issues that cut across agencies. OFM works closely with bureau finance officers to assist in the proper implementation of Departmental standards and guidance. When specific issues arise, OFM conducts thorough studies and consults with the central agencies, the Federal Accounting Standards Advisory Board, the OIG, and similar organizations to develop the best possible financial management standards.

The Department's continuing professional education program enhances workforce development. This program requires a minimum of forty hours of training and development activities per year for each financial management professional. In addition, the Department provides internships through a variety of sources to give finance and accounting majors an opportunity to gain hands-on accounting experience, while introducing potential future employees to the opportunities that exist at the Department. In FY 2002, the Department continued its partnership with the National Academy Foundation (NAF), and employed finance and technology interns from the NAF Internship Program.

Financial Management Indicators

OMB prescribes the use of quantitative indicators to monitor improvements in financial management. The table below shows our performance during FY 2002 against the target performance established by OMB and Treasury.

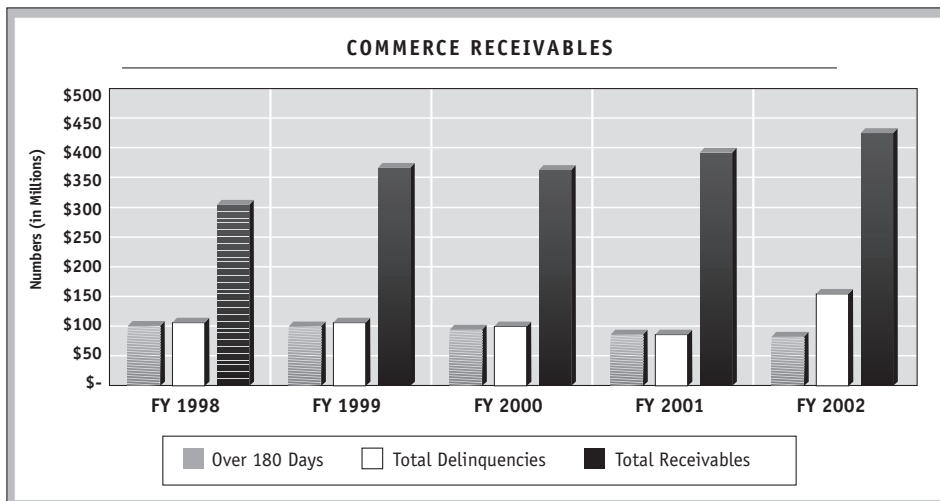
Financial Performance Measures		
Financial Performance Measure	FY 2002 Performance	FY 2002 Target
Percentage of timely vendor payments	99%	95%
Percentage of payroll by electronic transfer	98%	75%
Percentage of Treasury agency location codes fully reconciled	100%	100%
Timely reports to central agencies	100%	95%
Audit opinion on FY 2002 financial statements	Unqualified	Unqualified
Material weaknesses as reported by OIG	1	0

Debt Management

Receivables and Debt Management

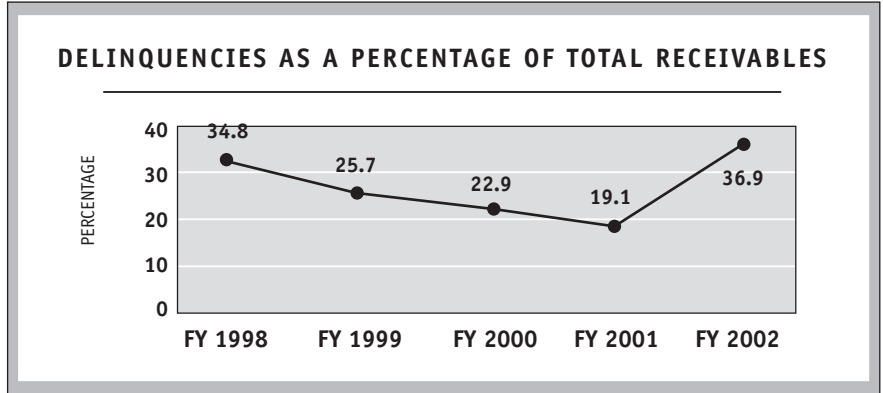
The Department has incorporated the principles of the Credit Reform Act of 1990 into the operations of its credit and debt programs. Prescreening procedures, account-servicing standards, determined collection of delinquent debt, inventory management, and asset disposition standards have helped to greatly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

Total Department receivables increased from \$411 million in FY 2001 to \$455 million in FY 2002, as reported on the Department's Treasury Report on Receivables (TROR). The TROR is the primary means for the Department to provide comprehensive information on the gross value of receivables and delinquent debt due from the public. The increase in receivables is primarily due to a receivable related to a loan guarantee that defaulted in FY 2002. Receivables over ten years old, as a percentage of total delinquent receivables, decreased 18.2 percent, from 33.2 percent in FY 2001 to 15.0 percent in



FY 2002. Total delinquencies, as a percentage of total receivables for the Department, increased 17.8 percent, from 19.1 percent in FY 2001 to 36.9 percent in FY 2002. If the receivable related to the defaulted loan guarantee is excluded, then total delinquencies, as a percentage of total receivables would have increased only 1.7 percent, to 20.8 percent in FY 2002.

The Debt Collection Improvement Act of 1996 (DCIA) established the Treasury Department as the collection agency for federal agency debts that are more than 180 days delinquent. It also established Treasury's Financial Management Service as the federal government's debt collection center. In FY 1998, we signed a letter of agreement with Treasury for cross-servicing of debt more than 180 days old. Almost \$15.5 million in delinquent debt has since been referred to Treasury for cross-servicing.



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

Payment Practices

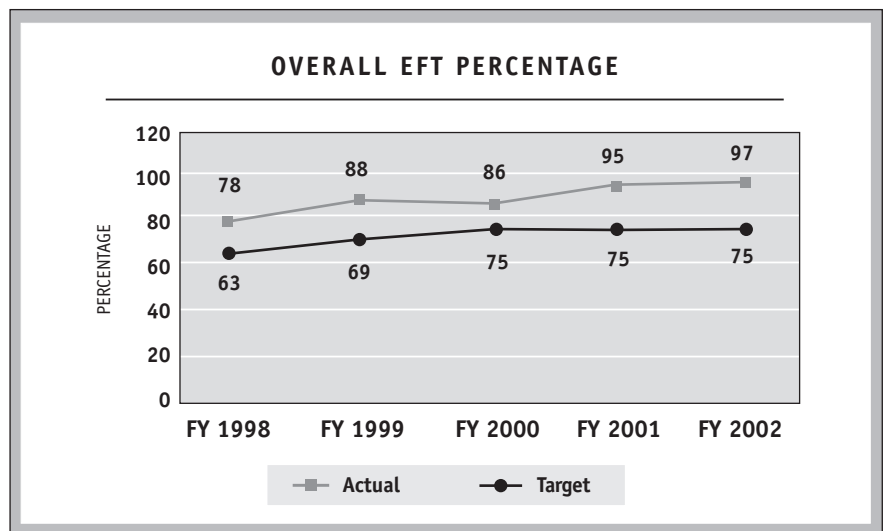
Electronic Funds Transfer (EFT)

During FY 2002, we continued our efforts to maximize the use of payment mechanisms compliant with Electronic Funds Transfer (EFT) as required by the Debt Collection Improvement Act of 1996. Our achievements in this area are illustrated in the table below:

Payment Category	FY 2002 EFT Percentage	FY 2001 EFT Percentage	FY 2002 Total Volume	FY 2001 Total Volume
Retirement Benefits	99%	99%	4,343	4,293
Salary	98%	98%	1,182,666	1,073,922
Salary (Census) ¹	86%	87%	4,456	48,701
Vendor & Misc. ²	93%	91%	664,280	773,314
TOTAL	97%	95%	1,855,745	1,900,230

¹ Discontinued after December 2001 due to the end of the Decennial Census field operations.
² Includes purchase card transactions.

The Department's overall EFT percentage for FY 2002, 97 percent, demonstrates a notable improvement over FY 2001. We substantially exceeded the National Partnership for Reinventing Government's goal of 75 percent for FY 2002. The Department made progress with a 2 percent increase in the EFT percentage for vendor and miscellaneous payments, and maintained close to 100 percent for salary benefit payments. The significant

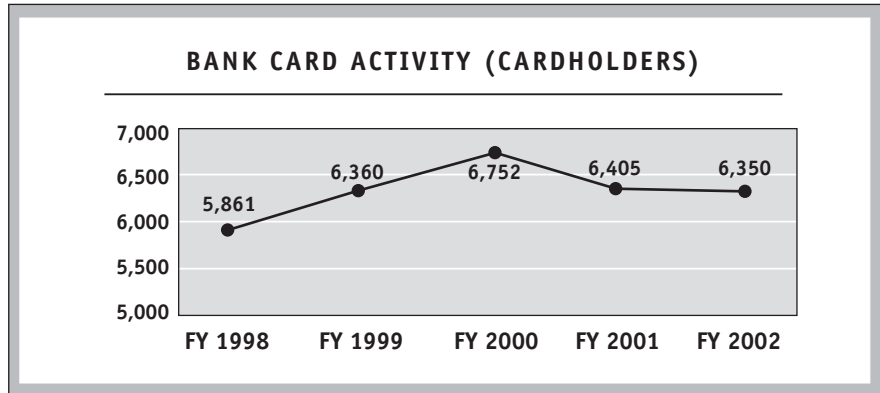
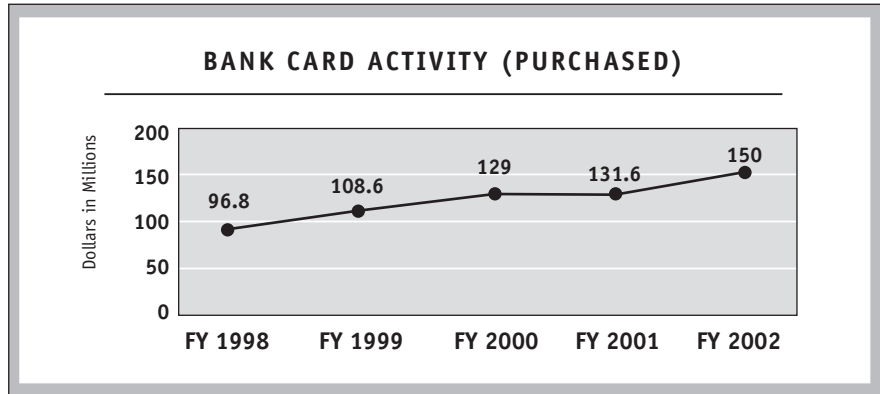


reduction in total payments volume for Census Bureau salary and vendor/miscellaneous payments reflects the winding-down of Decennial Census field operations during the early part of FY 2002.

Also, in accordance with Treasury’s policy directive, imprest funds were closed throughout the Department, where feasible. Certain bureaus continue to maintain imprest funds for operational necessity for law enforcement activities and other environments that do not permit use of electronic payment methods.

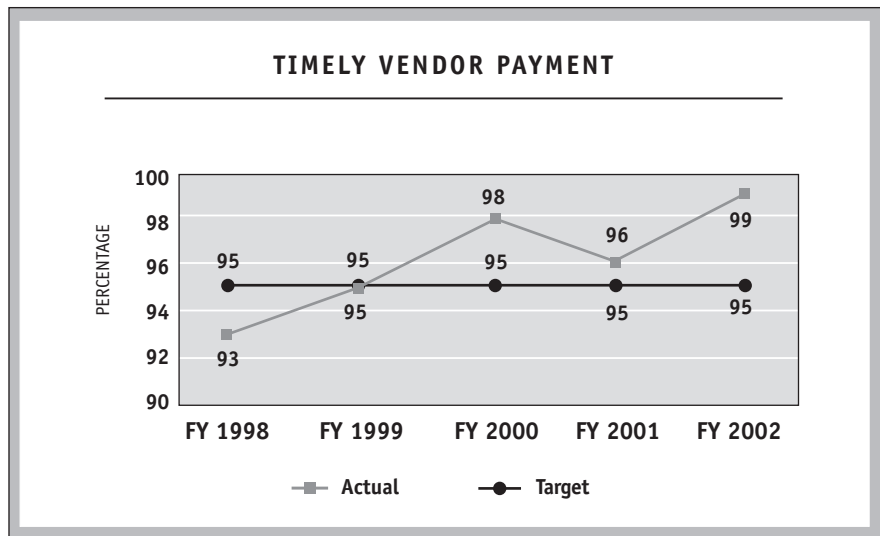
Bankcards

We are committed to the use of bankcards as a means of streamlining Departmental procurements. The use of bankcards continues to grow as more are issued and as the card becomes the preferred method of procurement for small purchases. Departmental usage of the card has grown from 5,861 cardholders in FY 1998 to 6,350 at the end of FY 2002. The value of purchases made using bankcards increased during the same period from \$96.8 million to \$150 million. Although there was a small decrease (55) in the number of cardholders compared to FY 2001, the value of purchases increased by \$18 million, and the number of purchases increased by 25,000. The Department has paid significant attention to the internal controls surrounding these purchases to ensure that all such purchases are legal and proper.



Prompt Payment

We made approximately 99 percent of all payments on time in FY 2002, compared to 96 percent in FY 2001. The Department’s performance remains above the government-wide goal of 95 percent. In addition, the number of invoices with late-payment interest penalties decreased from 20,640 to 9,020 in FY 2002. We will continue to monitor our bureaus’ payment performances to maintain our timely vendor payment percentage.



Financial Review

This is the seventh annual submission of the Department’s financial statements made in accordance with the requirements of the Chief Financial Officers Act as amended by the Government Management Reform Act of 1994. These statements have been compiled according to the guidance issued by the Office of Management and Budget (OMB). In order to comply with OMB Bulletin No. 01-09, and to fully disclose the Department’s financial position and results, we have prepared consolidated financial statements. The independent auditor, contracted by the Office of the Inspector General, is responsible for auditing the Department’s consolidated financial statements.

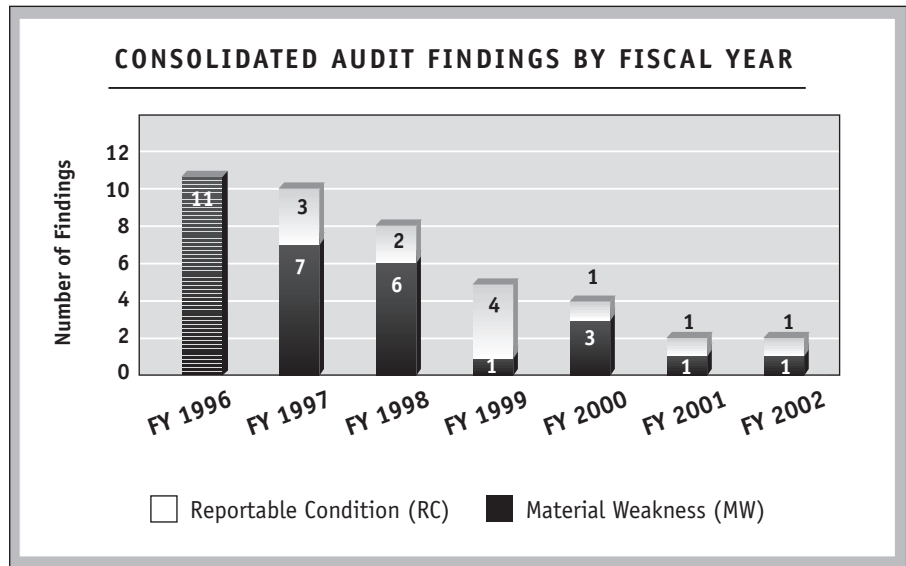
Unqualified Financial Statement Audits

The Department is committed to strong financial management, and has made much progress in this area. We have received unqualified opinions on our consolidated financial statements since FY 1999. This achievement results from our commitment to strong management control and accountability of our financial resources, a commitment that we are extending into the future as we seek to further improve management of our financial resources. Significant progress was also made in reducing internal control weaknesses. The Department currently has one material weakness remaining related to information technology security and financial management systems, and a reportable condition related to accounting for its property. The table and chart illustrate the Department’s progression toward full attainment of unqualified audit opinions and its progress in correcting the material weaknesses and reportable conditions identified at the Department level and in bureau audits.

Summary of Audit Opinions

Type of Opinion	FY 1998 Number of Reporting Entities	FY 1999 Number of Reporting Entities	FY 2000 Number of Reporting Entities	FY 2001 Number of Reporting Entities	FY 2002 Number of Financial Audits
Unqualified	11	14	9 ²	4 ²	3 ²
Unqualified/BS only ¹	2	0	0	0	0
Disclaimer	1	0	0	0	0
Not Audited	1	1	0	0	0

¹ Disclaimer on other statements.
² Decrease in number of reporting entities due to entities being combined for audit.



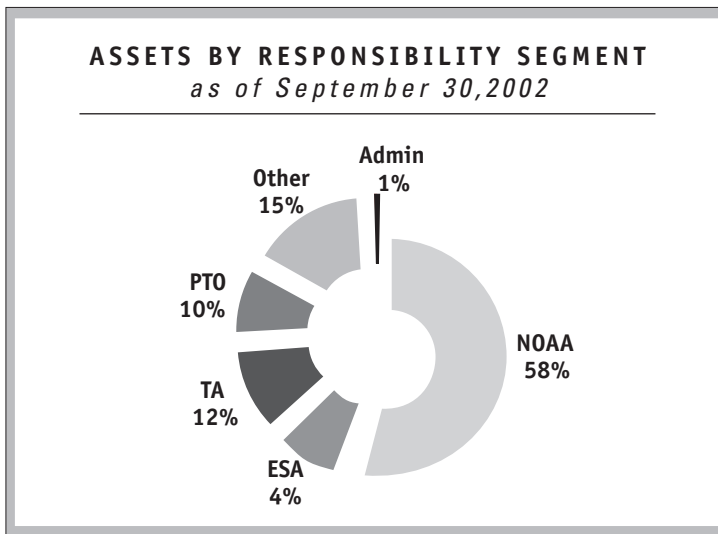
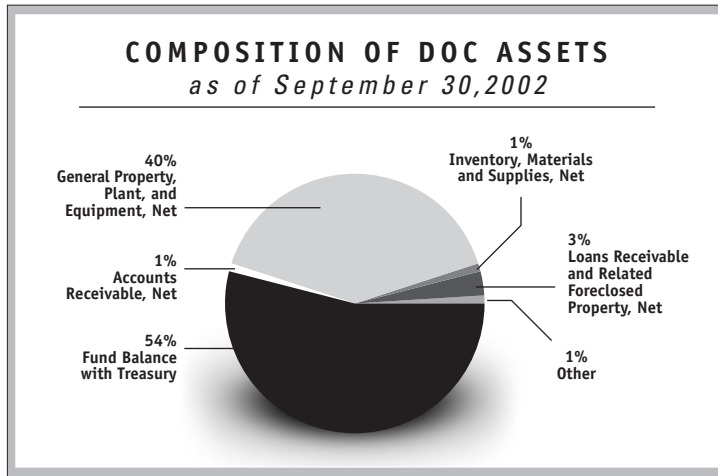
Analysis of FY 2002 Financial Conditions and Results

(Dollars in Thousands)

Composition of Department of Commerce Assets and Assets by Responsibility Segment

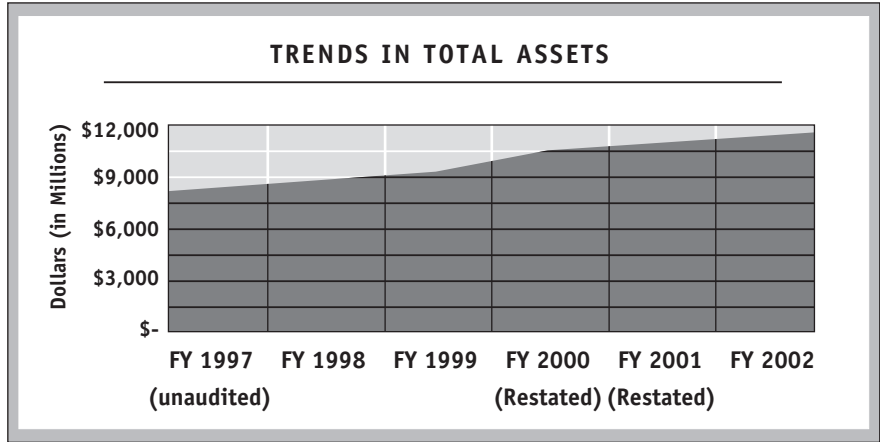
The composition and distribution of the Department’s assets remained generally consistent from FY 2001 to FY 2002.

At September 30, 2002, Fund Balance with Treasury of \$6,313,884 is the aggregate amount of funds available to make authorized expenditures and pay liabilities. General Property, Plant, and Equipment (PP&E), Net of \$4,543,733 includes \$1,354,359 of satellites and weather measuring and monitoring systems and \$2,350,731 of Construction-In-Progress, primarily of satellites and weather systems, and other property and equipment totaling \$838,643. Loans Receivable and Related Foreclosed Property, Net of \$292,113 primarily results from the National Oceanic and Atmospheric Administration’s (NOAA’s) direct loan and loan guarantee programs.



Trends in Assets

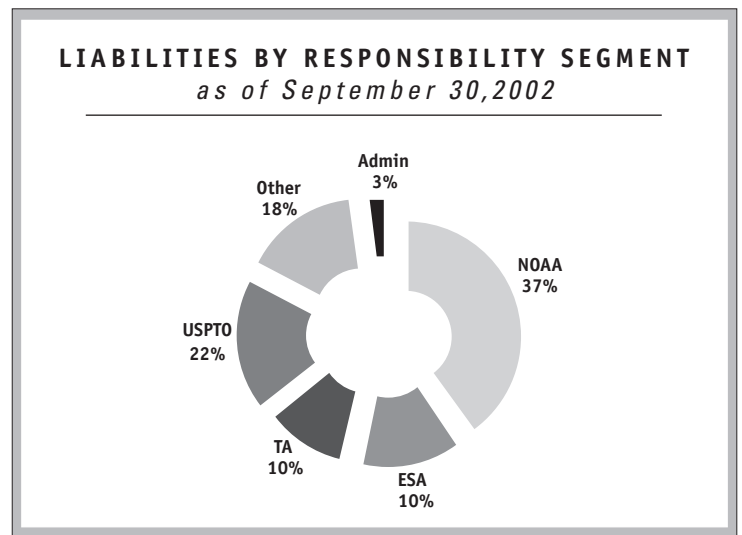
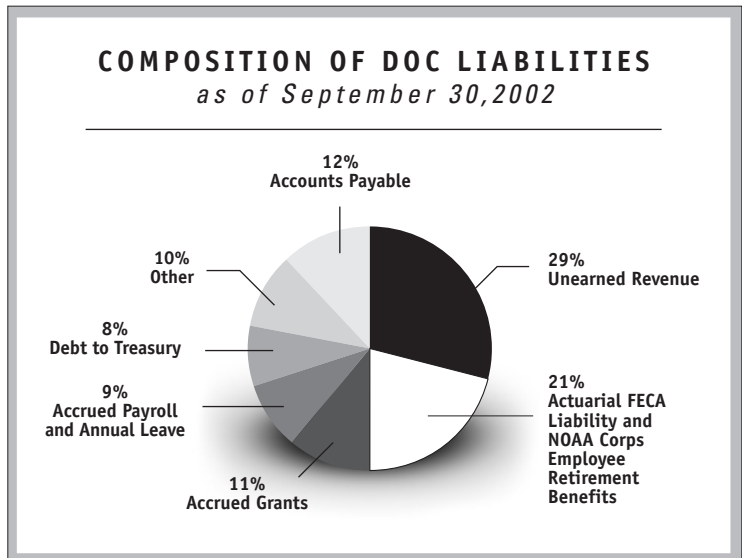
Total Assets increased \$441,962 or 4 percent, from \$10,993,776 at September 30, 2001 to \$11,435,738 at September 30, 2002. Fund Balance with Treasury increased \$252,118 or 4.2 percent from \$6,061,766 to \$6,313,884 due to higher unexpended appropriations. PP&E, Net increased \$231,733 or 5.4 percent, from \$4,312,000 to \$4,543,733, primarily due to the National Institute of Standards and Technology's (NIST) construction of the Advanced Measurement Laboratory building, NOAA's construction of new satellite systems, and Bureau of the Census computer upgrades. Accounts Receivable decreased \$44,348 or 28.7 percent from \$154,433 to \$110,085, primarily due to decreases in intragovernmental reimbursable activity. Advances and Prepayments increased \$17,942 or 50.7 percent from \$35,367 to \$53,309, primarily due to the U.S. Patent and Trademark Office's (USPTO) increased payments to the General Services Administration (GSA) for their consolidated site in Alexandria, Virginia and NOAA's decreased advances to grantees.



Composition of Department of Commerce Liabilities and Liabilities by Responsibility Segment

The composition and distribution of the Department's liabilities remained generally consistent from FY 2001 to FY 2002.

