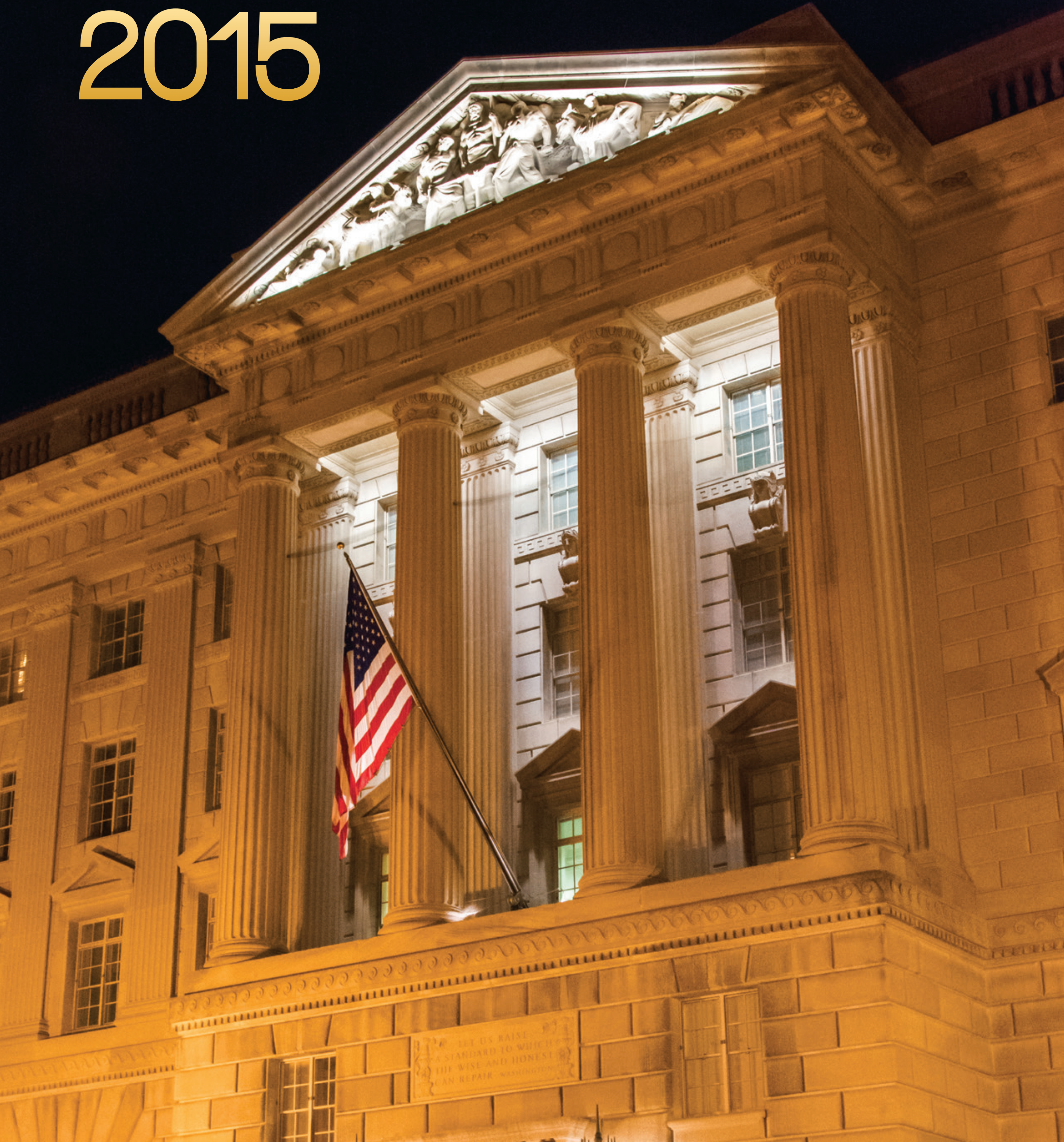
U.S. DEPARTMENT OF COMMERCE

AGENCY FINANCIAL REPORT

FISCAL YEAR

2015



This report can be found on the Internet at
http://www.osec.doc.gov/ofm/OFM_Publications.html.