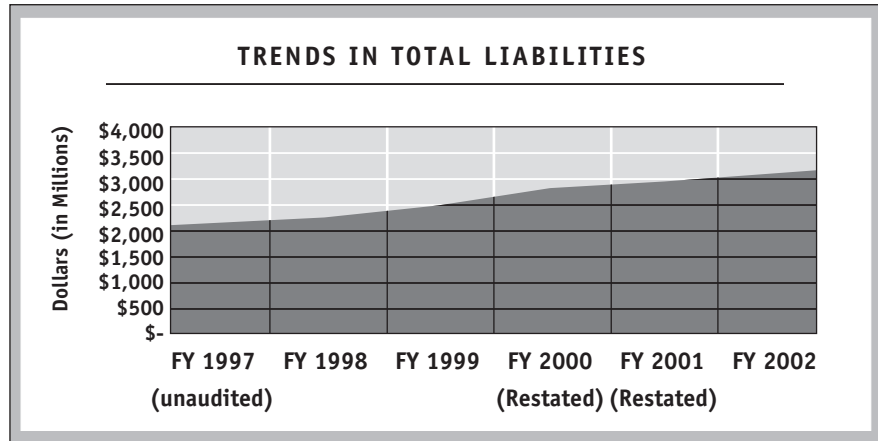
Accounts Payable of \$364,300 consists of amounts owed for goods and services received, progress in contract performance by others, and other expenses due. Unearned Revenue of \$938,016 represents monies received from customers for which goods and services have not yet been provided or rendered by the Department. Actuarial FECA Liability and NOAA Corps Employee Retirement Benefits



Liabilities of \$643,459 is composed of NOAA Corps Retirement System of \$316,195; NOAA Corps Post-Retirement Health Benefits of \$136,577; and Actuarial FECA Liability of \$190,687. Debt to Treasury of \$262,513 results from monies borrowed for the Fisheries Finance Fund direct loan program, the Fishing Vessel Obligation Guarantee Program, and the Emergency Loan Guaranteed Program - Steel. Accrued Grants of \$350,309, which relate to a diverse array of financial assistance programs and projects, include Economic Development Administration grants of \$243,856, related to its economic development activity.

Trends in Liabilities

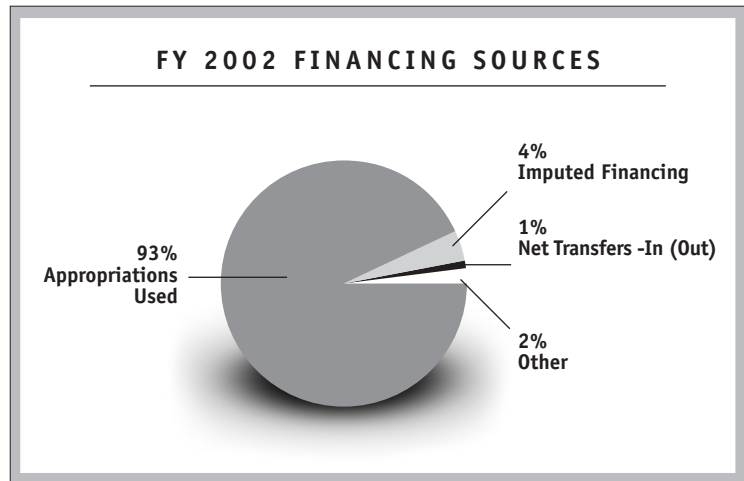
Total Liabilities increased \$136,995 or 4.6 percent, from \$2,997,188 at September 30, 2001 to \$3,134,183 at September 30, 2002. Unearned Revenue increased \$159,862 or 20.5 percent, from \$778,154 to \$938,016, primarily due to an increase in deferred revenue from Patent filings and Trademarks, resulting from the addition of more than two hundred new customer deposit accounts in FY 2002.



Debt to Treasury increased \$66,580 or 34 percent, from \$195,933 to \$262,513, primarily due to ELGP's Treasury borrowing for a loan guarantee outstanding that defaulted during FY 2002. Environmental and Disposal Liabilities increased \$41,879 or 52.8 percent, from \$79,310 to \$121,189, due to an increase in the estimated costs for both NOAA's Pribilof Island cleanup liability and NIST's decommissioning of a nuclear reactor. Accounts Payable decreased \$24,001 or 6.2 percent, from \$388,301 to \$364,300, due to the timelier processing of vendor payments.

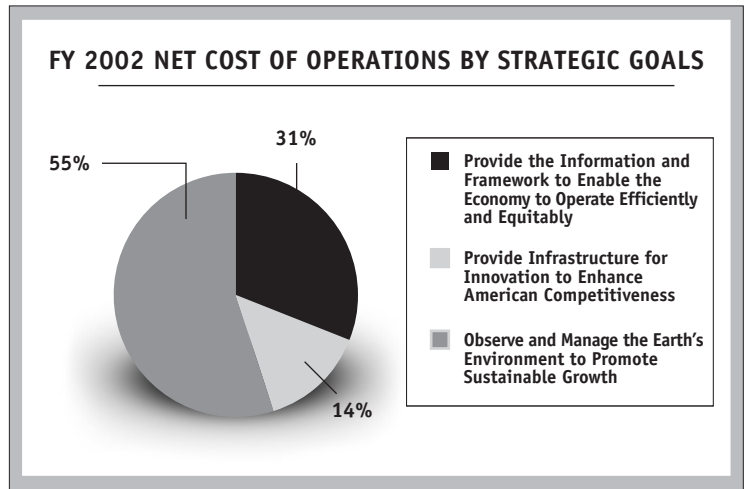
Trends in Financing Sources

Most of the Department's Financing Sources are obtained from appropriations. Total Financing Sources, shown in the Consolidated Statement of Changes in Net Position, increased \$389,873 or 7.2 percent, from 5,404,285 for the year ended September 30, 2001, to 5,794,158 at September 30, 2002, due to increases in Appropriations.



Net Cost of Operations by Strategic Goal

In FY 2002, Net Cost of Operations totaled approximately \$5.5 billion. In terms of Net Cost of Operations supporting its three strategic goals, the Department spent 55 percent of the total to achieve its strategic goal to Observe and Manage the Earth’s Environment to Promote Sustainable Growth, which includes NOAA’s "Advance Short Term Warning Forecast Service" program; 31 percent to Provide the Information and the Framework to Enable the Economy to Operate Efficiently and Equitably; and 14 percent to Provide Infrastructure for Innovation to Enhance American Competitiveness.



Limitations of the Financial Statements

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

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

PRINCIPAL FINANCIAL STATEMENTS



DEPARTMENT OF COMMERCE



UNITED



STATES OF AMERICA

United States Department of Commerce Consolidated Balance Sheets
As of September 30, 2002 and 2001 (In Thousands)

	FY 2002	Restated FY 2001
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 6,313,884	\$ 6,061,766
Accounts Receivable, Net (Note 3)	54,487	98,490
Investments in Treasury Securities, Net	-	1,799
Advances and Prepayments	39,402	5,817
Total Intragovernmental	6,407,773	6,167,872
Cash (Note 4)	10,502	13,532
Accounts Receivable, Net (Note 3)	55,598	55,943
Loans Receivable and Related Foreclosed Property, Net (Note 5)	292,113	297,076
Inventory, Materials, and Supplies, Net (Note 6)	98,934	103,216
General Property, Plant, and Equipment, Net (Note 7)	4,543,733	4,312,000
Advances and Prepayments	13,907	29,550
Other (Note 8)	13,178	14,587
TOTAL ASSETS	\$ 11,435,738	\$ 10,993,776

LIABILITIES

Intragovernmental:

Accounts Payable	\$ 84,465	\$ 73,074
Debt to Treasury (Note 10)	262,513	195,933
Resources Payable to Treasury	54,382	56,728
Unearned Revenue	338,723	291,677
Other (Note 11)	56,476	76,706

Total Intragovernmental **796,559** **694,118**

Accounts Payable	279,835	315,227
Accrued Payroll and Annual Leave	270,624	326,177
Actuarial FECA Liability and NOAA Corps Employee Retirement Benefits Liabilities (Note 12)	643,459	635,016
Accrued Grants	350,309	378,470
Environmental and Disposal Liabilities (Note 13)	121,189	79,310
Capital Lease Liabilities (Note 14)	32,665	43,437
Unearned Revenue	599,293	486,477
Other (Note 11)	40,250	38,956

TOTAL LIABILITIES **\$ 3,134,183** **\$ 2,997,188**

Commitments and Contingencies (Note 5, 14, and 16)

NET POSITION

Unexpended Appropriations	\$ 3,978,998	\$ 3,796,886
Cumulative Results of Operations (Note 21)	4,322,557	4,199,702

TOTAL NET POSITION **\$ 8,301,555** **\$ 7,996,588**

TOTAL LIABILITIES AND NET POSITION **\$ 11,435,738** **\$ 10,993,776**

The accompanying notes are an integral part of these statements.

**United States Department of Commerce Consolidated Statements of Net Cost
For the Years Ended September 30, 2002 and 2001 (Note 17) (In Thousands)**

	FY 2002	Restated FY 2001
Strategic Goal 1: Provide the Information and the Framework to Enable the Economy to Operate Efficiently and Equitably		
Intragovernmental Gross Costs	\$ 449,601	\$ 561,437
Gross Costs With the Public	1,522,383	1,698,344
Total Gross Costs	1,971,984	2,259,781
Intragovernmental Earned Revenue	(239,555)	
Earned Revenue From the Public	(36,873)	
Total Earned Revenues	(276,428)	(261,340)
Net Program Costs	1,695,556	1,998,441
Strategic Goal 2: Provide Infrastructure for Innovation to Enhance American Competitiveness		
Intragovernmental Gross Costs	318,058	302,631
Gross Costs With the Public	1,657,783	1,534,555
Total Gross Costs	1,975,841	1,837,186
Intragovernmental Earned Revenue	(115,695)	
Earned Revenue From the Public	(1,099,302)	
Total Earned Revenues	(1,214,997)	(1,193,191)
Net Program Costs	760,844	643,995
Strategic Goal 3: Observe and Manage the Earth's Environment to Promote Sustainable Growth		
Intragovernmental Gross Costs	485,909	473,735
Gross Costs With the Public	2,775,004	2,424,451
Total Gross Costs	3,260,913	2,898,186
Intragovernmental Earned Revenue	(181,080)	
Earned Revenue From the Public	(47,042)	
Total Earned Revenues	(228,122)	(234,575)
Net Program Costs	3,032,791	2,663,611
NET COST OF OPERATIONS	\$ 5,489,191	\$ 5,306,047

The accompanying notes are an integral part of these statements.

United States Department of Commerce Consolidated Statement of Changes in Net Position
For the Year Ended September 30, 2002 (In Thousands)

	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances, as Previously Presented	\$ 4,028,302	\$ 3,796,886
Prior Period Adjustment (Note 21)	171,400	-
Beginning Balances, As Restated	4,199,702	3,796,886
Budgetary Financing Sources:		
Appropriations Received	-	5,511,071
Appropriations Transferred-In/(Out), Net	-	27,420
Other Adjustments	-	(57,247)
Appropriations Used	5,299,132	(5,299,132)
Non-Exchange Revenue	17,583	-
Donations	928	-
Transfers-In/(Out) Without Reimbursement, Net	82,152	-
Other Budgetary Financing Sources	(555)	-
Other Financing Sources:		
Transfers Out Without Reimbursement	(6,092)	-
Imputed Financing Sources From Costs Absorbed by Others	220,773	-
Other Financing Sources	(1,875)	-
Total Financing Sources	5,612,046	182,112
Net Cost of Operations	(5,489,191)	-
ENDING BALANCES	\$ 4,322,557	\$ 3,978,998

The accompanying notes are an integral part of these statements.

**United States Department of Commerce Combined Statement of Budgetary Resources
For the Year Ended September 30, 2002 (Note 18) (In Thousands)**

	Budgetary	Non-Budgetary Credit Program Financing Accounts
BUDGETARY RESOURCES:		
Budget Authority		
Appropriations Received	\$ 5,813,215	\$ -
Borrowing Authority	-	221,878
Net Transfers	105,528	-
Unobligated Balance		
Beginning of Period	1,063,763	17,825
Adjustments to Unobligated Balance, Beginning of Period	(254)	-
Net Transfers, Actual	1,446	-
Spending Authority from Offsetting Collections		
Earned:		
Collected	2,604,497	64,075
Receivable from Federal Sources	(30,616)	(13,795)
Changes in Unfilled Customer Orders:		
Advance Received	160,634	-
Without Advance from Federal Sources	(9,843)	(308)
Total Spending Authority from Offsetting Collections	2,724,672	49,972
Recoveries of Prior Year Obligations	140,394	52,342
Temporarily not Available Pursuant to Public Law	(306,513)	-
Permanently not Available:		
Cancellation of Expired and No-Year Accounts	(27,764)	-
Enacted Rescissions	(30,517)	-
Capital Transfers and Redemption of Debt	(2,654)	(34,815)
Other Authority Withdrawn	(3,434)	(52,049)
TOTAL BUDGETARY RESOURCES	\$ 9,477,882	\$ 255,153
STATUS OF BUDGETARY RESOURCES:		
Obligations Incurred		
Direct	\$ 5,932,061	\$ 147,675
Reimbursable	2,419,611	97,272
Total Obligations Incurred	8,351,672	244,947
Unobligated Balance		
Apportioned, Balance Currently Available	847,838	7,450
Exempt from Appointment	94,687	-
Unobligated Balance Not Available	183,685	2,756
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 9,477,882	\$ 255,153
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS:		
Obligated Balance, Net, Beginning of Period	\$ 4,242,729	\$ 100,515
Adjustment to Obligated Balance, Beginning of Period	(19,508)	-
Adjusted Obligated Balance, Net, Beginning of Period	\$ 4,223,221	\$ 100,515
Obligated Balance, Net, End of Period:		
Accounts Receivable	\$ (208,421)	\$ (1)
Unfilled Customer Orders from Federal Sources	(130,980)	(573)
Undelivered Orders	3,902,128	180,974
Accounts Payable	924,989	11
Total Obligated Balance, Net, End of Period	\$ 4,487,716	\$ 180,411
Outlays:		
Disbursements	\$ 7,987,243	\$ 126,813
Collections	(2,765,131)	(64,075)
Subtotal	5,222,112	62,738
Less: Offsetting Receipts	(2,944)	-
NET OUTLAYS	\$ 5,219,168	\$ 62,738

The accompanying notes are an integral part of these statements.

**United States Department of Commerce Consolidated Statement of Financing
For the Year Ended September 30, 2002 (In Thousands)**

Resources Used to Finance Activities:

Budgetary Resources Obligated

Obligations Incurred	\$ 8,596,619
Less: Spending Authority From Offsetting Collections and Recoveries	(2,967,380)
Obligations Net of Offsetting Collections and Recoveries	5,629,239
Less: Offsetting Receipts	(2,944)
Net Obligations	5,626,295

Other Resources

Transfers Out Without Reimbursement	(6,092)
Imputed Financing From Costs Absorbed by Others	220,773
Other	(1,875)
Net Other Resources Used to Finance Activities	212,806

Total Resources Used to Finance Activities **5,839,101**

Resources Used to Finance Items Not Part of the Net Cost of Operations:

Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but not yet Provided	(312,902)
Resources that Fund Expenses Recognized in Prior Periods	(58,543)
Budgetary Offsetting Collections and Receipts that do not Affect Net Cost of Operations:	
Credit Program Collections which Increase Liabilities for Loan Guarantees or Allowances for Subsidy	60,978
Other	(1,919)
Resources that Finance the Acquisition of Assets	(989,993)
Other Resources or Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations:	
Change in Unfilled Customer Orders	150,443
Other	1,878

Total Resources Used to Finance Items Not Part of the Net Cost of Operations **(1,150,058)**

Total Resources Used to Finance the Net Cost of Operations **4,689,043**

Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:

Components Requiring or Generating Resources in Future Periods (Note 19)

Increase in Annual Leave Liability	12,229
Increase in Environmental and Disposal Liabilities	41,981
Reestimates of Credit Subsidy Expense	60,031
Increase in NOAA Corps Employee Retirement Benefits Liabilities	41,472
Other	3,973

Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods 159,686

Components Not Requiring or Generating Resources

Depreciation and Amortization	614,916
Revaluation of Assets or Liabilities	13,553
Other	11,993
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	640,462

Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period **800,148**

NET COST OF OPERATIONS **\$ 5,489,191**

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

(In Thousands)

NOTE 1. Summary of Significant Accounting Policies

A Reporting Entity

The Department of Commerce (the Department) is a cabinet level agency of the Executive Branch of the U.S. Government. Established in 1903 to promote U.S. business and trade, the Department's broad range of responsibilities includes predicting the weather, granting patents and registering trademarks, measuring economic growth, gathering and disseminating statistical data, expanding U.S. exports, developing innovative technologies, helping local communities improve their economic development capabilities, promoting minority entrepreneurial activities, and monitoring the stewardship of national assets. The Department is composed of thirteen bureaus, the Emergency Oil and Gas and Steel Loan Guarantee Programs, and Departmental Management entities. The United States Travel and Tourism Administration (USTTA) was abolished during FY 1996, and in August 2002, Public Law 107-206 rescinded any remaining appropriated balance for that activity.

For the *Consolidating Statements of Net Cost* some of the Department's entities have been grouped together, based on their organizational structures, as follows:

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

- Departmental Management (DM)
 - Emergency Oil and Gas and Steel Loan Guarantee Programs (ELGP)
 - Franchise Fund (FF)
 - Gifts and Bequests (G&B)
 - Office of the Inspector General (OIG)
 - Salaries and Expenses (S&E)
 - Working Capital Fund (WCF)

B *Basis of Accounting and Presentation*

The Department's fiscal year ends September 30. These financial statements reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash. Budgetary accounting is designed to recognize the obligation of funds according to legal requirements, which, in many cases, is made prior to the occurrence of an accrual-based transaction. Budgetary accounting is essential for compliance with legal constraints and controls over the use of Federal funds. As permitted by the Office of Management and Budget (OMB) financial statement guidance for FY 2002, the Department has presented comparative FY 2001 information for only the *Consolidated Balance Sheets* and *Consolidated Statements of Net Cost*.

These financial statements have been prepared from the accounting records of the Department in conformance with accounting principles generally accepted in the U. S. (GAAP) and the form and content for entity financial statements specified by OMB in Bulletin 01-09, *Form and Content of Agency Financial Statements*. The GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is the official body for setting the accounting standards of the Federal Government.

Throughout these financial statements, intragovernmental assets, liabilities, revenues and costs have been classified according to the type of entity with which the transactions are associated. Intragovernmental assets and liabilities are those from or to other Federal entities. Intragovernmental earned revenues are collections or accruals of revenue from other Federal entities, and intragovernmental costs are payments or accruals to other Federal entities.

C *Elimination of Intra-Entity and Intra-Departmental Transactions and Balances*

Transactions and balances among the Department's entities (intra-Departmental) have been eliminated from the *Consolidated Balance Sheets* and the *Consolidated Statements of Net Cost*. There are no intra-Departmental eliminations for the *Consolidated Statement of Changes in Net Position* and the *Consolidated Statement of Financing*. The *Statement of Budgetary Resources* is presented on a combined basis; therefore intra-Departmental transactions and balances have not been eliminated from this statement.

D *Assets*

Non-Entity Assets are those held by the Department, but are not available for use in its operations. These assets are disclosed in Note 9.

E *Fund Balance with Treasury*

Fund Balance with Treasury is the aggregate amount of funds in the Department's accounts with the U.S. Department of the Treasury (Treasury). Deposit Funds represent the amounts held in customer deposit accounts.

Treasury processes cash receipts and disbursements for the Department's domestic operations. Cash receipts and disbursements for the Department's overseas operations are primarily processed by the U.S. Department of State's financial service centers.

F *Accounts Receivable, Net*

Accounts Receivable are recognized primarily when the Department performs reimbursable services or sells goods. Accounts Receivable are reduced to net realizable value by an Allowance for Uncollectible Accounts. This allowance is estimated periodically using methods such as the identification of specific delinquent receivables, and the analysis of aging schedules and historical trends adjusted for current market conditions.

G *Investments in Treasury Securities, Net*

Investments in Treasury Securities are reported at their acquisition cost, less the accumulated amortization of discounts. At September 30, 2001, investments consisted of one-year special issue Treasury Bills with interest rates averaging 2.94 percent. Discounts are amortized into interest income over the life of the Treasury Security using the straight-line method, which approximates the effective yield method. The Department sold these investments in FY 2002.

H *Advances and Prepayments*

Advances are payments the Department has made to cover a part or all of a grant recipient's anticipated expenses or as advance payments for the cost of goods and services to be acquired. For grant awards, the grant recipient is required to periodically (monthly or quarterly) report the amount of cost incurred. Prepayments are payments the Department has made to cover certain periodic expenses before those expenses are incurred, such as subscriptions and rent.

I *Loans Receivable and Related Foreclosed Property, Net*

A direct loan is recorded as a receivable after the Department disburses funds to a borrower. The Department also makes loan guarantees with respect to the payment of all or part of the principal or interest on debt obligations of non-Federal borrowers to non-Federal lenders. A borrower-defaulted loan guaranteed by the Department is recorded as a receivable from the borrower after the Department disburses funds to the lender.

Foreclosed Property is acquired primarily through foreclosure and voluntary conveyance, and is recorded at the fair market value at the time of acquisition.

Interest Receivable represents interest income earned on scheduled Loans Receivable and/or for the first 180 days outstanding on past-due loans. Interest Receivable pertaining to days in excess of 180 days outstanding on past-due loans that are determined to be uncollectible are not recorded in the Department's financial statements.

Direct Loans and Loan Guarantees Obligated before October 1, 1991 (pre-FY 1992): Loans Receivable are reduced by an Allowance for Loan Losses, which is based on an analysis of each loan's outstanding balance. The value of each receivable, net of any Allowance for Loan Losses, is supported by the values of pledged collateral and other assets available for liquidation, and by the Department's analysis of financial information of parties against whom the Department has recourse for the collection of these receivables.

The Economic Development Revolving Fund is required to make annual interest payments to Treasury after each fiscal year-end based on its outstanding receivables at September 30.

Direct Loans and Loan Guarantees Obligated after September 30, 1991 (post-FY 1991): Post-FY 1991 obligated direct loans and loan guarantees and the resulting receivables are governed by the Federal Credit Reform Act of 1990.

For direct or guaranteed loans disbursed during a fiscal year, a subsidy cost is initially recognized. Subsidy costs are intended to estimate the long-term cost to the U.S. Government of its loan programs. The subsidy cost equals the present value of estimated cash outflows over the lives of the loans, minus the present value of estimated cash inflows, discounted at the applicable Treasury interest rate. Administrative costs such as salaries and legal fees are not included in the subsidy costs. Subsidy costs can arise from interest rate differentials, interest subsidies, delinquencies and defaults, loan origination and other fees, and other cash flows. The Department calculates its subsidy costs based on a model created and provided by OMB.

Loans Receivable are recorded at the present value of the estimated cash inflows less cash outflows. The difference between the outstanding principal of the loans and the present value of their net cash inflows is recorded as the Allowance for Subsidy Cost. The Allowance for Subsidy Cost is re-estimated annually, as of September 30.

J *Notes Receivable*

Notes Receivable, included in Other Assets, arise through the sale of foreclosed property to non-Federal parties. The property is used as collateral and an Allowance for Uncollectible Amounts is established if the collateral is not adequate. An analysis of the collectibility of receivables is performed periodically. Any gains realized through the sale of foreclosed property are initially deferred and recognized in proportion to the percentage of principal repaid.

K *Inventory, Materials, and Supplies, Net*

Inventory, Materials, and Supplies are stated at the lower of cost or net realizable value primarily under the weighted average and first-in, first-out methods, and are adjusted for the results of periodic physical inventories. Inventory, Materials, and Supplies are expensed when consumed. There are no restrictions on their sale, use, or disposition.

L *General Property, Plant, and Equipment, Net*

General Property, Plant, and Equipment (PP&E) is comprised of capital assets used in providing goods or services. PP&E is stated at full cost, including all costs related to acquisition, delivery, and installation, less accumulated depreciation. PP&E also includes assets acquired through capital leases, which are initially recorded at the amount recognized as a liability for the capital lease at its inception.

Capitalization Thresholds: The Department's general policy is to capitalize PP&E if the initial acquisition price is \$25 or more and the useful life is two years or more. NOAA is an exception to this policy, having a capitalization threshold of \$200. PP&E with an acquisition cost less than the capitalization threshold is expensed when purchased. When the purchase of a large quantity of items, each costing less than the capitalization threshold, would materially distort the amount of costs reported in a given period, the purchase is capitalized as a group.

Depreciation: Depreciation is expensed on a straight-line basis over the estimated useful life of the asset with the exception of leasehold improvements, which is depreciated over the remaining life of the lease or over the useful life of the improvements, whichever is shorter. Land and construction-in-progress are not depreciated.

Real Property: The General Services Administration (GSA) provides most of the facilities in which the Department operates, and charges rent based on comparable commercial rental rates. Accordingly, GSA-owned properties are not included in the Department's PP&E. The Department's real property consists primarily of facilities for NIST and NOAA.

Construction-in-Progress: Costs for the construction, modification, or modernization of PP&E are initially recorded as construction-in-progress. Upon completion of the work, the costs are transferred to the appropriate PP&E account for capitalization.

M Liabilities

A liability for Federal accounting purposes is a probable and measurable future outflow or other sacrifice of resources as a result of past transactions or events. Intragovernmental liabilities arise from transactions with other Federal entities.

Accounts Payable: Accounts Payable are amounts owed for goods and services received, progress on contract performance by others, and other expenses due.

Debt to Treasury: The Department has borrowed funds from Treasury for its Fisheries Finance and Individual Fishing Quota (IFQ) Direct Loans, Fishing Vessel Obligation Guarantee (FVOG) Program, Bering Sea Pollock Fishery Buyout, and the Emergency Steel Loan Guarantee Program (ELGP). To simplify interest calculations, all borrowings are dated October 1. Interest rates are based on a weighted average of rates during the term of the borrowed funds. The weighted average rate for each cohort's borrowing is recalculated at the end of each fiscal year during which disbursements are made. Annual interest payments on unpaid principal balances as of September 30 are required. Principal repayments are required only at maturity, but are permitted at any time during the term of the loan. The Department's primary financing source for repayments of Debt to Treasury is the collection of principal on the associated Loans Receivable. Balances of any borrowed but undisbursed funds will earn interest at the same rate used in calculating interest expense.

Resources Payable to Treasury: Resources Payable to Treasury includes Liquidating Fund assets in excess of liabilities that are being held as working capital for the following loan programs: the FVOG Program and the Fisheries Finance Direct Loans. These liabilities are required to be paid only when the loan programs fully complete their activities and terminate their operations. However, NOAA, at the request of OMB, pays the unobligated balance annually. EDA's Drought Loan Portfolio is a non-entity asset; therefore, the amount of the Portfolio is also recorded as a liability to Treasury. The Portfolio collections are returned to Treasury monthly and the liability is reduced accordingly.

Unearned Revenue: Unearned Revenue is the portion of monies received for which goods and services have not yet been provided or rendered by the Department. Revenue is recognized as reimbursable costs are incurred, and the Unearned Revenue balance is reduced accordingly. Unearned Revenue also includes the balances of customer deposit accounts held by the Department. The intragovernmental Unearned Revenue relates to amounts collected in advance under reimbursable agreements. The majority of the Unearned Revenue with the public represents patent and trademark application and user fees that are pending action.

Accrued Payroll and Annual Leave; Accrued Benefits: These categories include salaries, wages, and benefits earned by employees, but not disbursed as of September 30. Annually, as of September 30, the balances of Accrued Annual Leave are adjusted to reflect current pay rates. Sick leave and other types of non-vested leave are expensed as taken. Accrued Benefits are included in Intragovernmental Other Liabilities.

Accrued FECA Liability: The Federal Employees Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the U.S. Department of Labor (Labor), which pays valid claims against the Department and subsequently seeks reimbursement from the Department for these paid claims. Accrued FECA Liability, included in Intragovernmental Other Liabilities, represents amounts due to Labor for claims paid on behalf of the Department.

NOAA Corps Employee Retirement Benefits: These liabilities are recorded at the actuarial present value of projected benefits, calculated annually as of September 30. The actuarial cost method used to determine these liabilities is the aggregate entry age normal method. Under this method, the actuarial present value of projected benefits is allocated on a level basis over the earnings or the service of the group between entry age and assumed exit ages. The portion of this actuarial present value allocated to the valuation year is called the normal cost. Actuarial gains and losses, and prior and past service cost, if any, are recognized immediately in the year they occur, without amortization. The actuarial calculations use U.S. Department of Defense Retirement Board economic assumptions (as used by the U.S. Military Retirement System) for investment earnings on Federal securities, annual basic pay increases, and annual inflation. Demographic assumptions appropriate to covered personnel are also used. For background information about these plans, see Note 1.Q, *Employee Retirement Benefits*.

Actuarial FECA Liability: Actuarial FECA Liability represents the liability for future workers' compensation (FWC) benefits, which includes the expected liability for death, disability, medical, and miscellaneous costs for approved cases. The liability is determined by Labor annually as of September 30, using a method that utilizes historical benefits payment patterns related to a specific incurred period to predict the ultimate payments related to that period. The projected annual benefit payments are discounted to present value using OMB's economic assumptions for ten-year Treasury notes and bonds. To provide more specifically for the effects of inflation on the liability for FWC benefits, wage inflation factors (Cost of Living Allowance) and medical inflation factors (Consumer Price Index - Medical) are applied to the calculation of projected future benefits. These factors are also used to adjust historical payments of benefits by the Department to current-year constant dollars.

The model's resulting projections are analyzed by Labor to ensure that the amounts are reliable. The analysis is based on two tests: (1) a comparison of the percentage change in the liability amount by agency to the percentage change in the actual payments, and (2) a comparison of the ratio of the estimated liability to the actual payment of the beginning year calculated for the current projection to the liability-payment ratio calculated for the prior projection.

Accrued Grants: The Department administers a diverse array of financial assistance programs and projects concerned with the entire spectrum of business and economic development efforts that promote activities such as: expanding U.S. exports, creating jobs, contributing to economic growth, developing innovative technologies, promoting minority entrepreneurship, protecting coastal oceans, providing weather services, managing worldwide environmental data, and using telecommunications

and information technologies to better provide public services. Disbursements of funds under the Department's grant programs are generally made when requested by grantees. These draw-down requests may be received and fulfilled before grantees make the Department's program expenditures. When the Department has disbursed funds but grant recipients do not yet report expenditures, these disbursements are recorded as advances. However, if a recipient reports program expenditures that have not been advanced by the Department as of the end of the federal fiscal year, such amounts are recorded as grants payable and grant expenses in that fiscal year.

Environmental and Disposal Liabilities: NIST operates a nuclear reactor licensed by the U.S. Nuclear Regulatory Commission, in accordance with NIST's mission of setting standards and examining new technologies. The Department currently estimates the cost of decommissioning this facility to be \$65,120. The environmental liability is being accrued on a straight-line basis over the expected life of the facility. Under current legislation, funds to cover the expense of decommissioning the facility's nuclear reactor should be requested in a separate appropriation when the decommissioning date becomes relatively certain.

The Department has incurred cleanup costs related to the costs of removing, containing, and/or disposing of hazardous waste from facilities used by NOAA. The Department has estimated its liability for environmental cleanup costs at all NOAA-used facilities, including decommissioning of ships. The largest of NOAA's environmental liabilities, amounting to \$79 million, relates to clean-up of the Pribiloff Island in Alaska, which contains waste from the Department of Defense's use during World War II. However, it does not recognize a liability for environmental cleanup costs for NOAA-used facilities that are less than \$25 per project. Where an estimate of cleanup costs includes a range of possible costs, the most likely cost is reported. Where no cost is more likely than another, the lowest estimated cost in the range is reported. The liability is reduced as progress payments are made.

Capital Lease Liabilities: Capital Leases are leases for PP&E that transfer substantially all the benefits and risks of ownership to the Department.

ITA Foreign Service Nationals' Voluntary Separation Pay: This liability, included in Other Liabilities, is based on the salaries and benefit statuses of employees in countries where governing laws require a provision for separation pay.

Liabilities Not Covered by Budgetary Resources: These are liabilities for which Congressional actions are needed before budgetary resources can be provided. The Department anticipates that liabilities not covered by budgetary resources will be funded from future budgetary resources when required. These amounts are detailed in Note 15.

Under accrual accounting, the expense for annual leave is recognized when the leave is earned. However, for most of the Department's fund accounts, appropriations are provided to pay for the leave when it is taken. As a result, budgetary resources do not cover a large portion of Accrued Annual Leave.

The Department generally receives budgetary resources for the Actuarial FECA Liability and NOAA Corps Employee Retirement Benefits Liabilities when they are needed for disbursements.

Contingent Liabilities: A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. A contingent liability is recognized when a past event or exchange transaction has occurred, and a future outflow or other sacrifice of resources is measurable and probable. A contingency is not disclosed in the Notes to the Financial Statements when any of the conditions for liability recognition are not met and when the chance of the future event or events occurring is remote. A contingency is disclosed in the Notes to the Financial Statements when any of the conditions for liability recognition are not met and the chance of the future confirming event or events occurring is more than remote but less than probable.

N *Commitments*

Commitments are preliminary actions that will ultimately result in an obligation to the Federal Government if carried through, such as purchase requisitions, estimated travel orders, or unsigned contracts/grants. Major long-term commitments are disclosed in Note 16.

O *Net Position*

Net Position is the residual difference between assets and liabilities and is comprised of Unexpended Appropriations and Cumulative Results of Operations.

Appropriations are recognized as capital when made available for apportionment by OMB. Unexpended Appropriations represent the total amount of unexpended budget authority, both obligated and unobligated. Unexpended Appropriations are reduced for Appropriations Used and adjusted for other changes in budgetary resources, such as transfers and rescissions. Cumulative Results of Operations is the net result of the Department's operations since inception.

P *Revenues and Other Financing Sources*

Appropriations Used: Most of the Department's operating funds are provided by congressional appropriations of budget authority. The Department receives appropriations on annual, multiple-year, and no-year bases. Upon expiration of an annual or multiple-year appropriation, the obligated and unobligated balances retain their fiscal year identity, and are maintained separately within an expired account. The unobligated balance can be used to make legitimate obligation adjustments, but is otherwise not available for expenditures. Annual and multiple-year appropriations are canceled at the end of the fifth year after expiration. No-year appropriations do not expire. Appropriations of budget authority are recognized as used when goods and services are received or benefits and grants are provided.

Exchange and Non-Exchange Revenue: The Department classifies revenues as either exchange revenue or non-exchange revenue. Exchange revenues are those that are derived from transactions in which both the government and the other party receive value, including processing patents and registering trademarks; sale of weather data, nautical charts, and navigation information; and other sales of goods and services. These revenues are presented on the Department's *Consolidated Statements of Net Cost* and serve to reduce the reported cost of operations borne by the taxpayer. Non-exchange revenues are derived from the government's sovereign right to demand payment, including fines for violations of fisheries and marine protection laws. Non-exchange revenues are recognized when a specifically identifiable, legally enforceable claim to resources arises, and to the extent that collection is probable and the amount is reasonably estimable. These revenues are not considered to reduce the cost of the Department's operations and are, therefore, reported on the *Consolidated Statement of Changes in Net Position*.

In certain cases, law or regulation sets the prices charged by the Department and, for program and other reasons, the Department may not receive full cost (e.g., the processing of patents and registering of trademarks, and the sale of weather data, nautical charts and navigation information). Prices set for products and services offered through the Department's working capital funds are intended to recover the full costs incurred by these activities.

Imputed Financing Sources From Costs Absorbed by Others (and Related Imputed Costs): In certain cases, operating costs of the Department are paid for by funds appropriated to other Federal entities. For example, pension benefits for most Department employees are paid for by the U.S. Office of Personnel Management (OPM) and certain legal judgments against the Department are paid from the Judgment Fund maintained by Treasury. OMB limits Imputed Costs to be recognized by Federal entities to the following: (1) employees' pension benefits; (2) health insurance, life insurance, and other benefits for retired employees; (3) other post-employment benefits for retired, terminated, and inactive employees, including severance payments, training and counseling, continued health care, and unemployment and workers' compensation under FECA; and (4) losses in litigation proceedings. The Department includes applicable Imputed Costs on the *Consolidated Statements of Net Cost*. In addition, an Imputed Financing Source is recognized on the *Consolidated Statement of Changes in Net Position*.

Transfers - In (Out): Intragovernmental transfers of budget authority (i.e., appropriated funds) or of assets without reimbursement are recorded at book value.

Q Employee Retirement Benefits

Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS): Most employees of the Department participate in either the CSRS or FERS defined-benefit pension plans. FERS went into effect on January 1, 1987. FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired prior to January 1, 1984 could elect to either join FERS and Social Security, or remain in CSRS.

The Department is not responsible for and does not report CSRS or FERS assets, accumulated plan benefits, or liabilities applicable to its employees. OPM, which administers the plans, is responsible for and reports these amounts.

For CSRS-covered employees, the Department was required in FY 2002 to make contributions to the plan equal to 8.51 percent of the employee's basic pay. Employees contributed 7 percent of basic pay. For each fiscal year, OPM calculates the U.S. Government's service cost for covered employees, which is an estimate of the amount of funds that, if accumulated annually and invested over an employee's career, would be enough to pay that employee's future benefits. Since the U.S. Government's estimated service cost exceeds contributions made by employer agencies and covered employees, this plan is not fully funded by the Department and its employees. The Department has recognized an Imputed Cost and Imputed Financing Source for the difference between the estimated service cost and the contributions made by the Department and its covered employees.

FERS contributions made by employer agencies and covered employees exceed the U.S. Government's estimated service cost. For FERS-covered employees, the Department was required in FY 2002 to make contributions of 10.7 percent of basic pay. Employees contributed 0.8 percent of basic pay. Employees participating in FERS are covered under the Federal Insurance Contributions Act (FICA), for which the Department contributes a matching amount to the Social Security Administration.

Public Law 106-346, signed by the President on October 23, 2000, rolled back the CSRS and FERS withholdings rate for all employees to the rates in effect before 1999. The new lower rates were effective on the first pay period beginning on or after January 1, 2001.

NOAA Corps Retirement System: Active-duty officers of the NOAA Corps are covered by the NOAA Corps Retirement System, an unfunded, pay-as-you-go, defined-benefit plan administered by the Department. Participants do not contribute to this plan. Plan benefits are based primarily on years of service and compensation. Participants as of September 30, 2002, included 243 active duty officers, 289 nondisability retiree annuitants, 22 disability retiree annuitants, and 50 surviving families. Key provisions include voluntary nondisability retirement after 20 years of active service, disability retirement, optional survivor benefits, Consumer Price Index (CPI) optional survivor benefits, and CPI adjustments for benefits.

Foreign Service Retirement and Disability System, and the Foreign Service Pension System: Foreign Commercial Officers are covered by the Foreign Service Retirement and Disability System, and the Foreign Service Pension System. The ITA makes contributions to the systems based on a percentage of an employee's pay. Both systems are multi-employer plans administered by the Department of State. The Department is not responsible for and does not report plan assets, accumulated plan benefits, or liabilities applicable to its employees. The Department of State, which administers the plan, is responsible for and reports these amounts.

Thrift Savings Plan (TSP): Employees covered by CSRS and FERS are eligible to contribute to the U.S. Government's TSP, administered by the Federal Retirement Thrift Investment Board. A TSP account is automatically established for FERS-covered employees, and the Department makes a mandatory contribution of one percent of basic pay. FERS-covered employees are entitled to contribute up to 12 percent of basic pay to their TSP account, with the Department making matching contributions up to four percent of basic pay. Employees covered by CSRS are entitled to contribute up to seven percent of basic pay to their TSP account. The Department makes no matching contributions for CSRS-covered employees.

Federal Employees Health Benefit (FEHB) Program: Most Department employees are enrolled in the FEHB Program, which provides post-retirement health benefits. OPM administers this program and is responsible for the reporting of liabilities. Employer agencies and covered employees are not required to make any contributions for post-retirement health benefits. OPM calculates the U.S. Government's service cost for covered employees each fiscal year. The Department has recognized the entire service cost of these post-retirement benefits for covered employees as an Imputed Cost and Imputed Financing Source.

NOAA Corps Health Benefits: Active-duty officers of the NOAA Corps are covered by the health benefits program for the NOAA Corps, which provides post-retirement health benefits. This is an unfunded, pay-as-you-go plan administered by the Department. Participants do not make any contributions to this plan.

Federal Employees Group Life Insurance (FGLI) Program: Most Department employees are entitled to participate in the FGLI Program. Participating employees can obtain basic term life insurance, with the employee paying two-thirds of the cost and the Department paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. OPM administers this program and is responsible for the reporting of liabilities. For each fiscal year, OPM calculates the U.S. Government's service cost for the post-retirement portion of basic life coverage. Because the Department's contributions to the basic life coverage are fully allocated by OPM to the pre-retirement portion of coverage, the Department has recognized the entire service cost of the post-retirement portion of basic life coverage as an Imputed Cost and Imputed Financing Source.

R Use of Estimates

The preparation of financial statements requires the Department to make estimates and assumptions that affect these financial statements. Actual results may differ from those estimates.

S Tax Status

The Department is not subject to federal, state, or local income taxes. Accordingly, no provision for income taxes is recorded.

NOTE 2. Fund Balance with Treasury

Fund Balance with Treasury, by type, is as follows:

	<u>FY 2002</u>	<u>FY 2001</u>
General Funds	\$ 5,577,135	\$ 5,396,849
Revolving Funds	388,287	339,606
Special Fund (Patent and Trademark Surcharge Fund)	233,529	233,529
Other Special Funds	38,097	22,275
Deposit Funds	68,896	57,811
Trust Funds	3,049	5,867
Other Fund Types	4,891	5,829
Total	<u>\$ 6,313,884</u>	<u>\$ 6,061,766</u>

Status of Fund Balance with Treasury is as follows:

	<u>FY 2002</u>
Unobligated Balance:	
Available	\$ 1,463,199
Unavailable	389,308
Obligated Balance not yet Disbursed	4,461,377
Total	<u>\$ 6,313,884</u>

The Department's Deposit Funds are not available to finance operating activities. See Note 18, *Combined Statement of Budgetary Resources*, for legal arrangements affecting the Department's use of Fund Balance with Treasury for FY 2002.

NOTE 3. Accounts Receivable, Net

	<u>FY 2002</u>		
	<u>Accounts Receivable, Gross</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Accounts Receivable, Net</u>
Intragovernmental	<u>\$ 54,487</u>		<u>\$ 54,487</u>
With the Public	<u>\$ 63,557</u>	<u>\$ (7,959)</u>	<u>\$ 55,598</u>
	<u>FY 2001</u>		
	<u>Accounts Receivable, Gross</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Accounts Receivable, Net</u>
Intragovernmental	<u>\$ 98,490</u>		<u>\$ 98,490</u>
With the Public	<u>\$ 62,254</u>	<u>\$ (6,311)</u>	<u>\$ 55,943</u>

NOTE 4. Cash

	<u>FY 2002</u>	<u>FY 2001</u>
Cash Not Yet Deposited to Treasury	\$ 9,367	\$ 11,537
Imprest Funds	422	756
Other Cash	713	1,239
Total	<u>\$ 10,502</u>	<u>\$ 13,532</u>

Cash not yet Deposited to Treasury represents patent and trademark fees that were not processed as of September 30, due to the lag time between receipt and initial review. Certain bureaus maintain imprest funds for operational necessity, such as law enforcement activities and environments that do not permit the use of electronic payments. Other Cash represents monies obtained through the foreclosure of a direct loan held in a trust account.

NOTE 5. Loans Receivable and Related Foreclosed Property, Net

The Department operates the following direct loan and loan guarantee programs:

Direct Loans:

NOAA	Fisheries Finance Direct Loans
NOAA	Coastal Energy Impact Program (CEIP)
NOAA	Fisheries Loan Fund (FLF)
NOAA	Fisheries Finance Individual Fishing Quota (IFQ) Loans
NOAA	Bering Sea Pollock Fishery Buyout
EDA	Community Development Loans
NOAA	Crab Buyback Loan
NOAA	Groundfish Buyback Loan
EDA	Economic Development Revolving Fund
EDA	Drought Loan Portfolio

Loan Guarantee Programs:

NOAA	Fishing Vessel Obligation Guarantee Program (FVOG Program)
EDA	Economic Development Revolving Fund
ELGP-Oil/Gas	Emergency Oil and Gas Loan Guarantee Program

The net assets for the Department's loan programs consist of:

	<u>FY 2002</u>	<u>FY 2001</u>
Direct Loans Obligated Prior to FY 1992	\$ 75,767	\$ 105,556
Direct Loans Obligated After FY 1991	159,872	168,073
Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees	8,551	8,939
Defaulted Guaranteed Loans from Post-FY 1991 Guarantees	47,923	14,508
Total	<u>\$ 292,113</u>	<u>\$ 297,076</u>

Direct Loans Obligated Prior to FY 1992 consists of:

Direct Loan Program	FY 2002				
	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Direct Loans
CEIP	\$ 25,270	\$ 6,990	\$ (20,240)	\$ -	\$ 12,020
Fisheries Loan Fund Economic Development Revolving Fund	1,980	142	(2,122)	-	-
Drought Loan Portfolio	24,020	346	(276)	-	24,090
	39,541	517	(401)	-	39,657
Total	<u>\$ 90,811</u>	<u>\$ 7,995</u>	<u>\$ (23,039)</u>	<u>\$ -</u>	<u>\$ 75,767</u>

Direct Loan Program	FY 2001				
	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Direct Loans
CEIP	\$ 50,475	\$ 7,905	\$ (24,143)	\$ 313	\$ 34,550
Fisheries Loan Fund Economic Development Revolving Fund	2,790	237	(3,027)	-	-
Drought Loan Portfolio	29,091	455	(855)	-	28,691
	42,207	535	(427)	-	42,315
Total	<u>\$ 124,563</u>	<u>\$ 9,132</u>	<u>\$ (28,452)</u>	<u>\$ 313</u>	<u>\$ 105,556</u>

Direct Loans Obligated After FY 1991 consist of:

Note 5c				
FY 2002				
<u>Direct Loan Program</u>	<u>Loans Receivable, Gross</u>	<u>Interest Receivable</u>	<u>Allowance for Subsidy Cost (Present Value)</u>	<u>Value of Assets Related to Direct Loans</u>
Bering Sea Pollock Fishery Buyout	\$ 69,783	\$ -	\$ 12,671	\$ 82,454
Fisheries Finance Direct Loans	55,796	739	4,396	60,931
Fisheries Finance IFQ Loans	<u>13,460</u>	<u>120</u>	<u>2,907</u>	<u>16,487</u>
Total	<u>\$ 139,039</u>	<u>\$ 859</u>	<u>\$ 19,974</u>	<u>\$ 159,872</u>

FY 2001				
<u>Direct Loan Program</u>	<u>Loans Receivable, Gross</u>	<u>Interest Receivable</u>	<u>Allowance for Subsidy Cost (Present Value)</u>	<u>Value of Assets Related to Direct Loans</u>
Bering Sea Pollock Fishery Buyout	\$ 71,860	\$ 70	\$ 10,941	\$ 82,871
Fisheries Finance Direct Loans	65,675	677	6,691	73,043
Fisheries Finance IFQ Loans	<u>10,532</u>	<u>110</u>	<u>1,517</u>	<u>12,159</u>

Total Amount of Direct Loans Disbursed (Post-FY 1991):

<u>Direct Loan Program</u>	<u>FY 2002</u>	<u>FY 2001</u>
Fisheries Finance Direct Loans	\$ 9,619	\$ 22,773
Fisheries Finance IFQ Loans	<u>3,764</u>	<u>3,793</u>
Total	<u>\$ 13,383</u>	<u>\$ 26,566</u>

Subsidy Expense for Direct Loans by Program and Component:

Subsidy Expense for New Direct Loans Disbursed:

FY 2002				
<u>Direct Loan Program</u>	<u>Interest Rate Differential</u>	<u>Defaults</u>	<u>Fees and Other Collections</u>	<u>Total</u>
Fisheries Finance Direct Loans	\$ (800)	\$ 954	\$ (141)	\$ 13
Fisheries Finance IFQ Loans	<u>(505)</u>	<u>571</u>	<u>(22)</u>	<u>44</u>
Total	<u>\$ (1,305)</u>	<u>\$ 1,525</u>	<u>\$ (163)</u>	<u>\$ 57</u>

FY 2001				
<u>Direct Loan Program</u>	<u>Interest Rate Differential</u>	<u>Defaults</u>	<u>Fees and Other Collections</u>	<u>Total</u>
Fisheries Finance Direct Loans	\$ (1,375)	\$ 2,883	\$ (1,280)	\$ 228
Fisheries Finance IFQ Loans	<u>(49)</u>	<u>391</u>	<u>(266)</u>	<u>76</u>
Total	<u>\$ (1,424)</u>	<u>\$ 3,274</u>	<u>\$ (1,546)</u>	<u>\$ 304</u>

Modifications and Reestimates:

FY 2002				
<u>Direct Loan Program</u>	<u>Total Modifications</u>	<u>Interest Rate Reestimates</u>	<u>Technical Reestimates</u>	<u>Total Reestimates</u>
Bering Sea Pollock Fishery Buyout	\$ -	\$ -	\$ (3,582)	\$ (3,582)
Fisheries Finance Direct Loans	-	(26)	1,451	1,425
Fisheries Finance IFQ Loans	<u>-</u>	<u>(82)</u>	<u>(1,510)</u>	<u>(1,592)</u>
Total	<u>\$ -</u>	<u>\$ (108)</u>	<u>\$ (3,641)</u>	<u>\$ (3,749)</u>

FY 2001				
<u>Direct Loan Program</u>	<u>Total Modifications</u>	<u>Interest Rate Reestimates</u>	<u>Technical Reestimates</u>	<u>Total Reestimates</u>
Bering Sea Pollock Fishery Buyout	\$ -	\$ -	\$ (4,240)	\$ (4,240)
Fisheries Finance Direct Loans	-	(168)	(3,917)	(4,085)
Fisheries Finance IFQ Loans	<u>-</u>	<u>(50)</u>	<u>(916)</u>	<u>(966)</u>
Total	<u>\$ -</u>	<u>\$ (218)</u>	<u>\$ (9,073)</u>	<u>\$ (9,291)</u>

Total Direct Loan Subsidy Expense:

<u>Direct Loan Program</u>	<u>FY 2002</u>	<u>FY 2001</u>
Bering Sea Pollock Fishery Buyout	\$ (3,582)	\$ (4,240)
Fisheries Finance Direct Loans	1,438	(3,857)
Fisheries Finance IFQ Loans	<u>(1,548)</u>	<u>(890)</u>
Total	<u>\$ (3,692)</u>	<u>\$ (8,987)</u>

Subsidy Rates for Direct Loans by Program and Component:

Budget Subsidy Rates for the Current Year's Cohort:

<u>Direct Loan Program</u>	<u>FY 2002</u>			
	<u>Interest Differential</u>	<u>Defaults</u>	<u>Fees and Other Collections</u>	<u>Total</u>
Fisheries Finance Direct Loans	(17.51)%	2.35%	(0.50)%	(15.66)%
Fisheries Finance IFQ Loans	(17.52)%	18.28%	(0.50)%	0.26%

<u>Direct Loan Program</u>	<u>FY 2001</u>			
	<u>Interest Differential</u>	<u>Defaults</u>	<u>Fees and Other Collections</u>	<u>Total</u>
Fisheries Finance Direct Loans	(8.74)%	10.03%	(0.29)%	1.00%
Fisheries Finance IFQ Loans	(11.09)%	13.46%	(0.37)%	2.00%

Schedule for Reconciling Subsidy Cost Allowance Balances (Post-FY 1991 Direct Loans):

	<u>FY 2002</u>	<u>FY 2001</u>
Beginning balance of the subsidy cost allowance	\$ 19,149	\$ 6,134
Add subsidy expense for direct loans disbursed during the reporting years by component:		
Interest rate differential costs	1,305	1,424
Default costs (net of recoveries)	(1,525)	(3,274)
Fees and other collections	163	1,546
Total of the above subsidy expense components	<u>(57)</u>	<u>(304)</u>
Adjustments:		
Fees received	(71)	(125)
Subsidy allowance amortization	<u>(2,796)</u>	<u>4,153</u>
Ending balance of the subsidy cost allowance before reestimates	16,225	9,858
Add or subtract subsidy reestimates by component:		
Interest rate reestimate	108	218
Technical/default reestimate	<u>3,641</u>	<u>9,073</u>
Total of the above reestimate components	<u>3,749</u>	<u>9,291</u>
Ending balance of the subsidy cost allowance	<u>\$ 19,974</u>	<u>\$ 19,149</u>

Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees:

	<u>FY 2002</u>				
<u>Loan Guarantee Program</u>	<u>Defaulted Guaranteed Loans Receivable, Gross</u>	<u>Interest Receivable</u>	<u>Foreclosed Property</u>	<u>Allowance for Loan Losses</u>	<u>Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net</u>
FVOG Program	\$ 32,792	\$ 1,119	\$ -	\$ (29,615)	\$ 4,296
Economic Development Revolving Fund	<u>4,648</u>	<u>23</u>	<u>-</u>	<u>(416)</u>	<u>4,255</u>
Total	<u>\$ 37,440</u>	<u>\$ 1,142</u>	<u>\$ -</u>	<u>\$ (30,031)</u>	<u>\$ 8,551</u>

	<u>FY 2001</u>				
<u>Loan Guarantee Program</u>	<u>Defaulted Guaranteed Loans Receivable, Gross</u>	<u>Interest Receivable</u>	<u>Foreclosed Property</u>	<u>Allowance for Loan Losses</u>	<u>Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net</u>
FVOG Program	\$ 33,417	\$ 116	\$ -	\$ (28,849)	\$ 4,684
Economic Development Revolving Fund	<u>4,659</u>	<u>138</u>	<u>-</u>	<u>(542)</u>	<u>4,255</u>
Total	<u>\$ 38,076</u>	<u>\$ 254</u>	<u>\$ -</u>	<u>\$ (29,391)</u>	<u>\$ 8,939</u>

Defaulted Guaranteed Loans from Post-FY 1991 Guarantees:

Loan Guarantee Program	FY 2002				
	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	\$ 12,771	\$ 18	\$ 2,956	\$ (6,561)	\$ 9,184
Emergency Steel Loan Guarantee Program	92,097	391	-	(53,749)	38,739
Total	\$ 104,868	\$ 409	\$ 2,956	\$ (60,310)	\$ 47,923

Loan Guarantee Program	FY 2001				
	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	\$ 12,848	\$ 30	\$ 3,123	\$ (1,493)	\$ 14,508

Loan Guarantees:

Guaranteed Loans Outstanding:

Outstanding non-acquired guaranteed loans as of September 30, 2002 and September 30, 2001, which are not reflected in the financial statements, are as follows:

Loan Guarantee Program	FY 2002		FY 2001	
	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
FVOG Program	\$ 68,737	\$ 68,737	\$ 91,028	\$ 91,028
Economic Development Revolving Fund	372	372	400	400
Emergency Oil and Gas Loan Guarantee Program	2,392	2,034	2,688	2,285
Emergency Steel Loan Guarantee Program	40,458	35,603	108,625	92,331
Total	\$ 111,959	\$ 106,746	\$ 202,741	\$ 186,044

New Loans Guaranteed, by year:

	<u>FY 2002</u>		<u>FY 2001</u>	
	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Loan Guarantee Program				
Emergency Oil and Gas Loan Guarantee Program	164	140	2,688	2,285
Emergency Steel Loan Guarantee Program	40,458	35,603	108,625	92,331
Total	<u>\$ 40,622</u>	<u>\$ 35,743</u>	<u>\$ 111,313</u>	<u>\$ 94,616</u>

Liability for Loan Guarantees:

	<u>FY 2002</u>	<u>FY 2001</u>
	Liabilities for Loan Guarantees for Post- FY 1991 Guarantees Present Value	Liabilities for Loan Guarantees for Post- FY 1991 Guarantees Present Value
Loan Guarantee Program		
FVOG Program	\$ 2,725	\$ 2,972
Emergency Oil and Gas Loan Guarantee Program	1,379	962
Emergency Steel Loan Guarantee Program	18,242	13,398
Total	<u>\$ 22,346</u>	<u>\$ 17,332</u>

Subsidy Expense for Loan Guarantees by Program and Component:

Subsidy Expense for New Loan Guarantees:

FY 2002				
<u>Loan Guarantee Program</u>	<u>Interest Supplements</u>	<u>Defaults</u>	<u>Fees and Other Collections</u>	<u>Total</u>
Emergency Oil and Gas Loan Guarantee Program	\$ -	\$ 638	\$ (7)	\$ 631
Emergency Steel Loan Guarantee Program	-	5,415	(211)	5,204
Total	\$ -	\$ 6,053	\$ (218)	\$ 5,835

FY 2001				
<u>Loan Guarantee Program</u>	<u>Interest Supplements</u>	<u>Defaults</u>	<u>Fees and Other Collections</u>	<u>Total</u>
Emergency Oil and Gas Loan Guarantee Program	\$ -	\$ 962	\$ (14)	\$ 948
Emergency Steel Loan Guarantee Program	-	13,398	(550)	12,848
Total	\$ -	\$ 14,360	\$ (564)	\$ 13,796

Modifications and Reestimates:

FY 2002				
<u>Loan Guarantee Program</u>	<u>Total Modifications</u>	<u>Interest Rate Reestimates</u>	<u>Technical Reestimates</u>	<u>Total Reestimates</u>
FVOG Program	\$ -	\$ -	\$ 5,076	\$ 5,076
Emergency Oil and Gas Loan Guarantee Program	\$ -	\$ (19)	\$ (201)	\$ (220)
Emergency Steel Loan Guarantee Program	-	3,025	50,151	53,176
Total	\$ -	\$ 3,006	\$ 55,026	\$ 58,032

FY 2001				
<u>Loan Guarantee Program</u>	<u>Total Modifications</u>	<u>Interest Rate Reestimates</u>	<u>Technical Reestimates</u>	<u>Total Reestimates</u>
FVOG Program	\$ -	\$ -	\$ (823)	\$ (823)

Total Loan Guarantee Subsidy Expense:

<u>Loan Guarantee Program</u>	<u>FY 2002</u>	<u>FY 2001</u>
FVOG Program	\$ 5,076	\$ (823)
Emergency Oil and Gas Loan Guarantee Program	411	948
Emergency Steel Loan Guarantee Program	58,380	12,848
Total	<u>\$ 63,867</u>	<u>\$ 12,973</u>

Subsidy Rates for Loan Guarantees by Program and Component:

Budget Subsidy Rates for Loan Guarantees for the Current Year's Cohorts:

<u>Loan Guarantee Program</u>	<u>FY 2002</u>		
	<u>Defaults</u>	<u>Fees and Other Collections</u>	<u>Total</u>
Emergency Oil and Gas Loan Guarantee Program	44.53%	(0.50)%	44.03%
Emergency Steel Loan Guarantee Program	11.56%	(0.50)%	11.06%
<u>Loan Guarantee Program</u>	<u>FY 2001</u>		
	<u>Defaults</u>	<u>Fees and Other Collections</u>	<u>Total</u>
Emergency Oil and Gas Loan Guarantee Program	33.46%	(0.50)%	32.96%
Emergency Steel Loan Guarantee Program	12.18%	(0.50)%	11.68%

Schedule for Reconciling Loan Guarantee Liability Balances (Post-FY 1991 Loan Guarantees):

	<u>FY 2002</u>	<u>FY 2001</u>
Beginning balance of the loan guarantee liability	\$17,332	\$3,726
Add: subsidy expense for guaranteed loans disbursed during the reporting years by component		
Default costs (net of recoveries)	6,053	14,360
Fees and other collections	(218)	(564)
Total of the above subsidy expense components	<u>5,835</u>	<u>13,796</u>
Adjustments:		
Fees received	343	790
Interest accumulation on the liability balance	(523)	(157)
Ending balance of the loan guarantee liability before reestimates	<u>22,987</u>	<u>18,155</u>
Add or subtract subsidy reestimates by component:		
Interest rate reestimate	(43)	-
Technical/default reestimate	(598)	(823)
Total of the above reestimate components	<u>(641)</u>	<u>(823)</u>
Ending balance of the loan guarantee liability	<u><u>\$22,346</u></u>	<u><u>\$17,332</u></u>

Administrative Expenses:

Administrative expenses in support of the Department's direct loan and loan guarantee programs consists of:

<u>Direct Loan Program</u>	<u>FY 2002</u>	<u>FY 2001</u>
Fisheries Finance Direct Loans	\$ 2,541	\$ 2,799
CEIP	294	225
Drought Loan Portfolio and Economic Development Revolving Fund	1,138	1,245
Total	<u>\$ 3,973</u>	<u>\$ 4,269</u>
<u>Loan Guarantee Program</u>	<u>FY 2002</u>	<u>FY 2001</u>
Emergency Oil and Gas Loan Guarantee Program	\$209	\$360
Emergency Steel Loan Guarantee Program	797	738
Total	<u>\$ 1,006</u>	<u>\$ 1,098</u>

NOTE 6. Inventory, Materials, and Supplies, Net

Category	Cost Flow Assumption	FY 2002	FY 2001
Inventory			
Items Held for Current Sale			
NIST Standard Reference Materials	First-in, First-out	\$ 22,837	\$ 20,887
Other	Various	2,000	1,492
Allowance for Excess, Obsolete and Unserviceable Items		(1,469)	(1,301)
Subtotal		23,368	21,078
Materials and Supplies			
Items Held for Use			
NOAA's National Logistics Support Center	Weighted Average	\$ 47,792	\$ 47,655
NOAA's National Reconditioning Center	Weighted Average	36,903	34,582
Other	Various	3,334	2,719
Allowance for Excess, Obsolete, and Unserviceable Items		(12,463)	(2,818)
Subtotal		75,566	82,138
Total		\$ 98,934	\$ 103,216

NIST's Standard Reference Materials Program provides reference materials for quality assurance of measurements. NOAA's Materials and Supplies are primarily repair parts for weather forecasting equipment.

NOTE 7. General Property, Plant, and Equipment, Net

FY 2002				
Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land and Land Improvements	30	\$ 14,891	\$ (551)	\$ 14,340
Structures, Facilities, and Leasehold Improvements	2-60	622,258	(260,085)	362,173
Satellites/Weather Systems Personal Property	3-20	3,892,595	(2,538,236)	1,354,359
Other Personal Property	3-30	1,147,056	(722,063)	424,993
Assets Under Capital Lease	3-40	66,953	(29,816)	37,137
Construction-in-Progress	N/A	2,350,731	-	2,350,731
Total		\$ 8,094,484	\$ (3,550,751)	\$ 4,543,733

Restated FY 2001				
Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land and Land Improvements	30	\$ 13,616	\$ (482)	\$ 13,134
Structures, Facilities, and Leasehold Improvements	2-60	563,787	(243,299)	320,488
Satellites/Weather Systems Personal Property	3-20	3,540,553	(2,077,383)	1,463,170
Other Personal Property	3-30	945,881	(560,496)	385,385
Assets Under Capital Lease	3-40	79,061	(32,080)	46,981
Construction-in-Progress	N/A	2,082,842	-	2,082,842
Total		\$ 7,225,740	\$ (2,913,740)	\$ 4,312,000

Land Improvements consist of a bulkhead that has a useful life of 30 years.

NOTE 8. Other Assets

	<u>FY 2002</u>	<u>FY 2001</u>
With the Public		
Notes Receivable	\$ 7,258	\$ 8,554
Bibliographic Database	5,874	5,936
Other	46	97
Total	<u>13,178</u>	<u>14,587</u>

As of September 30, 2002 and 2001, there are eight and six Notes Receivable, respectively, with maturity dates ranging from July 2004 to July 2024. The balances include accrued interest. These Notes Receivable are considered fully collectible as of September 30, 2002 and 97% collectible as of September 30, 2001. The bibliographic database relates to NTIS' scientific and technical information used to prepare products and services for sale. The database is stated at capitalized costs of \$41,315 and \$38,772, less accumulated amortization of \$35,441 and \$32,836, for September 30, 2002, and 2001, respectively.

NOTE 9. Non-Entity Assets

The assets that are not available for use in the Department's operations are summarized below:

	<u>FY 2002</u>	<u>FY 2001</u>
Intragovernmental:		
Fund Balance with Treasury	\$ 92,474	\$ 90,273
Total Intragovernmental	92,474	90,273
With the Public:		
Cash	376	152
Accounts Receivable, Net	761	509
Loans Receivable and Related Foreclosed Property, Net- Drought Loan Portfolio	39,657	42,315
Total	<u>\$ 133,268</u>	<u>\$ 133,249</u>

NOTE 10. Debt to Treasury

Loan Program	FY 2002		
	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	\$ 182,260	\$ (11,886)	\$ 170,374
Loan Guarantee Program			
FVOG Program	13,673	(733)	12,940
Emergency Steel Loan Guarantee Program	-	79,199	79,199
Total	\$ 195,933	\$ 66,580	\$ 262,513

Maturity dates range from September 2005 to September 2029 and interest rates range from 5.36% to 7.26%.

Loan Program	FY 2001		
	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	\$ 145,293	\$ 36,967	\$ 182,260
Loan Guarantee Program			
FVOG Program	10,291	3,382	13,673
Total	\$ 155,584	\$ 40,349	\$ 195,933

Maturity dates range from September 2002 to September 2029 and interest rates range from 5.36% to 7.26%.

NOTE 11. Other Liabilities

	FY 2002			FY 2001
	Current Portion	Non-Current Portion	Total	Total
Intragovernmental				
Accrued FECA Liability	\$ 30,090	\$ 6,637	\$ 36,727	\$ 37,115
Accrued Benefits	10,914	-	10,914	31,108
Custodial Activity	994	-	994	665
Other	7,019	822	7,841	7,818
Total	<u>\$ 49,017</u>	<u>\$ 7,459</u>	<u>\$ 56,476</u>	<u>\$ 76,706</u>
With the Public				
ITA Foreign Service Nationals' Voluntary Separation Pay	\$ -	\$ 7,174	\$ 7,174	\$ 7,847
Liabilities for Loan Guarantees	-	22,346	22,346	17,332
Contingent Liabilities	2,000	-	2,000	7,095
Employment Related	2,166	-	2,166	2,104
Other	6,564	-	6,564	4,578
Total	<u>\$ 10,730</u>	<u>\$ 29,520</u>	<u>\$ 40,250</u>	<u>\$ 38,956</u>

For FY 2002, the Current Portion represents liabilities expected to be paid by September 30, 2003, while the Non-Current portion represents liabilities expected to be paid after September 30, 2003.

NOTE 12. Actuarial FECA Liability and NOAA Corps Employee Retirement Benefits Liabilities

These liabilities consist of:

	<u>FY 2002</u>	<u>FY 2001</u>
Actuarial FECA Liability	\$ 190,687	\$ 223,716
NOAA Corps Retirement System Liability	316,195	301,100
NOAA Corps Post-Retirement Health Benefits Liabilities	136,577	110,200
Total	<u>\$ 643,459</u>	<u>\$ 635,016</u>

Actuarial FECA Liability:

For discounting projected annual future benefit payments to present value, the interest rate assumptions used by the U.S. Department of Labor are as follows:

	<u>FY 2002</u>	<u>FY 2001</u>
Year 1 and Thereafter	5.20%	5.21%

The wage inflation factors (Cost of Living Allowance) and medical inflation factors (Consumer Price Index - Medical) applied to the calculation of projected future benefits, and also used to adjust the methodology's historical payments to current year constant dollars, are as follows:

<u>FY 2002</u>		
<u>Fiscal Year</u>	<u>Cost-of-Living Allowance</u>	<u>Consumer Price Index - Medical</u>
2003	1.80%	4.31%
2004	2.67%	4.01%
2005	2.40%	4.01%
2006 and Thereafter	2.40%	4.01%

<u>FY 2001</u>		
<u>Fiscal Year</u>	<u>Cost-of-Living Allowance</u>	<u>Consumer Price Index - Medical</u>
2002	3.33%	4.44%
2003	3.00%	4.15%
2004	2.56%	4.09%
2005 and Thereafter	2.50%	4.09%

NOAA Corps Retirement System Liability: This liability represents the unfunded actuarial present value of projected plan benefits. The actuarial calculations used the following U.S. Department of Defense Retirement Board economic assumptions:

	<u>FY 2002</u>	<u>FY 2001</u>
Investment Earnings on Federal Securities	6.25%	6.25%
Annual Basic Pay Increases	3.50%	3.50%
Annual Inflation	3.00%	3.00%

The related pension costs included in the *Consolidated Statements of Net Cost*, are as follows:

	<u>FY 2002</u>	<u>FY 2001</u>
Normal Cost	\$ 4,250	\$ 4,000
Interest on the Unfunded Liability	18,380	17,920
Actuarial (Gains) Losses	6,400	1,260
Total Pension Cost	<u>\$ 29,030</u>	<u>\$ 23,180</u>

NOAA Corps Post-Retirement Health Benefits Liability: This liability represents the unfunded actuarial present value of projected post-retirement plan benefits. The actuarial calculations used the same U.S. Department of Defense Retirement Board economic assumptions as used for the NOAA Corps Retirement System actuarial calculations. The claims costs used to derive the post-retirement liabilities were taken from the analysis of the U.S. Military's Projected Retiree Medical Liabilities report for FY 2002 and FY 2001.

The related post-retirement health benefits costs included in the *Consolidated Statements of Net Cost* are as follows:

	<u>FY 2002</u>	<u>FY 2001</u>
Normal Cost	\$ 2,757	\$ 4,310
Interest on the Unfunded Liability	7,575	2,740
Actuarial (Gains) Losses	6,235	(6,760)
(Gains) Losses due to Changes in Medical Inflation	12,200	8,000
Total Post-Retirement Health Benefits Costs	<u>\$ 28,767</u>	<u>\$ 8,290</u>

NOTE 13. Environmental and Disposal Liabilities

	<u>FY 2002</u>	<u>FY 2001</u>
Nuclear Reactor	\$ 39,537	\$ 23,949
Pribiloff Island Cleanup	78,690	52,507
Other	2,962	2,854
Total	<u>\$ 121,189</u>	<u>\$ 79,310</u>

NOTE 14. Leases

Capital Leases

Assets under capital leases are as follows:

	<u>FY 2002</u>	<u>FY 2001</u>
Structure, Facilities, and Leasehold Improvements	\$ 47,152	\$ 46,731
Equipment	19,801	32,330
Less: Accumulated Amortization	(29,816)	(32,080)
Net Assets Under Capital Leases	<u>\$ 37,137</u>	<u>\$ 46,981</u>

Capital Lease Liabilities are primarily related to NIST and NOAA. In 1996, NIST entered into a capital lease for an office building in Gaithersburg, Maryland. NOAA has real property capital leases covering both land and buildings. The majority of leases are for buildings for weather forecasting offices, but they are also for radar system sites, river forecasting centers, and National Weather Service enforcement centers. NOAA's real property capital leases have an average life of 20 years.

Capital Lease Liabilities

Future payments due under capital leases are as follows:

FY 2002			
Fiscal Year	PP&E Category		Total
	Real Property	Personal Property	
2003	\$ 6,972	\$ 8,727	\$ 15,699
2004	6,473	3,150	9,623
2005	6,487	1,999	8,486
2006	3,782	1,996	5,778
2007	2,894	1,815	4,709
Thereafter	29,171	3,745	32,916
Total Future Lease Payments	55,779	21,432	77,211
Less: Imputed Interest	(24,701)	(537)	(25,238)
Less: Executory Cost	(6,557)	(12,751)	(19,308)
Net Capital Lease Liabilities	\$ 24,521	\$ 8,144	\$ 32,665

FY 2001			
Fiscal Year	PP&E Category		Total
	Real Property	Personal Property	
2002	\$ 7,029	\$ 10,807	\$ 17,836
2003	6,940	6,800	13,740
2004	6,444	2,067	8,511
2005	6,458	1,847	8,305
2006	3,755	1,876	5,631
Thereafter	31,874	6,142	38,016
Total Future Lease Payments	62,500	29,539	92,039
Less: Imputed Interest	(26,818)	(835)	(27,653)
Less: Executory Cost	(7,180)	(13,769)	(20,949)
Net Capital Lease Liabilities	\$ 28,502	\$ 14,935	\$ 43,437

Operating Leases

Most of the Department’s facilities are rented from the General Services Administration (GSA), which charges rent that is intended to approximate commercial rental rates. For Federal-owned property rented from GSA, the Department generally does not execute an agreement with GSA; the Department, however, is normally required to give 120 to 180 days notice to vacate. For non-Federal owned property rented from GSA, an occupancy agreement is generally executed, and the Department may normally cancel these agreements with 120 days notice.

The aggregate of (1) the Department’s future payments due under noncancellable operating leases; and (2) the Department’s estimated real property rent payments to GSA for FY 2003 through FY 2007 are as follows:

FY 2002				
<u>PP&E Category</u>				
<u>Fiscal Year</u>	<u>GSA Real Property</u>	<u>Non-GSA Real Property</u>	<u>Personal Property</u>	<u>Total</u>
2003	\$ 205,579	\$ 14,012	\$ 10,401	\$ 229,992
2004	260,846	10,940	-	271,786
2005	229,455	8,341	-	237,796
2006	219,212	6,845	-	226,057
2007	240,659	4,902	-	245,561
Thereafter	-	43,409	-	43,409
Total Future Lease Payments	\$ 1,155,751	\$ 88,449	\$ 10,401	\$ 1,254,601

NOTE 15. Liabilities Not Covered by Budgetary Resources

	<u>FY 2002</u>	<u>FY 2001</u>
Intragovernmental:		
Accrued FECA Liability	\$ 33,087	\$ 34,002
Other	10,185	6,455
Total Intragovernmental	<u>43,272</u>	<u>40,457</u>
Accrued Payroll	21,447	6,576
Accrued Annual Leave	167,998	155,769
Actuarial FECA Liability and NOAA Corps Employee Retirement Benefits Liabilities	643,459	635,016
Environmental and Disposal Liabilities	115,299	70,978
Contingent Liabilities	2,000	7,095
Capital Lease Liabilities	27,947	31,998
Unearned Revenue	458,889	364,268
ITA Foreign Service Nationals' Voluntary Separation Pay	7,174	7,847
Other	<u>2,153</u>	<u>1,922</u>
Total	<u>\$ 1,489,638</u>	<u>\$ 1,321,926</u>

Due to the unique funding structure of USPTO, the Unearned Revenue as of September 30 reported above is the portion of USPTO's unearned patent and trademark fees that are considered not covered by budgetary resources.

NOTE 16. Commitments and Contingencies

Commitments:

The Department has entered into long-term contracts for the purchase, construction, and modernization of environmental satellites and weather measuring and monitoring systems. A summary of major long-term commitments is shown below.

Major Long-Term Commitments (In Millions):

Description	FY 2002							Total
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	Thereafter		
Geostationary Operational Environmental Satellites	\$ 227	\$ 296	\$ 327	\$ 274	\$ 255	\$ 2,341	\$ 3,720	
Polar Operational Environmental Satellites	359	419	361	374	393	1,422	3,328	
Other Weather Service	55	56	54	35	26	104	330	
Total	\$ 641	\$ 771	\$ 742	\$ 683	\$ 674	\$ 3,867	\$ 7,378	

Contingencies:

The Department is party in various administrative proceedings, legal actions, environmental suits, and claims brought against it. In the opinion of the Department’s management and legal counsel, the ultimate resolution of these proceedings, actions, and claims will not materially affect the financial position or net costs of the Department.

The Department and other federal agencies are subject to liabilities for a variety of environmental cleanup costs, many of which are associated with the Second World War, at various sites within the U. S. The exact amount of these claims against the U.S. Government is unknown, but may exceed \$3,293 million as of September 30, 2002. It is not possible to speculate as to a range of loss for these claims. In the absence of a settlement agreement, decree, or judgment, there is neither an allocation of response costs between the U.S. Government and other potentially responsible parties, nor is there an attribution of such costs to or among the federal agencies implicated in the litigation. Although the Department has been implicated as a responsible party, the U.S. Department of Justice was unable to provide an amount that is attributable to the Department.

The Department and other federal agencies are party to other suits, with claim amounts that may exceed \$1,256 million as of September 30, 2002. In addition, there are other suits with no claim amounts. For all of these suits, it is reasonably possible that an adverse outcome will result. However, it is not possible to speculate as to a range of loss. Of these claims, most will be funded by Treasury’s Judgment Fund, if any amounts are ultimately due.

The Department is subject to suits where adverse outcomes are probable and claims are approximately \$21 million and \$10 million as of September 30, 2002 and 2001, respectively. The range of loss for these suits is between \$2 million and \$21 million as of September 30, 2002, and between \$7 million and \$10 million as of September 30, 2001. Accordingly, \$2 million and \$7 million were accrued on the Consolidated Balance Sheets as of September 30, 2002 and 2001, respectively. For a majority of these cases, any settlements will be paid out of Treasury’s Judgment Fund. Once the claims are settled or court judgments are assessed against the Department, the liability will be removed from the financial statements and an imputed financing source (representing the amount to be paid by Treasury’s Judgment Fund) will be recognized.

During FY 2002, a multi-agency case was settled for \$115 million to be paid from Treasury's Judgment Fund. The Department was unable to obtain an allocation of the settlement amount; therefore, the amount is not included in these financial statements.

Guaranteed Loan Contingencies:

Fishing Vessels Obligation Guarantee Program: This loan guarantee program has outstanding non-acquired guaranteed loans (fully guaranteed by the Department) as of September 30, 2002 and 2001, with outstanding principal balances totaling \$68,737 and \$91,028, respectively. A liability for loan guarantees of \$2,725 and \$2,972 is recorded for the outstanding guarantees at September 30, 2002 and 2001, respectively.

Economic Development Revolving Fund: This loan guarantee and direct loan program has one outstanding non-acquired guaranteed loan (fully guaranteed by the Department) with an outstanding principal balance totaling \$372 and \$400 at September 30, 2002 and 2001, respectively. This loan guarantee has been terminated for noncompliance with the terms of the guarantee. The estimated range of liability for this guarantee is between \$0 and \$372 for September 30, 2002, and \$0 and \$400 for September 30, 2001, depending on the outcome of negotiations or court action or on the passage of time, until the statute of limitations runs out.

Emergency Steel Loan Guarantee Program: This program has one outstanding non-acquired guaranteed loan as of September 30, 2002 and 2001, respectively, with an outstanding principal balance of \$40,458 and \$108,625 as of September 30, 2002 and 2001, respectively. The Department's guarantee percentages range from 85 percent to 95 percent on the loan guarantee outstanding as of September 30, 2002, and was 85 percent guaranteed as of September 30, 2001. The borrower on the loan guarantee defaulted during FY 2002. Funds were borrowed from Treasury and will be repaid out of subsequent collections on loan collateral, and, if required, by funding from permanent indefinite appropriations authority authorized by the Federal Credit Reform Act. A liability for loan guarantees of \$18,813 and \$13,398 is recorded for the outstanding guarantee at September 30, 2002 and 2001, respectively.

Emergency Oil and Gas Loan Guarantee Program: This program has three outstanding non-acquired guaranteed loans as of September 30, 2002 and 2001, with outstanding principal balances totaling \$2,392 and \$2,688 as of September 30, 2002 and 2001, respectively. The Department's guarantee percentage is 85 percent for these guaranteed loans. A liability for loan guarantees of \$1,600 and \$962 is recorded for the outstanding guarantees at September 30, 2002 and 2001, respectively.

NOTE 17. Consolidated Statement of Net Cost

FY 2002 Consolidating Statement of Net Cost:

	NOAA	USPTO	ESA	TA	Other Bureaus	Departmental Management	Combining Totals	Intra-Departmental Eliminations	Consolidating Totals
COSTS:									
Strategic Goal 1: Provide the Information and the Framework to Enable the Economy to Operate Efficiently and Equitably									
Intragovernmental Gross Costs	\$ -	\$ -	\$ 279,738	\$ -	\$ 175,842	\$ 59,487	\$ 515,067	\$ (65,466)	\$ 449,601
Gross Costs with the Public	-	-	683,593	-	799,801	38,989	1,522,383	-	1,522,383
Total Gross Costs	-	-	963,331	-	975,643	98,476	2,037,450	(65,466)	1,971,984
Intragovernmental Earned Revenue	-	-	(197,218)	-	(35,182)	(72,621)	(305,021)	65,466	(239,555)
Earned Revenue From the Public	-	-	(24,604)	-	(12,244)	(25)	(36,873)	-	(36,873)
Total Earned Revenues	-	-	(221,822)	-	(47,426)	(72,646)	(341,894)	65,466	(276,428)
Net Program Costs	-	-	741,509	-	928,217	25,830	1,695,556	-	1,695,556
Strategic Goal 2: Provide Infrastructure for Innovation to Enhance American Competitiveness									
Intragovernmental Gross Costs	-	231,153	-	94,837	4,633	59,485	390,108	(72,050)	318,058
Gross Costs with the Public	-	930,970	-	660,648	27,175	38,990	1,657,783	-	1,657,783
Total Gross Costs	-	1,162,123	-	755,485	31,808	98,475	2,047,891	(72,050)	1,975,841
Intragovernmental Earned Revenue	-	(5,496)	-	(109,586)	(43)	(72,620)	(187,745)	72,050	(115,695)
Earned Revenue From the Public	-	(1,053,892)	-	(45,385)	-	(25)	(1,099,302)	-	(1,099,302)
Total Earned Revenues	-	(1,059,388)	-	(154,971)	(43)	(72,645)	(1,287,047)	72,050	(1,214,997)
Net Program Costs	-	102,735	-	600,514	31,765	25,830	760,844	-	760,844
Strategic Goal 3: Observe and Manage the Earth's Environment to Promote Sustainable Growth									
Intragovernmental Gross Costs	491,755	-	-	-	-	59,505	551,260	(65,351)	485,909
Gross Costs with the Public	2,736,001	-	-	-	-	39,003	2,775,004	-	2,775,004
Total Gross Costs	3,227,756	-	-	-	-	98,508	3,326,264	(65,351)	3,260,913
Intragovernmental Earned Revenue	(173,744)	-	-	-	(44)	(72,643)	(246,431)	65,351	(181,080)
Earned Revenue From the Public	(47,017)	-	-	-	-	(25)	(47,042)	-	(47,042)
Total Earned Revenues	(220,761)	-	-	-	(44)	(72,668)	(293,473)	65,351	(228,122)
Net Program Costs	3,006,995	-	-	-	(44)	25,840	3,032,791	-	3,032,791
NET COST OF OPERATIONS	\$ 3,006,995	\$ 102,735	\$ 741,509	\$ 600,514	\$ 959,938	\$ 77,500	\$ 5,489,191	\$ -	\$ 5,489,191

Restated FY 2001 Consolidating Statement of Net Cost:

The segregation of earned revenues between "intragovernmental" and "with the public" is not required for FY 2001, and that breakout is not readily available.

COSTS:	NOAA	USPTO	ESA	TA	Other Bureaus	Departmental Management	Combining Totals	Intra-Departmental Eliminations	Consolidating Totals
Strategic Goal 1: Provide the Information and the Framework to Enable the Economy to Operate Efficiently and Equitably									
Intragovernmental	\$ -	\$ -	\$ 332,695	\$ -	\$ 232,849	\$ 59,911	\$ 625,455	\$ (64,018)	\$ 561,437
With the Public	-	-	990,136	-	681,845	26,363	1,698,344	-	1,698,344
Total	-	-	1,322,831	-	914,694	86,274	2,323,799	(64,018)	2,259,781
Less: Earned Revenues	-	-	(202,519)	-	(57,713)	(65,126)	(325,358)	64,018	(261,340)
Net Program Costs	-	-	1,120,312	-	856,981	21,148	1,998,441	-	1,998,441
Strategic Goal 2: Provide Infrastructure for Innovation to Enhance American Competitiveness									
Intragovernmental	-	209,305	-	96,984	-	59,911	366,200	(63,569)	302,631
With the Public	-	807,322	-	675,935	24,935	26,363	1,534,555	-	1,534,555
Total	-	1,016,627	-	772,919	24,935	86,274	1,900,755	(63,569)	1,837,186
Less: Earned Revenues	-	(1,040,258)	-	(151,376)	-	(65,126)	(1,256,760)	63,569	(1,193,191)
Net Program Costs	-	(23,631)	-	621,543	24,935	21,148	643,995	-	643,995
Strategic Goal 3: Observe and Manage the Earth's Environment to Promote Sustainable Growth									
Intragovernmental	480,927	-	-	-	-	59,929	540,856	(67,121)	473,735
With the Public	2,398,080	-	-	-	-	26,371	2,424,451	-	2,424,451
Total	2,879,007	-	-	-	-	86,300	2,965,307	(67,121)	2,898,186
Less: Earned Revenues	(236,550)	-	-	-	-	(65,146)	(301,696)	67,121	(234,575)
Net Program Costs	2,642,457	-	-	-	-	21,154	2,663,611	-	2,663,611
NET COST OF OPERATIONS	\$ 2,642,457	\$ (23,631)	\$ 1,120,312	\$ 621,543	\$ 881,916	\$ 63,450	\$ 5,306,047	\$ -	\$ 5,306,047

Gross Cost and Earned Revenue by Budget Functional Classification

FY 2002

Budget Functional Classification	Gross Costs	Earned Revenue	Net Cost
300 Natural Resources and Environment	\$ 3,188,417	\$ (197,541)	\$ 2,990,876
370 Commerce and Housing Credit	3,603,515	(1,510,027)	2,093,488
450 Community and Regional Development	384,998	(11,979)	373,019
500 Educ., Training, Empl., & Social Services	31,808	-	31,808
Total	\$ 7,208,738	\$ (1,719,547)	\$ 5,489,191

Restated FY 2001

Budget Functional Classification	Gross Costs	Earned Revenue	Net Cost
300 Natural Resources and Environment	\$ 2,855,869	\$ (209,864)	\$ 2,646,005
370 Commerce and Housing Credit	3,676,366	(1,462,085)	2,214,281
450 Community and Regional Development	405,688	(17,157)	388,531
500 Educ., Training, Empl., & Social Services	57,230	-	57,230
Total	\$ 6,995,153	\$ (1,689,106)	\$ 5,306,047

Intragovernmental Gross Cost and Earned Revenue by Budget Functional Classification

FY 2002

Budget Functional Classification	Intragovernmental Gross Costs	Intragovernmental Earned Revenue	Intragovernmental Net Cost
300 Natural Resources and Environment	\$ 469,619	\$ (162,154)	\$ 307,465
370 Commerce and Housing Credit	767,084	(364,782)	402,302
450 Community and Regional Development	12,232	(9,394)	2,838
500 Educ., Training, Empl., & Social Services	4,633	-	4,633
Total	\$ 1,253,568	\$ (536,330)	\$ 717,238

Restated FY 2001

Budget Functional Classification	Intragovernmental Gross Costs	Intragovernmental Earned Revenue	Intragovernmental Net Cost
300 Natural Resources and Environment	\$ 455,222	\$ (170,211)	\$ 285,011
370 Commerce and Housing Credit	867,638	(346,237)	521,401
450 Community and Regional Development	14,943	(14,498)	445
Total	\$ 1,337,803	\$ (530,946)	\$ 806,857

Major Programs: The following tables illustrate major programs of the Department. Other Programs refers to the other programs within each strategic goal. The "Others" column refers to the Department's entities that are not listed. The Others column data and the Other Programs data are presented solely to reconcile these tables to the Combining Totals columns on the *Consolidating Statements of Net Cost*.

FY 2002 Statement of Net Cost by Major Program (Combining Basis):

Program Costs	NOAA	Census	NIST	USPTO	Others	Combining Totals
Provide the Information and the Framework to Enable the Economy to Operate Efficiently and Equitably						
Decennial 2000						
Intragovernmental Gross Costs	\$ -	\$ 24,001	\$ -	\$ -	\$ -	\$ 24,001
Gross Costs With the Public	-	198,856	-	-	-	198,856
Total Gross Costs	-	222,857	-	-	-	222,857
Intragovernmental Earned Revenue	-	-	-	-	-	-
Earned Revenue From the Public	-	-	-	-	-	-
Total Earned Revenues	-	-	-	-	-	-
Net Program Costs	-	222,857	-	-	-	222,857
Other Programs						
Intragovernmental Gross Costs	-	227,516	-	-	263,550	491,066
Gross Costs With the Public	-	444,401	-	-	879,126	1,323,527
Total Gross Costs	-	671,917	-	-	1,142,676	1,814,593
Intragovernmental Earned Revenue	-	(195,306)	-	-	(109,715)	(305,021)
Earned Revenue From the Public	-	(19,783)	-	-	(17,090)	(36,873)
Total Earned Revenues	-	(215,089)	-	-	(126,805)	(341,894)
Net Program Costs	-	456,828	-	-	1,015,871	1,472,699
Net Program Costs for Strategic Goal 1	-	679,685	-	-	1,015,871	1,695,556
Provide Infrastructure for Innovation to Enhance American Competitiveness						
Measurement and Standards Laboratories						
Intragovernmental Gross Costs	-	-	53,222	-	-	53,222
Gross Costs With the Public	-	-	396,521	-	-	396,521
Total Gross Costs	-	-	449,743	-	-	449,743
Intragovernmental Earned Revenue	-	-	(93,012)	-	-	(93,012)
Earned Revenue From the Public	-	-	(30,870)	-	-	(30,870)
Total Earned Revenues	-	-	(123,882)	-	-	(123,882)
Net Program Costs	-	-	325,861	-	-	325,861
Patents						
Intragovernmental Gross Costs	-	-	-	203,138	-	203,138
Gross Costs With the Public	-	-	-	818,138	-	818,138
Total Gross Costs	-	-	-	1,021,276	-	1,021,276
Intragovernmental Earned Revenue	-	-	-	(5,347)	-	(5,347)
Earned Revenue From the Public	-	-	-	(903,453)	-	(903,453)
Total Earned Revenues	-	-	-	(908,800)	-	(908,800)
Net Program Costs	-	-	-	112,476	-	112,476

(Continued)

FY 2002 Statement of Net Cost by Major Program (Combining Basis) - Continued:

<u>Costs</u>	NOAA	Census	NIST	USPTO	Others	Combining Totals
Trademarks						
Intragovernmental Gross Costs	\$ -	\$ -	\$ -	\$ 28,015	\$ -	\$ 28,015
Gross Costs With the Public	-	-	-	112,832	-	112,832
Total Gross Costs	-	-	-	140,847	-	140,847
Intragovernmental Earned Revenue	-	-	-	(149)	-	(149)
Earned Revenue From the Public	-	-	-	(150,439)	-	(150,439)
Total Earned Revenues	-	-	-	(150,588)	-	(150,588)
Net Program Costs	-	-	-	(9,741)	-	(9,741)
Other Programs						
Intragovernmental Gross Costs	-	-	31,207	-	74,526	105,733
Gross Costs With the Public	-	-	232,500	-	97,792	330,292
Total Gross Costs	-	-	263,707	-	172,318	436,025
Intragovernmental Earned Revenue	-	-	-	-	(89,237)	(89,237)
Earned Revenue From the Public	-	-	-	-	(14,540)	(14,540)
Total Earned Revenues	-	-	-	-	(103,777)	(103,777)
Net Program Costs	-	-	263,707	-	68,541	332,248
Net Program Costs for Strategic Goal 2	-	-	589,568	102,735	68,541	760,844
Observe and Manage the Earth's Environment to Promote Sustainable Growth						
Advance Short Term Warning Forecast Service						
Intragovernmental Gross Costs	275,600	-	-	-	-	275,600
Gross Costs With the Public	1,505,035	-	-	-	-	1,505,035
Total Gross Costs	1,780,635	-	-	-	-	1,780,635
Intragovernmental Earned Revenue	(91,002)	-	-	-	-	(91,002)
Earned Revenue From the Public	(4,827)	-	-	-	-	(4,827)
Total Earned Revenues	(95,829)	-	-	-	-	(95,829)
Net Program Costs	1,684,806	-	-	-	-	1,684,806
Other Programs						
Intragovernmental Gross Costs	216,155	-	-	-	59,505	275,660
Gross Costs With the Public	1,230,966	-	-	-	39,003	1,269,969
Total Gross Costs	1,447,121	-	-	-	98,508	1,545,629
Intragovernmental Earned Revenue	(82,742)	-	-	-	(72,687)	(155,429)
Earned Revenue From the Public	(42,190)	-	-	-	(25)	(42,215)
Total Earned Revenues	(124,932)	-	-	-	(72,712)	(197,644)
Net Program Costs	1,322,189	-	-	-	25,796	1,347,985
Net Program Costs for Strategic Goal 3	3,006,995	-	-	-	25,796	3,032,791
NET COST OF OPERATIONS	\$3,006,995	\$ 679,685	\$ 589,568	\$ 102,735	\$1,110,208	\$5,489,191

Restated FY 2001 Statement of Net Cost by Major Program (Combining Basis):

Costs	NOAA	Census	NIST	USPTO	Others	Combining Totals
Provide the Information and the Framework to Enable the Economy to Operate Efficiently and Equitably						
<i>Decennial 2000</i>						
Intragovernmental/With the Public	\$ -	\$ 668,232	\$ -	\$ -	\$ -	\$ 668,232
Less: Earned Revenues	-	-	-	-	-	-
Net Program Costs	-	668,232	-	-	-	668,232
<i>Other Programs</i>						
Intragovernmental/With the Public	-	594,877	-	-	1,060,690	1,655,567
Less: Earned Revenues	-	(198,217)	-	-	(127,141)	(325,358)
Net Program Costs	-	396,660	-	-	933,549	1,330,209
Net Program Costs for Strategic Goal 1	-	1,064,892	-	-	933,549	1,998,441
Provide Infrastructure for Innovation to Enhance American Competitiveness						
<i>Measurement and Standards Laboratories</i>						
Intragovernmental/With the Public	-	-	441,304	-	-	441,304
Less: Earned Revenues	-	-	(116,643)	-	-	(116,643)
Net Program Costs	-	-	324,661	-	-	324,661
<i>Patents</i>						
Intragovernmental/With the Public	-	-	-	882,537	-	882,537
Less: Earned Revenues	-	-	-	(859,028)	-	(859,028)
Net Program Costs	-	-	-	23,509	-	23,509
<i>Other Programs</i>						
Intragovernmental/With the Public	-	-	288,836	134,090	153,988	576,914
Less: Earned Revenues	-	-	-	(181,230)	(99,859)	(281,089)
Net Program Costs	-	-	288,836	(47,140)	54,129	295,825
Net Program Costs for Strategic Goal 2	-	-	613,497	(23,631)	54,129	643,995
Observe and Manage the Earth's Environment to Promote Sustainable Growth						
<i>Advance Short Term Warning Forecast Service</i>						
Intragovernmental/With the Public	1,473,695	-	-	-	-	1,473,695
Less: Earned Revenues	(111,683)	-	-	-	-	(111,683)
Net Program Costs	1,362,012	-	-	-	-	1,362,012
<i>Other Programs</i>						
Intragovernmental/With the Public	1,405,312	-	-	-	86,300	1,491,612
Less: Earned Revenues	(124,867)	-	-	-	(65,146)	(190,013)
Net Program Costs	1,280,445	-	-	-	21,154	1,301,599
Net Program Costs for Strategic Goal 3	2,642,457	-	-	-	21,154	2,663,611
NET COST OF OPERATIONS	\$ 2,642,457	\$ 1,064,892	\$ 613,497	\$ (23,631)	\$ 1,008,832	\$ 5,306,047

NOTE 18. Combined Statement of Budgetary Resources

The amount of Appropriations Received on the *Combined Statement of Budgetary Resources* (SBR) reconciles to the amount reported on the *Consolidated Statement of Changes in Net Position*, as follows:

Appropriations Received per the SBR	\$ 5,813,215
Less:	
Appropriated receipts for USPTO, classified as exchange revenue	(282,300)
Other special receipts for NOAA, classified as exchange revenues	(18,916)
Donations	(928)
Total	<u>\$ 5,511,071</u>

Borrowing authority available at September 30, 2002 is \$ 221,878, which consists of \$142,678 for NOAA’s loan programs and \$79,200 for ELGP. See Note 1M. *Debt to Treasury* for debt repayment requirements, financing sources for repayment, and other terms of borrowing authority used.

Approximately 90 percent of the Department’s reporting entities have one or more permanent no-year appropriations to finance operations.

Rescissions to the Department’s appropriations under Public Laws 107-206 and 107-77, amounted to \$25,317 and \$5,200, respectively.

Legal arrangements affecting the Department’s use of Unobligated Balances of Budget Authority and/or Fund Balance with Treasury during FY 2002 include the following:

- Fund balance with Treasury includes restricted general funds of \$3,400 permanently not available as of September 30, 2002, pursuant to P.L. 102-368 and \$34 as of September 30, 2002 pursuant to P.L. 106-553.
- Credit reform regulations require all unobligated balances at year-end to be returned to Treasury. The restricted fund balance in NOAA’s Liquidating Fund includes unobligated balances of \$3,169 as of September 30, 2002. Fund balance with Treasury also includes restricted funds for unapportioned authority in NOAA’s Coastal Zone Management Fund of \$28,309 as of September 30, 2002.
- The Omnibus Budget Reconciliation Act of 1990 established revenue withholding on certain statutory patent fees collected by USPTO. Subsequent legislation extended the revenue withholding through the end of FY 1998. These withheld revenues were deposited into the Patent and Trademark Surcharge Fund, a restricted Special Fund Receipt Account at Treasury. USPTO may use monies from this account only as authorized by Congress and made available by the issuance of a Treasury warrant. At September 30, 2002, \$233,529 is held in the Patent and Trademark Surcharge Fund.
- The USPTO was appropriated \$843,701 for fees collected during FY 2002, and it collected an additional \$295,882 that was not available for spending.

The Budget of the United States Government with actual numbers for FY 2002 has not yet been published. The expected published date is February 3, 2003. A copy of the Budget can be obtained from the Office of Management and Budget Web site at <http://www.whitehouse.gov/omb>.

The line item Adjustments to Obligated Balance, Beginning of Period on the *Combined Statement of Budgetary Resources* includes an adjustment to reduce Census' Obligated Balance, Beginning of Period by \$19,634. It was discovered in FY 2002 that Census' Obligations Incurred for FY 2001 was overstated by \$19,634, causing the need for the adjustment to Obligated Balance, Beginning of Period on the Department's FY 2002 *Combined Statement of Budgetary Resources*.

Apportionment Categories of Obligations Incurred

The amounts of direct and reimbursable obligations incurred against amounts apportioned under Categories A, B and Exempt from Apportionment are as follows:

	FY 2002		
	Direct	Reimbursable	Total
Category A	\$ 2,183,881	\$ 1,988,282	\$ 4,172,163
Category B	3,895,855	189,570	4,085,425
Exempt from Apportionment	-	339,031	339,031
Total	\$ 6,079,736	\$ 2,516,883	\$ 8,596,619

NOTE 19. Consolidated Statement of Financing

The section Components Requiring or Generating Resources in Future Periods, shown on the *Consolidated Statement of Financing*, represents costs that are included in the Liabilities Not Covered by Budgetary Resources reported in Note 15. This section does not include costs incurred in prior fiscal years that are also included in Liabilities Not Covered by Budgetary Resources.

NOTE 20. Custodial Activity

NOAA receives interest, penalties, and fines primarily related to its past due Accounts Receivable, and is required to transfer the collections to Treasury. BIS receives civil monetary penalties from private entities that violate the Export Administration Act, and ITA is required to transfer certain trade fees to Treasury. For FY 2002, the Department had custodial revenue of \$8,330; of this amount, \$994 was payable to Treasury at September 30, 2002. For FY 2001, the Department had custodial revenue of \$4,932; of this amount, \$665 was payable to Treasury at September 30, 2001.

NOTE 21. Net Position - Cumulative Results of Operations

Restatements to FY 2001 Financial Statements:

In accordance with SFFAS No. 21, *Reporting Corrections of Errors and Changes in Accounting Principles*, the FY 2001 financial statements have been restated for an error discovered in FY 2002. In FY 2002, NOAA identified a construction-in-progress project relating to satellites that should have been capitalized as of September 30, 2001, causing the need for an increase in PP&E and a corresponding increase in Cumulative Results of Operations as of September 30, 2001. The following corrections are reflected in the restated FY 2001 financial statements:

Cumulative Results of Operations

Cumulative Results of Operations as of September 30, 2001, as previously presented	\$	4,028,302
Restatements:		
Increase to NOAA PP&E with a corresponding increase to Beginning Balances, Cumulative Results of Operations, as of October 1, 2000	\$	102,100
Increase to NOAA PP&E with a corresponding decrease to FY 2001 Gross Costs With the Public, Strategic Goal 3, on the FY 2001 <i>Consolidated Statement of Net Cost</i>		<u>69,300</u>
Total increase in PP&E and Cumulative Results of Operations		<u>171,400</u>
Cumulative Results of Operations as of September 30, 2001 After Restatements	\$	<u><u>4,199,702</u></u>

CONSOLIDATING BALANCE SHEET



DEPARTMENT OF COMMERCE



UNITED STATES OF AMERICA

STATES OF AMERICA

United States Department of Commerce Consolidating Balance Sheet
As of September 30, 2002 (In Thousands)

	Consolidating Totals	Intra-Departmental Eliminations	BIS	Census	DM/G&B	DM/S&E	DM/WCF	EDA	ELGP	ESA/BEA	Franchise Fund	ITA	MBDA	NIST	NOAA	NTIA	NTIS	OIG	TA	USPTO
ASSETS																				
Intragovernmental:																				
Fund Balance with Treasury	\$ 6,313,884	\$ -	\$ 21,661	\$ 419,169	\$ 551	\$ 59,344	\$ 18,920	\$ 1,106,273	\$ 133,027	\$ 12,570	\$ 1,418	\$ 129,719	\$ 14,307	\$ 769,884	\$ 2,473,209	\$ 175,098	\$ 39,140	\$ 3,435	\$ 10,029	\$ 926,130
Accounts Receivable, Net	54,487	(10,267)	841	10,014	-	7,665	520	630	-	-	724	1,842	75	7,043	34,826	247	224	-	4	99
Advances and Prepayments	39,402	(69,476)	1,320	5,093	-	1,076	2,083	284	57	765	91	2,952	235	11,816	27,120	364	219	219	140	34,844
Total Intragovernmental	6,407,773	(59,743)	23,822	434,476	551	68,085	21,523	1,107,187	133,084	13,335	2,233	134,513	14,617	788,743	2,535,155	175,709	39,583	3,654	10,173	961,073
Cash	10,502	-	-	-	-	-	-	-	-	-	-	66	-	30	1,105	-	31	-	-	9,270
Liens Receivable and Related	55,598	-	850	206	-	87	10	2,002	-	6	-	183	15	8,309	38,809	43	642	-	1	4,435
Unrecouped Property, Net	282,113	-	-	-	-	-	-	68,002	38,740	31	-	-	-	-	185,371	-	-	-	-	-
Inventory, Materials, and Supplies, Net	98,934	-	-	1,746	-	-	707	-	-	-	-	-	-	23,853	72,232	-	365	-	-	-
General Property, Plant, and Equipment, Net	4,543,733	-	389	60,897	34	50	8,314	34	-	82	187	7,232	50	522,859	3,822,542	1,401	443	29	6	119,184
Advances and Prepayments	13,907	-	4	-	-	58	-	5,514	190	(1)	-	2,428	6	813	3,292	(17)	47	-	-	1,573
Other	13,178	-	-	-	3	1	-	-	-	-	-	-	-	41	7,259	-	5,874	-	-	-
TOTAL ASSETS	\$11,435,738	\$(59,743)	\$25,065	\$497,325	\$588	\$68,281	\$30,354	\$1,182,739	\$172,014	\$13,453	\$2,420	\$144,422	\$14,688	\$1,344,648	\$6,665,705	\$177,136	\$46,985	\$3,683	\$10,180	\$1,095,535
LIABILITIES																				
Intragovernmental:																				
Accounts Payable	\$ 84,465	\$(10,267)	\$ 1,124	\$ 4,731	\$ -	\$ 380	\$ 40	\$ 1,803	\$ -	\$ 177	\$ 35	\$ 8,622	\$ 207	\$ 2,635	\$ 58,940	\$ 6,384	\$ 4,989	\$ 232	\$ 712	\$ 3,721
Debt to Treasury	262,513	-	-	-	-	-	-	39,657	79,200	-	-	-	-	-	183,313	-	-	-	-	-
Resources Payable to Treasury	54,382	-	3,309	107,895	-	-	19,180	53,362	-	218	1,024	615	178	90,000	45,739	7,142	12,551	800	4,073	3,749
Unearned Revenue	338,723	(49,476)	-	22,889	-	38,264	660	486	824	225	7	2,779	362	2,778	19,859	222	123	265	31	3,656
Other	56,476	-	1,359	-	-	481	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Intragovernmental	796,559	\$(59,743)	5,792	135,115	-	39,125	19,880	95,308	80,024	620	1,066	12,016	747	95,413	322,576	13,748	17,663	1,297	4,816	11,096
Accounts Payable	279,835	-	544	47,446	24	13,039	6,629	212	159	572	521	16,319	2,294	40,237	77,672	3,841	2,285	360	1,220	66,551
Accrued Payroll and Annual Leave	270,624	-	2,918	36,861	-	1,978	4,394	2,480	1	4,018	205	18,587	762	24,415	96,667	2,522	1,243	1,457	583	71,433
Actual FICA Liability and NOLA Corps	643,459	-	1,649	104,408	-	1,195	2,993	1,838	-	322	124	9,574	1,480	8,961	503,148	732	726	977	-	5,332
Employee Retirement Benefits Liabilities	350,209	-	-	-	-	-	-	243,856	-	-	-	9,134	1,771	43,814	33,213	18,465	-	-	-	56
Accrued Grants	121,189	-	-	-	-	-	-	-	-	-	-	-	-	39,537	81,652	-	-	-	-	-
Environmental and Disposal Liabilities	32,665	-	-	-	-	-	-	-	-	-	-	-	-	8,874	23,810	(19)	-	-	-	-
Capital Lease Liabilities	599,293	-	1	3,423	-	-	-	-	-	-	-	2,925	-	14,321	35,227	48	9,819	-	7	533,522
Unearned Revenue	40,250	-	72	2,264	-	-	-	2,051	19,621	-	-	8,636	-	152	7,687	12	-	-	(45)	-
TOTAL LIABILITIES	\$ 3,134,183	\$(59,743)	\$ 10,976	\$ 329,617	\$ 24	\$ 55,337	\$ 33,896	\$ 345,745	\$ 99,805	\$ 5,532	\$ 1,916	\$ 76,991	\$ 6,964	\$ 275,724	\$ 1,181,652	\$ 39,349	\$ 31,736	\$ 4,091	\$ 6,637	\$ 687,934
NET POSITION																				
Unexpended Appropriations	\$ 3,978,898	\$ -	\$ 17,110	\$ 285,143	\$ -	\$ 15,304	\$ -	\$ 807,600	\$ 125,447	\$ 9,313	\$ -	\$ 91,006	\$ 10,037	\$ 478,263	\$ 2,044,578	\$ 137,173	\$ -	\$ 1,946	\$ 4,009	\$ 679
Cumulative Results of Operations	4,522,357	-	(3,021)	(88,635)	564	(2,360)	(3,342)	(29,394)	(53,238)	(1,392)	504	(23,975)	(2,303)	990,061	3,433,535	614	15,249	(2,354)	(468)	408,922
TOTAL NET POSITION	\$ 8,301,555	\$ -	\$ 14,089	\$ 167,708	\$ 564	\$ 12,944	\$(3,342)	\$ 836,994	\$ 72,209	\$ 7,921	\$ 504	\$ 67,431	\$ 7,724	\$ 1,068,924	\$ 5,484,113	\$ 137,787	\$ 15,249	\$(408)	\$ 3,543	\$ 407,601
TOTAL LIABILITIES AND NET POSITION	\$11,435,738	\$(59,743)	\$25,065	\$497,325	\$588	\$68,281	\$30,354	\$1,182,739	\$172,014	\$13,453	\$2,420	\$144,422	\$14,688	\$1,344,648	\$6,665,705	\$177,136	\$46,985	\$3,683	\$10,180	\$1,095,535

See accompanying auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION



DEPARTMENT OF COMMERCE



UNITED STATES OF AMERICA

STATES OF AMERICA

Required Supplementary Information (unaudited)

(In Thousands)

A Deferred Maintenance

Deferred maintenance is maintenance that was not performed when it should have been, that was scheduled and not performed, or that was delayed for a future period. Maintenance is the act of keeping property, plant, and equipment (PP&E) in acceptable operating condition and includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it can deliver acceptable performance and achieve its expected life. Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from or significantly greater than those originally intended. The significant portions of Departmental deferred maintenance relate to the PP&E of both NOAA and NIST(see below for abbreviations). These two entities represent 96 percent of the Department's PP&E balance.

National Oceanic and Atmospheric Administration (NOAA)

NOAA uses the Condition Assessment Survey (CAS) method to identify and quantify deferred maintenance for assets meeting NOAA's \$200 thousand capitalization threshold. CAS requires a periodic inspection of real property to determine its current condition and to estimate the cost likely to be incurred by the correction of any deficiencies.

The following indicates NOAA's deferred maintenance for projects with estimated costs greater than \$50 thousand, as of September 30, 2002:

PP&E Category	Number of Projects	Amount
Buildings and Structures	32	\$13,634

While the CAS for the above facilities indicates that one or more of the building systems is in less than acceptable operating condition, NOAA has not established a facility condition code to classify the condition of individual facilities. The total deferred maintenance costs indicated could therefore vary by as much as 10 percent, or from \$12.3 million to \$15 million. There is an annual call each year to the NOAA elements requesting their submission of new projects and updates to existing unfunded projects to reflect changes in requirements or costs.

National Institute of Standards and Technology (NIST)

NIST also uses the CAS method to estimate deferred maintenance. NIST values the condition of assets using a five-point scale, with 1 representing excellent condition; 2, good condition; 3, acceptable condition; 4, poor condition; and 5, very poor condition. Assets that are assessed at 4 or 5 require repairs and maintenance to increase their value to 3, or acceptable condition. The following shows NIST’s deferred maintenance as of September 30, 2002:

PP&E Category	Asset Condition	Estimated Cost to Return to Acceptable Condition
Mechanical and Electrical Devices	4	\$418,000 to 627,000
Buildings (Internal Structures)	4	152,000 to 228,000
Buildings (External Structures)	4	38,000 to 57,000
Total		\$608,000 to 912,000

B Segment Information

Departmental Management/Working Capital Fund (DM/WCF)

DM/WCF’s mission is to provide, in the most efficient and economical manner possible, the centralized services required by the operating entities of the Department and other Federal entities. DM/WCF operates on a revolving fund basis, whereby current operating expenses charged to the customer finance the cost of goods and services. The overall financial goal of the fund is to remain at break-even position.

Services: DM/WCF provides a variety of administrative services to the Department and to other Federal entities. These include personnel-related services, financial and budget management, legal services, security, acquisition, telecommunications, and public affairs.

Major Customers: The major customers of DM/WCF are NOAA, ITA, and Census, accounting for 27.8 percent, 19.1 percent, and 18.7 percent of revenues, respectively.

Note: Information about assets, liabilities, and net position as of September 30, 2002 can be found in the Consolidating Balance Sheet, which is included as supplementary information.

DM/WCF Summary of Costs and Related Exchange Revenues by Line of Business For the Year Ended September 30, 2002					
	Personnel-Related Services	Financial Management	Legal Services	Administrative Services	Total
Full Cost of Services Provided	\$16,816	\$20,887	\$26,403	\$48,466	\$112,572
Less: Exchange Revenues	(16,142)	(20,050)	(25,344)	(46,523)	(108,059)
Excess of Costs over Exchange Revenues	\$674	\$837	\$1,059	\$1,943	\$4,513

Franchise Fund

The Department’s Franchise Fund has three major goals:

- To operate along the lines of a commercial business by becoming self-sustaining and capable of achieving full cost recovery and by becoming competitive, without subsidies, in an open-market environment
- To encourage competition and the operation of market forces in the delivery of administrative services to lower costs and to promote better service
- To create a customer-oriented workforce that is capable of providing quality services and products

Services: The Franchise Fund is composed of only one service provider, the Office of Computer Services (OCS). OCS provides information technology services to the Department and to other Federal entities, including Treasury’s Financial Management Service, the Department of Justice’s Immigration and Naturalization Service, the U.S. Customs Service, the Equal Employment Opportunity Commission, the Pension Benefit Guaranty Corporation, and the Consumer Products Safety Commission.

Major Customers: The Immigration and Naturalization Service is the major external customer for the Franchise Fund, accounting for 92.1 percent of revenue.

Franchise Fund Summary of Costs and Related Exchange Revenues by Line of Business For the Year Ended September 30, 2002	
	Computer Services
Full Cost of Services Provided	\$ 10,174
Less: Exchange Revenues	(10,249)
Excess of Costs over Exchange Revenues	\$ (75)

Note: Information about assets, liabilities, and net position as of September 30, 2002 can be found in the Consolidating Balance Sheet, which is included as supplementary information.

**United States Department of Commerce Intragovernmental Assets and Liabilities (unaudited)
As of September 30, 2002 (In Thousands)**

Intragovernmental Assets:

Trading Partner		Fund Balance with Treasury	Accounts Receivable, Net	Advances and Prepayments	Total
Name	Number				
Department of the Treasury	20	\$ 6,313,884	\$ 101	\$ 40	\$ 6,314,025
General Services Administration	47	-	213	33,354	33,567
Department of Transportation	69	-	8,361	9	8,370
Environmental Protection Agency	68	-	7,767	-	7,767
Department of Labor	16	-	7,570	-	7,570
Office of the Secretary of Defense - Defense Agencies	97	-	5,222	1,141	6,363
Agency for International Development	72	-	6,181	-	6,181
National Aeronautics and Space Administration	80	-	4,565	-	4,565
Department of Energy	89	-	3,000	277	3,277
Department of Agriculture	12	-	1,758	-	1,758
Others	-	-	9,749	4,581	14,330
Total		\$ 6,313,884	\$ 54,487	\$ 39,402	\$ 6,407,773

Intragovernmental Liabilities:

Trading Partner		Accounts Payable	Debt to Treasury	Resources Payable to Treasury	Unearned Revenue	Other	Total
Name	Number						
Department of the Treasury	20	\$ (139)	\$ 262,513	\$ -	\$ 4,298	\$ 873	\$ 267,545
Department of Labor	16	453	-	-	33,055	36,817	70,325
Treasury General Fund	99	1,678	-	54,382	-	9,867	65,927
U.S. Army Corps of Engineers	96	3,595	-	-	53,122	-	56,717
Office of the Secretary of Defense - Defense Agencies	97	4,039	-	-	31,942	-	35,981
Department of Health and Human Services	75	9,527	-	-	23,588	-	33,115
Department of Justice	15	313	-	-	30,905	-	31,218
Department of the Air Force	57	23,814	-	-	4,941	-	28,755
Department of Transportation	69	1,650	-	-	20,344	-	21,994
Federal Emergency Management Agency	58	-	-	-	18,578	-	18,578
General Services Administration	47	14,447	-	-	2,861	837	18,145
Department of Housing and Urban Development	86	2,586	-	-	13,270	-	15,856
Department of Education	91	-	-	-	15,419	-	15,419
Department of Energy	89	5,622	-	-	8,183	-	13,805
National Science Foundation	49	2,158	-	-	8,251	-	10,409
Agency for International Development	72	-	-	-	8,526	-	8,526
Others	-	14,722	-	-	61,440	8,082	84,244
Total		\$ 84,465	\$ 262,513	\$ 54,382	\$ 338,723	\$ 56,476	\$ 796,559

**United States Department of Commerce Intragovernmental Transfers (unaudited)
For the Year Ended September 30, 2002 (In Thousands)**

Trading Partner		Transfers-In	Transfers-Out
Name	Number		
Appropriations Transfers:			
Congressional Budget Office	08	\$ 10,024	\$ -
General Services Administration	47	8,000	-
Agency for International Development	72	7,456	-
Executive Office of the President	11	2,000	-
Department of the Treasury	20	-	60
Total		\$ 27,480	\$ 60

Transfers Without Reimbursement:

Department of Agriculture	12	\$ 79,127	\$ -
Treasury General Fund	99	-	8,165
Department of the Interior	14	2,804	151
Environmental Protection Agency	68	2,445	-
Total		\$ 84,376	\$ 8,316

United States Department of Commerce Intragovernmental Earned Revenues and Related Costs (unaudited)
For the Year Ended September 30, 2002 (In Thousands)

Intragovernmental Earned Revenues:

Trading Partner		
Name	Number	Amount
Department of Transportation	69	\$ 64,396
Department of Labor	16	62,440
Department of Health and Human Services	75	53,013
Department of Justice	15	52,757
Office of the Secretary of Defense - Defense Agencies	97	49,802
Environmental Protection Agency	68	34,811
Department of Housing and Urban Development	86	29,168
National Aeronautics and Space Administration	80	22,588
Department of Energy	89	20,475
U.S. Army Corps of Engineers	96	16,687
Agency for International Development	72	14,134
Department of the Army	21	14,011
Department of the Interior	14	13,049
Department of the Treasury	20	11,585
Department of State	19	10,271
Department of Education	91	9,788
Department of the Air Force	57	9,437
General Services Administration	47	9,017
Department of Agriculture	12	8,801
Unknown	00	6,941
National Science Foundation	49	6,890
Department of the Navy	17	6,854
Federal Emergency Management Agency	58	1,412
Social Security Administration	28	1,229
Department of Veterans Affairs	36	1,037
Small Business Administration	73	751
Central Intelligence Agency	56	695
U.S. Equal Employment Opportunity Commission	45	558
Independent Agencies	95	476
U.S. Nuclear Regulatory Commission	31	419
National Foundation on the Arts and the Humanities	59	372
Consumer Product Safety Commission	61	371
U.S. Postal Service	18	320
Independent Agencies	48	286
National Archives and Records Administration	88	240
Export-Import Bank of the United States	83	236
Federal Deposit Insurance Corporation	51	196
Executive Office of the President	11	179
Federal Communications Commission	27	149
Tennessee Valley Authority	64	143
Government Printing Office	04	116
Office of Personnel Management	24	51
Smithsonian Institution	33	45
Federal Mediation and Conciliation Service	93	35
Library of Congress	03	25
Independent Agencies	76	22
Selective Service System	90	21
International Trade Commission	34	11
General Accounting Office	05	11
Federal Trade Commission	29	3
Appalachian Regional Commission	46	2
Treasury General Fund	99	1
The Judiciary	10	1
Armed Forces Retirement Home	84	1
Architect of the Capital	01	1
Total		\$ 536,330

Gross Costs that Generated Intragovernmental Earned Revenues:

Budget Functional Classification	Amount
300 Natural Resources and Environment	\$ 162,597
370 Commerce and Housing Credit	365,111
450 Community and Regional Development	9,395
Total	\$ 537,103

United States Department of Commerce Schedule of Budgetary Resources by Major Budget Accounts (unaudited)
For the Year Ended September 30, 2002 (In Thousands)

	Combining Totals	NOAA Operations, Research & Facilities	USPTO Salaries and Expenses	NOAA Procurement Acquisition & Construction	NIST Industrial Technology Services	ITA Operations and Administration	Census Periodic Censuses & Programs	EDA Grant Fund	Other Programs
Budget Authority									
Appropriations Received	\$ 5,813,215	\$ 2,292,933	\$ 283,800	\$ 836,552	\$ 291,022	\$ 345,547	\$ 321,376	\$ 335,000	\$ 1,106,985
Borrowing Authority	221,878	-	-	-	-	-	-	-	221,878
Net Transfers	105,528	70,500	-	8,000	-	10,020	-	2,000	15,008
Unobligated Balance									
Beginning of Period	1,081,588	155,688	11,029	107,664	36,155	28,364	118,502	30,341	593,845
Adjustments to Unobligated Balance, Beginning of Period	(254)	-	-	-	-	-	-	-	(254)
Net Transfers, Actual	1,446	(60)	-	-	-	-	-	-	1,506
Spending Authority from Offsetting Collections									
Earned:									
Collected	2,668,572	235,499	1,050,408	955	519	12,424	8,525	10,053	1,350,189
Receivable from Federal Sources	(44,411)	(21,415)	6,803	-	-	128	-	-	(29,927)
Changes in Unfilled Customer Orders:									
Advance Received	160,634	(1,720)	94,621	-	-	933	(2)	(110)	66,912
Without Advance from Federal Sources	(10,151)	(1,564)	-	-	-	(2,368)	-	-	(6,219)
Total Spending Authority from Offsetting Collections	2,774,644	210,800	1,151,832	955	519	11,117	8,523	9,943	1,380,955
Recoveries of Prior Year Obligations	192,736	11,090	10,076	2,891	19,030	9,880	30,538	33,730	75,501
Temporarily not Available Pursuant to Public Law	(306,513)	-	(306,513)	-	-	-	-	-	-
Permanently not Available:									
Cancellation of Expired and No-Year Accounts	(27,764)	-	-	-	(36)	(623)	-	(22,447)	(4,694)
Enacted Rescissions	(30,517)	(11,818)	(555)	(363)	(178)	(178)	(11,522)	-	(6,045)
Capital Transfers and Redemption of Debt	(37,469)	-	-	-	-	-	-	-	(37,469)
Other Authority Withdrawn	(65,483)	(3,436)	-	-	-	-	-	-	(52,047)
TOTAL BUDGETARY RESOURCES	\$ 9,733,035	\$ 2,725,697	\$ 1,149,669	\$ 955,699	\$ 346,690	\$ 404,127	\$ 467,417	\$ 388,567	\$ 3,295,169
STATUS OF BUDGETARY RESOURCES:									
Obligations Incurred									
Direct	\$ 6,079,736	\$ 2,348,590	\$ 1,497	\$ 716,850	\$ 306,002	\$ 367,314	\$ 381,939	\$ 343,014	\$ 1,614,530
Reimbursable	2,516,883	194,151	1,142,517	-	-	11,117	-	7,934	1,161,164
Total Obligations Incurred	8,596,619	2,542,741	1,144,014	716,850	306,002	378,431	381,939	350,948	2,775,694
Unobligated Balance									
Apportioned, Balance Currently Available	855,288	182,956	2,661	238,202	30,174	22,114	85,480	-	293,701
Exempt from Apportionment	94,687	-	-	-	-	-	-	-	94,687
Unobligated Balance Not Available	186,441	-	2,994	647	10,514	3,582	(2)	37,619	131,087
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 9,733,035	\$ 2,725,697	\$ 1,149,669	\$ 955,699	\$ 346,690	\$ 404,127	\$ 467,417	\$ 388,567	\$ 3,295,169
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS:									
Obligated Balance, Net, Beginning of Period	\$ 4,343,244	\$ 964,627	\$ 316,289	\$ 452,671	\$ 380,049	\$ 94,790	\$ 298,501	\$ 1,104,469	\$ 731,848
Adjustment to Obligated Balance, Beginning of Period	(19,508)	-	-	-	-	-	(19,634)	-	126
Adjusted Obligated Balance, Net, Beginning of Period	\$ 4,323,736	\$ 964,627	\$ 316,289	\$ 452,671	\$ 380,049	\$ 94,790	\$ 278,867	\$ 1,104,469	\$ 731,974
Obligated Balance, Net, End of Period:									
Accounts Receivable	(208,422)	(68,864)	548	-	-	(1,947)	-	-	(138,159)
Unfilled Customer Orders from Federal Sources	(131,553)	(52,923)	-	-	-	(634)	-	-	(77,996)
Undelivered Orders	4,083,102	1,131,679	203,080	360,361	353,154	62,621	137,659	812,601	1,021,947
Accounts Payable	925,000	135,968	84,713	64,549	34,939	41,976	26,187	243,913	292,755
Total Obligated Balance, Net, End of Period	\$ 4,668,127	\$ 1,145,860	\$ 288,341	\$ 424,910	\$ 388,093	\$ 102,016	\$ 163,846	\$ 1,056,514	\$ 1,098,547
Outlays:									
Disbursements	\$ 8,114,056	\$ 2,373,398	\$ 1,155,085	\$ 741,719	\$ 278,926	\$ 363,568	\$ 466,422	\$ 365,172	\$ 2,369,766
Collections	(2,829,206)	(233,779)	(1,145,029)	(955)	(519)	(13,358)	(8,522)	(9,943)	(1,417,101)
Subtotal	\$ 5,284,850	\$ 2,139,619	\$ 10,056	\$ 740,764	\$ 278,407	\$ 350,210	\$ 457,900	\$ 355,229	\$ 952,665
Less: Offsetting Receipts	(2,944)	-	-	-	-	-	-	-	(2,944)
NET OUTLAYS	\$ 5,281,906	\$ 2,139,619	\$ 10,056	\$ 740,764	\$ 278,407	\$ 350,210	\$ 457,900	\$ 355,229	\$ 949,721

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION



DEPARTMENT OF COMMERCE



UNITED STATES OF AMERICA

STATES OF AMERICA

Required Supplementary Stewardship Information (unaudited)

This section provides information on certain resources entrusted to the Department and certain stewardship responsibilities assumed by the Department. These resources and responsibilities are not required to be included in the assets and liabilities reported in the Department's financial statements; they are, however, important to understanding the operations and financial condition of the Department. This section also includes major investments made for the benefit of the U.S.

A Stewardship Property, Plant, and Equipment (PP&E)

Stewardship PP&E is an asset, the physical properties of which resemble those of the General PP&E that is traditionally capitalized in the financial statements of Federal entities. However, due to the nature of these assets, valuation would be difficult and matching costs with specific periods would not be meaningful.

Heritage Assets

Heritage assets are unique for their historical or natural significance; for their cultural, educational, or artistic importance; or for their significant architectural characteristics. The Department generally expects that these assets will be preserved indefinitely.

In cases where an asset has a heritage function and also a practical and predominant use for general government operations, the asset is considered a multi-use heritage asset. The costs of multi-use heritage assets are capitalized as General PP&E and are depreciated over the useful life of the asset.

National Oceanic and Atmospheric Administration (NOAA)

Collection-Type Assets: NOAA's collection-type heritage assets are comprised of approximately 174,800 items; primarily books, publications, manuscripts, records, and nautical chart plates. NOAA describes the condition of its heritage assets as being either "Acceptable" or "Non-Acceptable." "Acceptable" is defined as being suitable for public display. Using this criterion, the general condition of NOAA's heritage assets is acceptable.

Galveston Laboratory: Galveston Laboratory is comprised of seven buildings that were originally part of Fort Crockett, an Army coastal defense facility built shortly after 1900. These buildings are eligible for placement on the National Register. Due to their historic significance, exterior architectural features, and predominant use in government operations, the Galveston Laboratory is considered a multi-use heritage asset. This facility is undergoing a renovation in three phases. Phase II is complete, and Phase III is anticipated to begin in FY 2003 and continue into FY 2005. As of September 30, 2002, the renovations are 60 percent complete.

National Marine Fisheries Service (NMFS) Aquarium: In Woods Hole, Massachusetts, this aquarium is jointly used to educate the public, raise public awareness of NMFS activities, and accommodate the Northeast Fisheries Science Center, part of NOAA's mission. The aquarium houses 16 separate exhibition tanks holding more than 30 species of fish. The tanks range in size from 75 to 2,800 gallons. The general condition of the aquarium is good.

Stewardship Marine Sanctuaries

The National Marine Sanctuaries described below are composed primarily of protected water and underwater structures and do not meet the literal definition of stewardship land. They are nonetheless presented here because they have many of the characteristics of Stewardship PP&E.

National Marine Sanctuaries: In 1972, Congress passed the Marine Protection, Research, and Sanctuaries Act in response to a growing awareness of the intrinsic environmental and cultural value of our coastal waters. The Act authorized the Secretary of Commerce to designate discrete areas as National Marine Sanctuaries. These protected waters provide a secure habitat for species close to extinction and also protect historically significant shipwrecks and prehistoric artifacts. The sanctuaries are also used for recreational diving and sport fishing, and support valuable commercial industries such as fishing and kelp harvesting. As of September 30, 2002, 13 National Marine Sanctuaries have been designated, covering a total area of 18,851.25 square miles. The sanctuaries range from near-shore coral reefs to open ocean, and vary in size from less than one to more than 5,300 square miles. The sanctuaries are in excellent condition.

B Stewardship Investments

Stewardship investments are substantial investments made by the Federal Government for the benefit of the U.S. but are not physical assets owned by the Federal Government. Though treated as expenses when incurred to determine net cost of operations, these items merit special treatment so that users of Federal financial reports know the extent of investments that are made for long-term benefit.

Investments in Non-Federal Physical Property

Non-Federal physical property investments are expenses included in the Department's Net Cost of Operations for the purchase, construction, or major renovation of physical property owned by state and local governments. Based on a review of the Department's programs, the only significant investments in non-Federal Physical Property are NOAA and EDA.

NOAA

National Estuarine Research Reserves: The National Estuarine Research Reserve System consists of 25 estuarine reserves protected by Federal, state, and local partnerships. The network was created with the passage of the Coastal Zone Management Act of 1972, and, as of September 30, 2002, encompassed more than one million acres of estuarine waters, wetlands, and uplands. Most of the reserves are state-operated and managed in cooperation with NOAA. Investments in non-Federal physical property for FY 1998, FY 1999, FY 2000, FY 2001, and FY 2002 totaled \$8.9 million, \$6.7 million, \$11.5 million, \$29.1 million, and \$27.5 million, respectively.

Coastal Zone Management Fund: The Coastal Zone Management Fund is responsible for the incidental expenses of land acquisition and low-cost construction for the preservation or restoration of coastal resources and habitats; the redevelopment of deteriorating and urbanized waterfronts and ports, and the provision of public access to beaches and coastal areas. Investments in non-Federal physical property for FY 1998, FY 1999, FY 2000, FY 2001, and FY 2002 totaled \$2.6 million, \$2.9 million, \$2.8 million, \$5.3million, and \$5.9 million, respectively.

Coastal and Estuarine Land Conservation Program: The Coastal and Estuarine Land Conservation Program was established under the Commerce, Justice, and State Appropriations Act of 2002 (Public Law 107-77), for the purpose of protecting important coastal and estuarine areas that have significant conservation, recreation, ecological, historical, or aesthetic values, or that are threatened by conversion from their natural or recreational state to other uses. Investments in the Coastal and Estuarine Land Program for FY 2002 totaled approximately \$14 million.

EDA

EDA provides grant funding to state and local governments for the construction and development of economic infrastructure and property that will create and retain jobs in economically distressed areas of the U.S. The funding is in the form of grants to state and local governments. No transfers of Federal properties take place under these programs. These grants are for the development of roads and infrastructure needed for new industrial parks, clean water and environmental projects, and the conversion of military facilities, closed by Congressional action, to civilian-based economic activity. EDA also awards grants for the repair of infrastructure and economic development related facilities damaged by floods and other disasters.

The investments in non-Federal physical property for the past five fiscal years were as follows:

(In Millions)

Program	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	Total
Public Works	\$142.6	\$180.9	\$173.5	\$174.9	\$182.5	\$854.4
Economic and Defense Adjustments	138.3	139.8	112.9	131.6	109.0	631.6
Disasters Recovery	69.7	47.4	57.6	28.7	36.7	240.1
Total	\$350.6	\$368.1	\$344.0	\$335.2	\$328.2	\$1,726.1

The above investments require matching funds by state and local governments of 20 to 50 percent.

Investments in Human Capital

Human capital investments are expenses, included in the Department’s Net Cost of Operations, for education and training programs that are intended to increase or maintain national economic productive capacity and produce outputs and outcomes that provide evidence of the constant or increasing national productive capacity. These investments exclude education and training expenses for Federal civilian and military personnel. Based on a review of the Department's programs, the most significant dollar investments in Human Capital are at NOAA and EDA.

NOAA

National Sea Grant Program: This program is a partnership between the U.S.'s colleges and NOAA, and comprises 30 Sea Grant Colleges. The partnership was initiated in 1966 when Congress passed the National Sea Grant College Program Act, with the objective of making the U.S. the world leader in marine research and in the sustainable development of marine resources. The program funds research programs, and transfers new knowledge to coastal businesses, marine industries, the public, and governments. Research projects are funded on the basis of rigorous, highly-competitive peer reviews. The program has supported the work of approximately 13,200 graduate research assistants while they work on marine and Great Lakes science.

National Estuarine Research Reserve Program: This program supports activities designed to increase public awareness of estuary issues, to provide information to improve management decisions in estuarine areas, and to train graduate students in estuarine science.

National Research Council Research Associateship Program: The National Research Council, through its Associateship Programs office, awards outstanding scientists and engineers, at recent post-doctoral and experienced senior levels, with tenure as guest researchers at participating laboratories. The participants interact with NOAA scientists and learn new approaches, methods, and ideas, thereby increasing their capacities as scientific researchers. The participants provide the results of their research in scientific journals and through other means.

The following summarizes NOAA's investments in human capital for FY 1998 through FY 2002:

(In Millions)

Program	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	Total
National Sea Grant	\$17.5	\$14.6	\$14.5	\$15.2	\$18.2	\$80.0
National Estuarine Research Reserve Program	0.8	0.7	0.7	0.8	0.8	3.8
National Research Council Research Associateship Program	1.7	1.8	1.7	3.0	0.4	8.6
Total	\$20.0	\$17.1	\$16.9	\$19.0	\$19.4	\$92.4

Note: In addition to the human capital investments indicated above, the National Sea Grant Program received, on a pass-through basis from other Federal agencies, \$1.1 million, \$0.8 million, \$1.5 million, \$1.3 million, and \$2.4 million for FY 1998, FY 1999, FY 2000, FY 2001, and FY 2002, respectively. Additionally, Sea Grant universities contributed matching funds to the National Sea Grant Program in the amounts of \$8.3 million, \$8.5 million, \$8.5 million, \$9.4 million, and \$10.1 million in FY 1998, FY 1999, FY 2000, FY 2001, and FY 2002, respectively.

EDA

EDA provides grant awards for training and technical assistance for economic development. The following summarizes the EDA’s investments in human capital for FY 1998 through FY 2002:

(In Millions)

Program	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	Total
Local Technical Assistance	\$8.3	\$9.1	\$11.0	\$9.6	\$9.3	\$47.3
Research Assistance and National Technical Assistance	0.5	0.5	0.6	0.4	0.5	2.5
Total	\$8.8	\$9.6	\$11.6	\$10.0	\$9.8	\$49.8

Investments in Research and Development (R&D)

R&D Investments are expenses, included in the Department’s Net Cost of Operations, that support the search for new or refined knowledge and ideas, and facilitate the application or use of such knowledge and ideas for the development of new or improved products and processes. The investments are made with the expectation of maintaining or increasing national economic productive capacity, or yielding other future economic and societal benefits. Based on a review of the Department's programs, the only significant investments in R&D are at NIST and NOAA.

National Institute of Standards and Technology (NIST)

NIST Laboratories Program: The NIST Laboratories have been the stewards of the U.S.’s measurement infrastructure since their inception in 1901 as the National Bureau of Standards. In fulfilling the Constitutional responsibility to fix the standards of weights and measures, these laboratories provide measurement methods, reference materials, test procedures, instrument calibrations, fundamental data, and standards that comprise essential tools for research, production, and buyer-seller transactions. The laboratories focus their work in three main areas: 1) advancing measurement science; 2) supplying infrastructure tools for technological innovation, economic efficiency and other public benefits; and 3) providing standards solutions for new technologies and for trade.

Advanced Technology Program (ATP): ATP is a collaborative effort with industry to identify and promote investment in technologies with significant potential for broad-based economic benefits but inadequate levels of private investment. Cost-shared research is funded through an annual competitive awards process. Awards are made only after rigorous examination of the technical and business merits of each proposal and of the potential benefits to the U.S. economy and quality of life. In FY 2002, the program selected 61 new industrial research projects to receive cost-shared support totaling \$289 million in Federal and industry funds (if carried to completion). The awards target a broad array of technologies, including pharmaceutical design, tissue engineering, industrial catalysts, energy generation and storage, manufacturing technologies, electronics manufacturing, computer software, and electro-optics. Fifty-one of the awards were made to small businesses, and at least 32 universities are involved as joint venture partners or subcontractors.

The following summarizes NIST's R&D investments for FY 1998 through FY 2002:

(In Millions)

	Measurement and Standards Laboratories					Advanced Technology Program					Totals				
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Basic Research	\$ 46.5	\$ 49.5	\$ 48.6	\$ 62.5	\$ 63.5	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 46.5	\$ 49.5	\$ 48.6	\$ 62.5	\$ 63.5
Applied Research	239.1	238.1	239.0	255.6	288.8	101.5	92.8	91.8	85.0	76.6	340.6	330.9	330.8	340.6	365.4
Development	23.2	19.7	20.0	20.8	19.1	101.5	92.8	91.8	85.0	76.6	124.7	112.5	111.8	105.8	95.7
Total	\$308.8	\$307.3	\$307.6	\$338.9	\$371.4	\$203.0	\$185.6	\$183.6	\$170.0	\$153.2	\$511.8	\$492.9	\$491.2	\$508.9	\$524.6

NOAA

NOAA conducts a substantial program of environmental research and development in support of its mission, much of which is performed to improve the U.S.'s understanding of and ability to predict environmental phenomena. The scope of research includes:

- Improving predictions and warnings associated with the weather, on time scales ranging from minutes to weeks.
- Improving predictions of climate, on time scales ranging from months to centuries.
- Improving understanding of natural relationships to better predict and manage renewable marine resources and coastal and ocean ecosystems.

NOAA also conducts research that is intended to provide a solid scientific basis for environmental policymaking in government. Examples of this research include determining the stratospheric ozone-depleting potential of proposed substitutes for chlorofluorocarbons (CFCs), and identifying the causes of the episodic high rural ozone levels that significantly damage crops and forests.

NOAA conducts most R&D in-house; however, contractors to NOAA undertake most systems R&D. External R&D work supported by NOAA includes that undertaken through the National Sea Grant Program, the Cooperative Institutions of the Environmental Research Laboratories, the Climate and Global Change Program, and the Coastal Ocean Program.

Environmental and Climate: NOAA's Office of Ocean and Atmospheric Research conducts research in five major areas: interannual and seasonal climate, global change, weather, the marine environment, and the undersea.

Fisheries: R&D consists mainly of the collection and analysis of information on the status of fishery resources and protected species, and other work related to programs that develop fisheries for economic growth.

Weather Service: NOAA is funding the development of a new weather service system, the Advance Weather Interactive Processing System (AWIPS), for the modernization of its weather service.

Fleet Maintenance and Aircraft Services: These expenditures support NOAA's R&D effort.

The following summarizes NOAA's R&D investments for FY 1998 through FY 2002:

(In Millions)

Program	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	Total
Environmental and Climate	\$233.7	\$253.5	\$257.4	\$266.2	\$289.9	\$1,300.7
Fisheries	211.3	223.0	241.3	125.8	121.7	923.1
Fleet Maintenance and Aircraft Services	14.3	14.4	14.7	18.0	19.3	80.7
Weather Service	11.8	6.3	7.7	11.1	11.0	47.9
Other	52.4	53.6	65.9	112.9	132.4	417.2
Total	\$523.5	\$550.8	\$587.0	\$534.0	\$574.3	\$2,769.6

AUDITORS' REPORT



DEPARTMENT OF COMMERCE



UNITED

STATES OF AMERICA



UNITED STATES DEPARTMENT OF COMMERCE
The Inspector General
Washington, D.C. 20230

January 16, 2003

MEMORANDUM FOR: The Honorable Donald L. Evans
Secretary of Commerce

FROM: Johnnie E. Frazier

A handwritten signature in cursive script that reads "Johnnie Frazier".

SUBJECT: *Department of Commerce's Fiscal Year 2002*
Consolidated Financial Statements
Audit Report No. FSD-15214-3-0002

I am pleased to provide you with the following audit report, which presents an unqualified opinion on the U.S. Department of Commerce's FY 2002 consolidated financial statements. The report also includes a discussion of the Department's internal control structure and compliance with laws and regulations. The independent certified public accounting firm of KPMG LLP (KPMG) performed the FY2002 audit. My office defined the audit's scope and oversaw its performance and delivery.

We commend the Department for the noteworthy accomplishment of again attaining an unqualified opinion.

In the opinion of KPMG, the Department's consolidated financial statements are presented fairly, in all material respects and in conformity with generally accepted accounting principles, as of and for the year ended September 30, 2002. In addition to the Department's unqualified opinion, each of its separately audited entities—the U.S. Patent and Trademark Office and the National Technical Information Service—received unqualified opinions on their statements.

The Department has made significant progress toward correcting internal control weaknesses over the past several years. In FY 2002, it resolved most of the financial management and reporting weaknesses noted in the previous year's audit. In addition, the Department made significant progress in implementing the Commerce Administrative Management System (CAMS) at the National Oceanic Atmospheric Administration (NOAA). NOAA used CAMS to closeout and to report its FY 2002 financial data. However, a material weakness in financial management systems persists: Commerce needs to strengthen general information technology controls, continue integrating its financial management systems and reducing legacy systems, and ensure that budgetary controls are adequately automated.

KPMG also identified weaknesses in the Department's accounting for property in FY 2002, (a reportable condition). Specifically, NOAA needs to improve its accounting for personal property, including construction work-in-progress and capital leases. During the FY 2002 audit, NOAA identified that costs incurred during prior years of developing a new satellite system were incorrectly expensed.

KPMG's report discusses instances where the Department is not in compliance with laws and regulations—all of which are repeat conditions. Specifically, NOAA and the National Institute for Standards and Technology (NIST) did not comply with OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*; the International Trade Administration (ITA) did not comply with OMB Circular A-25, *User Charges*; and the Department's financial management systems did not substantially comply with the Federal Financial Management Improvement Act.

I am greatly concerned that all of the findings in the audit report are repeat conditions. Commerce senior officials must remain committed to sound financial management and continue to emphasize to managers and staff their important role in eliminating the conditions noted in the auditors' report and in ultimately producing reliable and meaningful financial and performance information that fully complies with federal laws and regulations.

In accordance with Department Administrative Order (DAO) 213-5, we ask the Department's Chief Financial Officer and Assistant Secretary for Administration to provide for our review and concurrence an audit action plan that addresses all of the recommendations contained in this report—those pertaining to the Department as a whole, as well as to NOAA, NIST, and ITA—within 60 days of the date of this memorandum. It is important that the plan include the specificity and milestones that will better ensure that the Department is, in fact, moving to resolve its repeat conditions and achieving the level of financial management success required.

If you or your staff wish to discuss the contents of this report or the audit action plan, please call me on (202) 482-4661, or Michael Sears, Assistant Inspector General for Auditing, on (202) 482-1934. We appreciate the cooperation and courtesies that Commerce managers and staff extended to KPMG LLP and my staff during the audit.



2001 M Street NW
Washington, D.C. 20036

Independent Auditors' Report

Office of Inspector General, U.S. Department of Commerce and
Secretary, U.S. Department of Commerce:

We have audited the accompanying consolidated balance sheets of the U.S. Department of Commerce (Department) as of September 30, 2002 and 2001, and the related consolidated statements of net cost for the years then ended, and the related consolidated statement of changes in net position, combined statement of budgetary resources, and consolidated statement of financing for the year ended September 30, 2002 (hereinafter referred to as "consolidated financial statements"). The objective of our audits was to express an opinion on the fair presentation of these consolidated financial statements. In connection with our audits, we also considered the Department's internal control over financial reporting and tested the Department's compliance with certain provisions of applicable laws and regulations that could have a direct and material effect on its consolidated financial statements.

We did not audit the financial statements of the National Technical Information Service or the U.S. Patent and Trademark Office, bureaus within the Department, which combined, represent 10 percent and 2 percent of the total consolidated assets and net costs of operations of the Department, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the National Technical Information Service and the U.S. Patent and Trademark Office is based solely upon the reports of the other auditors.

SUMMARY

As stated in our opinion on the consolidated financial statements, based on our audits and the reports of other auditors, we concluded that the Department's consolidated financial statements presented in the *Fiscal Year 2002 Performance and Accountability Report*, as of and for the years ended September 30, 2002 and 2001, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 21 to the consolidated financial statements, the fiscal year 2001 consolidated balance sheet and statement of net cost were restated for a correction to the general property, plant, and equipment accounts.

Our consideration of internal control over financial reporting resulted in the identification of one material weakness, relating to the Department's financial management systems, including weaknesses in general information technology controls, the lack of integrated financial management systems, and inadequate automated budgetary controls; and one reportable condition, relating to accounting for the Department's personal property.

The results of our tests of compliance with certain provisions of laws and regulations disclosed instances of noncompliance with the following laws and regulations that are 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. 01-02, *Audit Requirements for Federal Financial Statements*:

- OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*.
- OMB Circular A-25, *User Charges*.
- *Federal Financial Management Improvement Act* (FFMIA).

The following sections present our opinion on the Department's consolidated financial statements; the results of our consideration of the Department's internal control over financial reporting and our tests of the Department's compliance with certain provisions of applicable laws and regulations; and management's and our responsibilities.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of the U.S. Department of Commerce as of September 30, 2002 and 2001, and the related consolidated statements of net cost for the years then ended, and the related consolidated statement of changes in net position, combined statement of budgetary resources, and consolidated statement of financing for the year ended September 30, 2002.

We did not audit the financial statements of the National Technical Information Service or the U.S. Patent and Trademark Office, bureaus within the Department, which combined, represent 10 percent and 2 percent of the total consolidated assets and net costs of operations of the Department, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the National Technical Information Service and the U.S. Patent and Trademark Office is based solely on the reports of the other auditors.

As discussed in Note 21 to the consolidated financial statements, the fiscal year 2001 consolidated balance sheet and statement of net cost were restated for a correction to the general property, plant, and equipment accounts.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Department as of September 30, 2002 and 2001, and its net costs for the years then ended, and its changes in net position, budgetary resources, and reconciliation of net costs to budgetary obligations for the year ended September 30, 2002, in

conformity with accounting principles generally accepted in the United States of America.

The information in the Management Discussion and Analysis, Required Supplementary Stewardship Information, and Required Supplementary Information sections of the Department's *Fiscal Year 2002 Performance and Accountability Report* is not a required part of the consolidated financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America or OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The September 30, 2002 consolidating balance sheet is presented for purposes of additional analysis of the related consolidated balance sheet, rather than to present the financial position of the Department's bureaus individually. The September 30, 2002 consolidating balance sheet has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, based on our audits and the reports of the other auditors, is fairly stated in all material respects in relation to the September 30, 2002 consolidated balance sheet, taken as a whole.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Department's ability to record, process, summarize, and report financial data consistent with the assertions by management in the consolidated financial statements.

Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements, in amounts that would be material in relation to the consolidated financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

In our fiscal year 2002 audit, we noted certain matters relating to the Department's financial management systems, summarized below and in more detail in Exhibit I, that collectively, we consider to be a material weakness in internal control over financial reporting:

- **General information technology controls.** We found that although the Department has taken corrective actions to address certain information technology control

weaknesses, significant information technology weaknesses still exist. Despite the positive efforts made by the Department during fiscal year 2002, the Department needs to make significant improvements in its information technology control environment to fully ensure the integrity, confidentiality, and availability of financial data processed by the Department's systems.

- **Integrated financial management systems.** The Department has not fully complied with OMB Circular A-127, *Financial Management Systems*, although progress has been made. During fiscal year 2002, two bureaus – the National Oceanic and Atmospheric Administration (NOAA), which processes financial transactions for itself and the Bureau of Industry and Security; and the National Institute of Standards and Technology (NIST), which processes financial transactions for itself, as well as for the National Telecommunications and Information Administration and the Technology Administration – operated legacy, non-integrated systems that did not comply with Federal financial systems requirements. These five bureaus accounted for approximately 72 percent of the Department's total consolidated assets as of September 30, 2002. On October 1, 2002, NOAA converted to the Commerce Administrative Management System (CAMS), and NIST is scheduled to convert to CAMS in October 2003.
- **Automated budgetary controls.** Neither NOAA's legacy system, used for the fiscal year 2002 disbursements not processed through CAMS, nor NIST's legacy system, have automated budgetary controls. The automated funds control module in CAMS was used by NOAA for some of its fiscal year 2002 disbursements, but was not implemented at a level that would ensure the required budgetary control. Therefore, bureaus using the NOAA and NIST systems, described above, relied upon manual processes to monitor their budgetary status. These manual processes do not prevent an over-obligation of funds.

We also noted the following matter relating to accounting for the Department's personal property, summarized below and in more detail in Exhibit II, that we consider to be a reportable condition in internal control over financial reporting:

- **Accounting for personal property.** The Department has a substantial investment in general property, plant, and equipment, amounting to approximately \$4.5 billion or nearly 40 percent of the Department's total consolidated assets as of September 30, 2002. NOAA maintains \$3.8 billion of the Department's general property, plant, and equipment balance. During our fiscal year 2002 audit, we identified numerous issues in the accounting for NOAA's personal property, including construction work-in-progress (CWIP), and capital leases. These matters included the identification of ongoing CWIP projects that had been expensed in prior years, completed CWIP projects that had not been transferred to the completed project accounts, projects incorrectly classified as CWIP, unreconciled or unexplained differences in the CWIP reconciliations and between the personal property subsidiary and general ledgers, inaccuracies in the personal property roll-forward schedules, and incorrect values for assets acquired through capital leases.

* * * * *

A summary of the status of prior year reportable conditions is included as Exhibit III. As noted in the exhibit, the prior year findings related to financial reporting have been resolved.

We also noted other matters involving internal control over financial reporting and its operation that we have reported to the management of the Department in two separate letters addressing information technology and other matters, respectively.

COMPLIANCE WITH LAWS AND REGULATIONS

Our tests of compliance with certain provisions of laws and regulations, as described in the Responsibilities section of this report, exclusive of FFMIA, disclosed instances of noncompliance with the following laws and regulations that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 01-02, and are described below.

- **OMB Circular A-11.** As noted in prior year audit reports, NOAA capital leases are not fully funded, as required by OMB Circular A-11. NOAA currently has 23 capital leases that are not fully funded. In fiscal year 1999 and again on September 8, 2000, NOAA's Chief Financial Officer issued a memo requiring that "all future capital leases exceeding \$200,000 have sufficient budgetary resources at the inception of the lease to cover the present value of the lease payments discounted using Treasury interest rates." This memo addressed leases with inception dates after fiscal year 1999, in accordance with the requirements of OMB Circular A-11. However, NOAA did not fully fund 6 capital leases with inception dates after October 1, 1999. In fiscal year 2002, NOAA prepared a draft policy requiring that contract authority be requested for all capital lease obligations. This policy is currently being reviewed by management and is expected to be finalized in calendar year 2003.

In addition, as discussed in the Internal Control Over Financial Reporting section of this report, the legacy accounting systems used by NOAA and NIST do not have automated budgetary controls; and the CAMS automated funds control module used by NOAA for certain fiscal year 2002 disbursements was not set at the level of control required by OMB Circular A-11. The manual control processes, used by bureaus relying on these systems, do not prevent an over-obligation of funds.

- **OMB Circular A-25.** As reported in prior audits, the International Trade Administration (ITA) is not in compliance with OMB Circular A-25, *User Charges*, which requires federal agencies to recover the full cost of providing goods or services to the public. ITA has completed several analyses of its user fees. Its costs are not fully allocated and, therefore, ITA has requested a waiver of Circular A-25 requirements from OMB. There is a concern that ITA trade events, which produced earned revenue of approximately \$7 million in fiscal year 2002, are not self-sustaining. ITA is continuing to work with OMB to obtain the requested waiver.

* * * * *

The results of our tests of compliance with other laws and regulations, exclusive of FFMIA, disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 01-02.

FFMIA. The results of our tests of compliance with FFMIA disclosed instances, listed below, and described in the Internal Control Over Financial Reporting section of this report and in Exhibit I, in which the Department's financial management systems did not substantially comply with the Federal financial management systems requirements discussed in the Responsibilities section of this report, including:

- Weaknesses in general information technology controls.
- Lack of integrated financial management systems.
- Inadequate automated budgetary controls.

Our recommendations to address these matters are presented in Exhibit I.

The results of our tests of FFMIA disclosed no instances in which the Department's financial management systems did not substantially comply with Federal accounting standards and the United States Government Standard General Ledger at the transaction level.

Other Matters. A review is being conducted by the Department's Office of Inspector General, as a result of work conducted by the Office of Inspector General of the Department of Defense, related to the use of Department of Defense funds by NOAA on a jointly sponsored project. NOAA disagrees with the Department of Defense Office of Inspector General's findings. NOAA believes this matter may have arisen due to the issues relating to budgetary funds control described in the Internal Control Over Financial Reporting section of this report. The ultimate resolution of these matters cannot presently be determined.

RESPONSIBILITIES

Management's Responsibilities

The *Government Management Reform Act of 1994* (GMRA) requires each federal agency to report annually to Congress on its financial status and any other information needed to fairly present its financial position and results of operations. To meet the GMRA reporting requirements, the Department prepares annual financial statements.

Management is responsible for:

- Preparing its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America.
- Establishing and maintaining internal controls over financial reporting, and preparing the Management Discussion and Analysis (including the performance measures),

Required Supplementary Stewardship Information, and Required Supplementary Information.

- Complying with laws and regulations, including FFMIA.

In fulfilling these responsibilities, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies. Because of inherent limitations in internal control, misstatements, due to error or fraud, may nevertheless occur and not be detected.

Auditors' Responsibilities

Our responsibility is to express an opinion on the fiscal year 2002 and 2001 consolidated financial statements of the Department based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, and OMB Bulletin No. 01-02. Those standards and OMB Bulletin No. 01-02 require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements.
- Assessing the accounting principles used and significant estimates made by management.
- Evaluating the overall consolidated financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In planning and performing our fiscal year 2002 audit, we considered the Department's internal control over financial reporting by obtaining an understanding of the Department's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 01-02 and *Government Auditing Standards*. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to provide assurance on internal control over financial reporting. Consequently, we do not provide an opinion thereon.

As required by OMB Bulletin No. 01-02, we considered the Department's internal control over Required Supplementary Stewardship Information by obtaining an understanding of the Department's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls. Our procedures were not designed to provide assurance on internal control over Required

Supplementary Stewardship Information and, accordingly, we do not provide an opinion thereon.

As further required by OMB Bulletin No. 01-02, with respect to internal control related to performance measures determined by management to be key and reported in the Management Discussion and Analysis, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions. Our procedures were not designed to provide assurance on internal control over performance measures and, accordingly, we do not provide an opinion thereon.

As part of obtaining reasonable assurance about whether the Department's fiscal year 2002 consolidated financial statements are free of material misstatement, we performed tests of the Department's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 01-02, including certain provisions referred to in FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws and regulations applicable to the Department. Providing an opinion on compliance with laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

Under OMB Bulletin No 01-02 and FFMIA, we are required to report whether the Department's financial management systems substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements.

DISTRIBUTION

This report is intended for the information and use of Department's management, the Department's Office of Inspector General, OMB, and the U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 27, 2002

Financial Management Systems Need Improvement (*Repeat Condition*)

The Office of Inspector General (OIG), U.S. General Accounting Office (GAO), and Departmental self-assessments have, for many years, identified weaknesses in the Department's information technology (IT) controls, most notably related to information security. Our fiscal year (FY) 2002 audit of the Department's consolidated financial statements, found that, despite corrective actions taken, significant weaknesses still exist, prompting the Department to declare information security a material weakness under the *Federal Managers' Financial Integrity Act of 1982* (FMFIA).

In February 2002, the Department's Chief Information Officer (CIO) underscored the problem during a public radio interview, as follows:

Computer security, or IT security is our biggest challenge. Our Department, like many other Federal agencies and private organizations, has not kept up with the threats that have resulted from the growth of networking over the last several years. We are now playing catch-up to strengthen our Department's computer security and to reduce the vulnerability of our systems and data to hackers.

During our FY 2002 audit, the CIO stated that the Department's goal is to improve its information security program sufficiently in FY 2003 so as to eliminate the related FMFIA material weakness.

The Department took several actions in FY 2002 to improve controls and processes for its entity-wide information security program: (1) directing secretarial officers and heads of operating units to give information security high priority, sufficient resources, and their personal attention, and to restructure and strengthen IT management by having a CIO at each unit report to the unit head or principal deputy and to the Department's CIO; (2) establishing a centralized Departmental IT security management group, led by the managers of the IT security and critical infrastructure programs, and (3) completing several corrective actions in response to prior-year information security findings.

The OIG noted these efforts in the Executive Summary of its 2002 report on the Department's compliance with the *Government Information Security Reform Act* (GISRA) (Final Inspection Report No. OSE-15260):

With leadership and commitment from senior management, Commerce has made considerable progress over the past year toward establishing the foundation for an effective information security program. However, because information security did not receive enough attention in the past, the effort required to develop and direct a program that safeguards the approximately 600 diverse and complex Commerce systems is daunting. We believe the groundwork is being laid. Commerce now needs to ensure that sound policies, procedures, and practices are

implemented in the operating units, that each system has the needed information security measures, and that these measures are reviewed and maintained throughout the system's life cycle.

Despite these positive efforts, we found that as FY 2002 ended, the Department's IT control environment still needed significant improvements in the following three areas, to fully ensure the integrity, confidentiality, and availability of financial data processed by the Department's systems: general information technology controls, integrated financial management systems, and automated budgetary controls.

General Information Technology Controls

Our FY 2002 audit reviewed general information technology controls over the Department's major financial management systems and supporting network infrastructure, using GAO's *Federal Information System Controls Audit Manual* (FISCAM) as a guide. Effective general controls provide assurance that data used to prepare financial statements is reliable. The six FISCAM review areas and our related findings are as follows:

- **Entity-wide security program.** An entity-wide security program for security planning and management is the foundation of an organization's information security control structure. The program should provide a framework and continuing cycle of activity for managing risk, developing security policies, assigning responsibilities, and monitoring the adequacy of computer-related security controls. Although the Department has made improvements in this area, additional efforts are needed. For instance, the Department has not established a process for promptly notifying its bureaus of the status or outcome of security background investigations on prospective or current employees. In addition, several bureaus need to enhance their entity-wide security policies and practices to improve compliance with requirements of Office of Management and Budget (OMB) Circular A-130, *Management of Federal Information Resources*.
- **Security access controls.** Access controls should provide reasonable assurance that computer resources, such as data files, application programs, and computer-related facilities and equipment, are protected against unauthorized modification, disclosure, loss, or impairment. These controls include physical controls over computer hardware as well as logical controls over system files, programs, and data. Although the Department has implemented controls over the granting and monitoring of system access, it needs to improve password management, database security, intrusion detection, and incident response. We identified weak or easily guessed passwords for operating devices at several bureaus, enabling us to gain unauthorized access to sensitive financial data and other program information, such as personnel records.
- **Application software development and change control.** Controls over changes to application software programs help ensure that only authorized and tested programs

and modifications are implemented. The Department's bureaus have not developed a standardized change control methodology, consistently documented changes, or maintained sufficient access controls for application programmers. Without proper change controls, there is an increased risk of unauthorized changes being made to devices, incorrect versions of a program being implemented, viruses being introduced, or security features being inadvertently disabled.

- **System software.** Controls over the modification of system software should provide reasonable assurance that operating system controls are not compromised. The Department should improve the level of monitoring and documentation of system software changes at key bureaus/operating units. Without sufficient system software controls, unauthorized individuals using the system software could circumvent controls to read, modify, or delete critical or sensitive programs and data.
- **Segregation of duties.** Organizations should have policies, procedures, and a structure to prevent individuals from having full control over key aspects of computer-related operations, thus helping minimize the possibility of unauthorized access or actions. The Department needs to improve controls to ensure responsibilities over key IT functions, such as system development, production and information security, and system administration, are better segregated. Inadequate segregation of duties increases the risk of erroneous or fraudulent transactions, improper program changes, and damage or destruction to computer resources.
- **Service continuity.** Procedures should be in place to protect information resources, minimize the risk of unplanned interruptions, and quickly recover critical operations in the event that such interruptions occur. Many bureaus/operating units within the Department have not prepared and tested disaster recovery plans and contingency plans for all systems and operations, or developed emergency procedures and related training programs. Without adequate disaster preparedness, even relatively minor interruptions could result in lost or incorrect data and expensive recovery efforts, and could threaten the Department's ability to accomplish its mission.

These matters could adversely affect the ability of the Department and its reporting entities to manage financial data.

Recommendation

Specific recommendations are included in a separate limited distribution IT report, issued during our FY 2002 audit. The Department should monitor bureau actions to ensure effective implementation of our recommendations.

Integrated Financial Management Systems

The Department has not fully complied with OMB Circular A-127, *Financial Management Systems*. The Circular requires each agency to establish and maintain a single, integrated financial management system, which is defined as a unified set of financial systems and the financial portions of mixed systems encompassing the software, hardware, personnel, processes (manual and automated), procedures, controls, and data necessary to carry out financial management functions; manage financial operations of the agency; and report on the agency's financial status to central agencies, the Congress, and the public.

A "unified set" means that the systems are planned for and managed together, operated in an integrated fashion, and linked electronically in an efficient and effective manner to provide organization-wide financial system support necessary to carry out the agency's mission and support its financial management needs.

In its *Federal Financial Management Improvement Act* (FFMIA) statement included in the *Fiscal Year 2002 Performance and Accountability Report*, the Department has reported that the Commerce Administrative Management System (CAMS), in conjunction with the Corporate Database, will allow the Department to be in substantial compliance with FFMIA federal systems requirements, including the requirement for a single integrated financial management system. During FY 2002, significant progress was made in implementing the CAMS resulting in the National Oceanic and Atmospheric Administration (NOAA), the Department's largest bureau, and the Bureau of Industry and Security (BIS), converting to CAMS as their system of record on October 1, 2002. In addition, NOAA and BIS used CAMS to close out their FY 2002 activity and report their FY 2002 financial statement data. Full implementation of CAMS within the Department is projected for October 2003.

As described below, during FY 2002, two bureaus – NOAA, which processes financial transactions for itself and BIS; and the National Institute of Standards and Technology (NIST), which processes financial transactions for itself, the National Telecommunications and Information Administration, and the Technology Administration – operated legacy, non-integrated systems that did not comply with federal financial systems requirements. These five bureaus accounted for approximately 72 percent of the Department's total consolidated assets, as of September 30, 2002.

- NOAA's accounting system of record during FY 2002, the Financial Information Management System (FIMA), was not fully integrated with other NOAA systems that capture source financial data, resulting in numerous manual adjustments. In addition, FIMA was not integrated with other Departmental financial systems. We also noted significant general and application control weaknesses with respect to FIMA. While NOAA used the CAMS accounts payable module for some of its disbursements during FY 2002, slightly more than 50 percent of NOAA's non-payroll disbursements

were processed through its legacy systems. As noted above, on October 1, 2002, NOAA began using CAMS as its accounting system of record.

- NIST's separate accounting system, the Corporate Information System, is not integrated with other NIST financial data systems (for example, the property accounting system), resulting in numerous manual adjustments, does not record all accounting events at the transaction level (that is, batch processing is used to post to the general ledger), and is not integrated with other Departmental financial systems. We also noted significant general and application control weaknesses with this system. NIST is expected to convert to CAMS in October 2003.

The continued use of legacy systems was one reason for the Department's 2-week delay in providing us with final bureau-level trial balances and the initial draft of the Department's consolidated financial statements for FY 2002. Improving the overall integration of systems will be key to meeting expedited financial reporting due dates in future years.

Recommendation

We recommend that the Department continue its efforts to integrate its financial management systems, reduce the number of legacy systems in use, and in so doing, monitor planned actions to ensure that progress remains timely.

Automated Budgetary Controls

NOAA's financial system, FIMA, did not contain automated procedures or system controls to prevent over-obligation of apportioned funds at the required level. We noted that the CAMS accounts payable module, in conjunction with the budget module, has the capability to provide automated funds control at various levels. For example, the CAMS modules have automated features that include checks, balances, and edit functions to alert the user that a given entry or request would exceed currently available funds. The CAMS accounts payable module was used for approximately 50 percent of NOAA's non-payroll disbursements in FY 2002. However, the parameters for funds control in FY 2002 were set at the fund (i.e., appropriation) level, which is higher than the Category A and B levels that are necessary for budgetary control, as required by OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*.

NOAA relies on budget officers and program managers to manually monitor the budget below the appropriation level and control the obligational activity against their financial operating plans. Quarterly, NOAA's Execution and Operations Division compares obligations to the financial operating plan and makes inquiries if a variance occurs. Therefore, the current implementation of the CAMS accounts payable module, in conjunction with the budget module and manual processes, does not prevent NOAA from over-obligating funds.

We also noted that the NIST legacy accounting system does not include an automated budgetary controls feature, so all of NIST's budget controls are manual, and are implemented after disbursements have occurred.

Recommendations

We recommend that in FY 2003, the Department allocate the necessary budgetary and staffing resources to ensure implementation of CAMS funds control modules at the level required by OMB Circular A-11, at all applicable bureaus. The Department should also consider requiring its bureaus to implement the automated funds control features within CAMS at a lower level, such as the project level, to further strengthen overall budgetary controls.

Accounting for Personal Property Needs Improvement

The Department has a substantial investment in general property, plant, and equipment, amounting to approximately \$4.5 billion or nearly 40 percent of the Department's total consolidated assets as of September 30, 2002. NOAA maintains \$3.8 billion of the Department's general property, plant, and equipment balance. During our audit, we identified numerous issues with NOAA's accounting for personal property, including construction work-in-progress (CWIP) and capital leases, that required several audit adjustments to properly state the Department's property balances, as well as the related expenses and equity balances, as of and for the years ended September 30, 2002 and 2001.

- **CWIP.** During FY 2002, NOAA identified costs of approximately \$171.5 million that had been expensed in prior years for the development of a new satellite system and that required the recording of a prior period adjustment to properly capitalize the costs as CWIP. In addition, we noted the following:
 - NOAA did not make a FY 2002 management fund adjustment of approximately \$2.6 million to its CWIP balances, to appropriately reflect overhead costs, because the amount was calculated after the financial statement cut-off date.
 - Approximately \$5 million of accrued costs remained in a satellite CWIP account, as of September 30, 2002, even though that satellite series was considered complete in December 2001. As a result, the completed personal property balance and FY 2002 depreciation expense were understated.
 - Two CWIP projects were included in both the CWIP and real property accounts, resulting in adjustments of approximately \$4 million to eliminate the duplication.
 - One CWIP project amounting to approximately \$4 million, was subsequently determined to be related to an abandoned design, which required an adjustment to remove it from the CWIP balance.
 - Six CWIP project reconciliations that we tested included reconciling items that were not adequately explained by the respective line offices or were posted incorrectly by NOAA's Financial Reporting Branch.
- **Personal property.** As of September 30, 2002, we identified unexplained differences totaling approximately \$3 million between NOAA's personal property subsidiary ledger and the general ledger for the equipment asset and accumulated depreciation accounts. We also noted various inaccuracies in the personal property roll-forward schedules, which incorrectly identified certain additions as prior period adjustments or failed to identify other additions as originating in a prior period.
- **Capital leases.** During FY 2002, NOAA revised all of its lease determination worksheets for its ongoing personal property capital leases, but did not maintain adequate support for the adjustments made and did not perform an effective supervisory review over the capital lease calculations. NOAA ultimately had to retain an accounting firm and spend several months to correct the accounting for its

capital leases. Final adjustments to personal property capital lease accounts and capital lease liabilities were approximately \$1.7 million and \$4 million, respectively.

Recommendations

We recommend that NOAA:

- Improve the process of identifying new CWIP projects, including new satellite systems, for capitalization and update its CWIP policies to address cost accumulation and recording procedures.
- Improve the process of identifying CWIP projects that are no longer viable, by updating its CWIP policies to include periodic reviews of recorded projects and specific write-off procedures.
- Improve procedures for reconciling the cost details of CWIP projects to the subsidiary ledger, to ensure that the reconciliations are complete and accurate, and that the necessary adjustments are made to the accounting records.
- Develop a method to calculate and record the management fund cost allocation adjustment to CWIP on a schedule to meet future accelerated reporting requirements.
- Establish procedures to reconcile the subsidiary system personal property balances to the general ledger, at least quarterly, and to prepare accurate personal property roll-forward schedules.
- Improve the controls over accounting for personal property capital leases, including ensuring accurate completion and supervisory review of lease determination worksheets, and retention of supporting documentation.

More detailed recommendations on these matters are presented in our management letter, dated December 27, 2002.

U.S. Department of Commerce
 Independent Auditors' Report
 Exhibit III – Status of Prior Year Findings

Reported Issue	Prior Year Recommendation	Fiscal Year 2002 Status
<i>Material Weakness - Financial Management Systems Need Improvement</i>		
<p>a. <i>Integrated financial management systems.</i> The Department has not fully complied with OMB Circular A-127, <i>Financial Management Systems</i>. The Circular requires each agency to establish and maintain a single, integrated financial management system.</p>	<p>Continue efforts to integrate financial management systems, reduce the number of legacy systems in use, and monitor planned actions to ensure that progress remains timely.</p>	<p>Material weakness (see comments in Exhibit I).</p>
<p>b. <i>General information technology controls.</i> Weaknesses in general controls were identified in all six FISCAM review areas.</p>	<p>The Department should monitor the implementation of recommendations made to the bureaus in separate information technology reports and ensure they are implemented effectively.</p>	<p>Material weakness (see comments in Exhibit I).</p>
<i>Reportable Condition - Financial Management and Reporting Needs Improvement</i>		
<p>a. <i>Overall comment.</i> Further improvements in financial management are necessary at the reporting bureau level to correct the internal control weaknesses identified by the consolidated Department audit and the separate audits of certain bureaus in fiscal year 2001.</p>	<p>OFM should monitor the bureaus' efforts to resolve the conditions cited and recommendations made to ensure the recommendations are implemented effectively.</p>	<p>Completed.</p>

U.S. Department of Commerce
 Independent Auditors' Report
 Exhibit III – Status of Prior Year Findings, Continued

Reported Issue	Prior Year Recommendation	Fiscal Year 2002 Status
<p>b. <i>Financial reporting.</i></p> <p>Weaknesses were identified in financial reporting at Census, Economic Development Administration (EDA), and National Institute for Standards and Technology (NIST).</p>	<p>Census recommendations were issued in a separate audit report in FY 2001. That report recommended that Census implement the Hyperion software for financial statement submission, ensure that CAMS has the capability to provide for multiple preliminary year-end closings, and ensure a more detailed supervisory review of financial statement submissions.</p>	<p>Completed.</p>
	<p>For EDA, ensure that all adjustments to the general ledger are adequately documented and appropriately captured in FACTS II, and use the most recent SF-133 crosswalk to accurately comply with Treasury and Departmental requirements.</p>	<p>Completed.</p>
	<p>For NIST, consider the system functionality requirements to provide financial information at the appropriation and budget fiscal year level throughout the year.</p>	<p>Completed.</p>

U.S. Department of Commerce
 Independent Auditors' Report
 Exhibit III – Status of Prior Year Findings, Continued

Reported Issue	Prior Year Recommendation	Fiscal Year 2002 Status
<p>c. <i>Reconciliations of financial data</i></p> <p>Extensive reconciliations were needed to resolve errors in data produced by Census and NOAA systems or provided manually for inclusion in Departmental financial statements.</p>	<p>Census recommendations were issued in a separate audit report in FY 2001. That report recommended Census ensure that accurate and timely account reconciliations, with supervisory review, are performed and that data clean-up efforts continue until resolved.</p>	<p>No longer a reportable condition; remaining issues will be included in the management letter.</p>
<p>d. <i>Vulnerability in financial data supporting financial reporting.</i></p> <p>NOAA's Financial Management Information System (FIMA) does not contain automated procedures or system controls to prevent over-obligation of apportioned funds.</p>	<p>NOAA recommendations were issued in a separate audit report in FY 2001. That report recommended that NOAA establish policies, implement oversight procedures, and perform overall reviews of CWIP balances.</p>	<p>Reportable condition (see Exhibit II).</p>
<p>NOAA's Financial Management Information System (FIMA) does not contain automated procedures or system controls to prevent over-obligation of apportioned funds.</p>	<p>NOAA recommendations were issued in a separate report in FY 2001. Allocate the necessary budgetary and staffing resources to ensure timely implementation of CAMS, including budgetary funds control modules that would prevent over-obligations at the line item level, and provide for related management information reports.</p>	<p>Combined with material weakness (see comments in Exhibit I).</p>

GLOSSARY OF ACRONYMS



DEPARTMENT OF COMMERCE



UNITED STATES OF AMERICA

UNITED STATES OF AMERICA

ABBREVIATION	TITLE
A	
APP	Annual Performance Plan
ASAP	Automated Standard Application for Payment
ATP	Advanced Technology Program
AWIPS	Advanced Weather Interactive Processing System
B	
BEA	Bureau of Economic Analysis
BEC	Bose-Einstein Condensate
BFC	Budget Functional Classification
BIS	Bureau of Industry and Security
BLS	Bureau of Labor and Statistics
BRS	Business Reporting System
C	
CAMS	Commerce Administrative Management System
CAS	Condition Assessment Survey
CEAR	Certificate of Excellence in Accountability
CEIP	Coastal Energy Impact Program
Census	Bureau of the Census
CFO	Chief Financial Officer
CFS	Core Financial System
CIAO	Critical Infrastructure Assurance Office
CIRT	Computer Incident Response Team
CIO	Chief Information Officer
CMS	Client Management System
COMMITTS	Commerce Information Technology Solutions
CSRS	Civil Service Retirement System
CPC	Climate Prediction Center
CPI	Consumer Price Index
CWPPRA	Coastal Wellness Planning Protection and Restoration Act
D	
DM	Departmental Management
DNS	Domain Name System
DPA	Defense Production Act
DPAS	Defense Priorities and Allocations System

E	EAA	Export Administration Act
	EAR	Export Administration Regulations
	ECASS	Export Control Automated Support System
	EDA	Economic Development Administration
	EFS	Electronic Filing System
	EFT	Electronic Funds Transfer
	ELGP	Emergency Loan Guaranteed Program
	ESA	Economics and Statistics Administration
F	FACTS	Federal Agency Centralized Trial Balance System
	FAIR	Federal Activities Inventory Reform
	FASAB	Federal Accounting Standards Advisory Board
	FCC	Federal Communications Commission
	FCRA	Federal Credit Reform Act
	FECA	Federal Employees Contribution Act
	FEGLI	Federal Employees Group Life Insurance Program
	FEHB	Federal Employees Health Benefit Program
	FERS	Federal Employees Retirement System
	FICA	Federal Insurance Contributions Act
	FFMIA	Federal Financial Management Improvement Act of 1996
	FLF	Fisheries Loan Fund
	FMFIA	Federal Managers Financial Integrity Act of 1982
	FVOG	Fishing Vessel Obligation Guarantee Program
	FWC	Future Workers Compensation
	FY	Fiscal Year
G	G&B	Gifts and Bequests Fund (part of Departmental Management)
	GAO	General Accounting Office
	GAAP	Generally Accepted Accounting Principles
	GDP	Gross Domestic Product
	GISRA	Government Information Security Reform Act
	GPS	Global Positioning System
	GMF	Government Master File
	GOES	Geostationary Operational Environmental Satellite
	GPRA	Government Performance and Results Act of 1993
	GSA	General Services Administration

I	ICP	Internal Control Program
	IP	Internet Protocol
	IT	Information Technology
	ITA	International Trade Administration
	ITS	Institute for Telecommunications Sciences
M	MAP	Measurement Assurance Program
	MBDA	Minority Business Development Agency
	MEP	Manufacturing Extension Partnership
	MFI	Market Facts Incorporated
	MSA	Metropolitan Statistical Area
N	NAF	National Academy Foundation
	NAFTA	North American Free Trade Agreement
	NCDC	National Climate Data Center
	NHC	National Hurricane Center
	NIST	National Institute of Standards and Technology
	NMFS	National Marine Fisheries Service
	NOAA	National Oceanic and Atmospheric Administration
	NODC	National Oceanographic Data Center
	NTIA	National Telecommunications and Information Administration
	NTIS	National Technical Information Service
	NWS	National Weather Service
O	OCS	Office of Computer Services
	OEAM	Office of Executive Assistance Management
	OFM	Office of Financial Management
	OIG	Office of the Inspector General
	OMB	Office of Management and Budget
	OPM	Office of Personnel Management
	OS	Office of the Secretary
	OTEM	Office of Trade Event Management
	OTP	Office of Technology Policy
P	PALM	Patent Application Location Monitoring
	PCI	Per Capita Income
	PP&E	Property, Plant, and Equipment

R	R&D	Research and Development
S	S&E	Salaries and Expenses Fund (part of Departmental Management)
	Secretary	Secretary of the Department of Commerce
	SFA	Sustainable Fisheries Act
	SFFAS	Statements of Federal Financial Accounting Standards
	SGL	Standard General Ledger
	SME	Small and Medium-Sized Enterprise
T	3-G	Third Generation
	TA	Technology Administration
	TAA	Trade Adjustment Assistance
	TAAC	Trade Adjustment Assistance Center
	TARR	Trademark Application Registration Retrieval
	TC	Technology Center
	TEAS	Trademark Electronic Application System
	TESS	Trademark Electronic Search System
	TPA	Trade Promotion Authority
	TPC	Tropical Prediction Center
	TPCC	Trade Promotion Coordination Committee
	TSP	Thrift Savings Plan
	TRAM	Trademark Reporting and Monitoring
	Treasury	U.S. Department of the Treasury
	TROR	Treasury Report on Receivables
U	USC	United States Code
	USMCC	United States Mission and Control Center
	USPTO	United States Patent and Trademark Office
W	WCF	Working Capital Fund (part of Departmental Management)
	WFO	Weather Forecast Office
	WTO	World Trade Organization

DEPARTMENT OF COMMERCE



UNITED STATES OF AMERICA

AMERICAN JOBS, AMERICAN VALUES
STRATEGIC GOALS

GOAL 1

PROVIDE THE INFORMATION AND THE FRAMEWORK TO ENABLE THE ECONOMY TO OPERATE EFFICIENTLY AND EQUITABLY

GOAL 2

PROVIDE INFRASTRUCTURE FOR INNOVATION TO ENHANCE AMERICAN COMPETITIVENESS

GOAL 3

OBSERVE AND MANAGE THE EARTH'S ENVIRONMENT TO PROMOTE SUSTAINABLE GROWTH

MANAGEMENT INTEGRATION GOAL

STRENGTHEN MANAGEMENT AT ALL LEVELS