If you have questions or comments regarding this report, please call the Department's Office of Financial Management at (202) 482-1207 or email Atisha Burks at ABurks@doc.gov or Gordon Alston at GAlston@doc.gov.

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U.S. DEPARTMENT OF COMMERCE

AGENCY FINANCIAL REPORT

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THE DEPARTMENT AT A GLANCE

HISTORY AND ENABLING LEGISLATION

The Department of Commerce was originally established by Congressional Act on February 14, 1903 as the Department of Commerce and Labor (32 Stat. 826; 5 U.S.C. 591) and was subsequently renamed the U.S. Department of Commerce by President William H. Taft on March 4, 1913 (15 U.S.C. 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 creates the conditions for economic growth and opportunity by promoting innovation, entrepreneurship, competitiveness, and stewardship.

The Department is composed of 12 bureaus, the Emergency Steel Loan Guarantee Program, and Departmental Management.

- Bureau of Industry and Security (BIS)
- Economic Development Administration (EDA)
- Economics and Statistics Administration (ESA)
  - Bureau of Economic Analysis (BEA)
  - Census Bureau
- International Trade Administration (ITA)
- Minority Business Development Agency (MBDA)
- National Institute of Standards and Technology (NIST)
  - National Technical Information Service (NTIS)
- National Oceanic and Atmospheric Administration (NOAA)
- National Telecommunications and Information Administration (NTIA)
- U.S. Patent and Trademark Office (USPTO)
- Emergency Steel Loan Guarantee Program (ELGP-Steel)
- Departmental Management (DM)

STRATEGIC GOALS

Strategic Goal 1: Trade and Investment
Strategic Goal 2: Innovation
Strategic Goal 3: Data
Strategic Goal 4: Environment
Strategic Goal 5: Operational Excellence

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

As of September 30, 2015, the Department had approximately 46 thousand employees.

BUDGET AUTHORITY

The Department's FY 2015 net budget authority was approximately $13.86 billion.

INTERNET

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

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MESSAGE FROM SECRETARY PRITZKER

I am pleased to present the Department of Commerce's Agency Financial Report (AFR) for fiscal year (FY) 2015. The AFR is an opportunity for us to highlight the Department's accomplishments and challenges in FY 2015. This report also provides information on our financial management and performance.

The primary mission of the Department of Commerce is to create the conditions for economic growth and opportunity. Since becoming Secretary, I have met with more than 2,000 CEOs and business leaders, entrepreneurs, and other stakeholders across the country and around the world. Based on these conversations, we initiated the "America Is Open for Business" strategic plan focused on five key priorities: expanding exports and foreign inward investment; supporting innovation and entrepreneurship; ensuring communities are prepared for and prosper in a changing environment; unleashing more access to government data; and operational excellence.

In FY 2015, the Department continued to help American businesses and workers prosper, compete, and thrive. America was once again named the #1 place in the world for investment. More government data were made available. And the longest streak of private-sector job growth continued.

The Department's 46,000 employees are committed to meeting the fast-changing needs of the private sector in today's global economy and providing the best services possible to the American people.

This report provides an important window of transparency for our key stakeholders and the American public to assess our financial information and performance for this past year.

Our financial management systems have been found to be in substantial compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996. In accordance with Office of Management and Budget (OMB) Circulars A-136 and A-11, the financial and performance data published in this report are substantially complete and reliable.

These data provide an accurate and transparent accounting of the Department's financial situation and high-level performance results. For the 17th year in a row, the independent auditors tasked with reviewing our financial statements have provided an unmodified opinion. However, the Department received a significant deficiency relating to needed improvement in three areas: (1) accounting for National Oceanic and Atmospheric Administration Commissioned Officer Corps pension benefits, (2) Department-wide information technology general controls around access and configuration management, and (3) accounting for Public Safety Trust Fund spectrum auction proceeds.

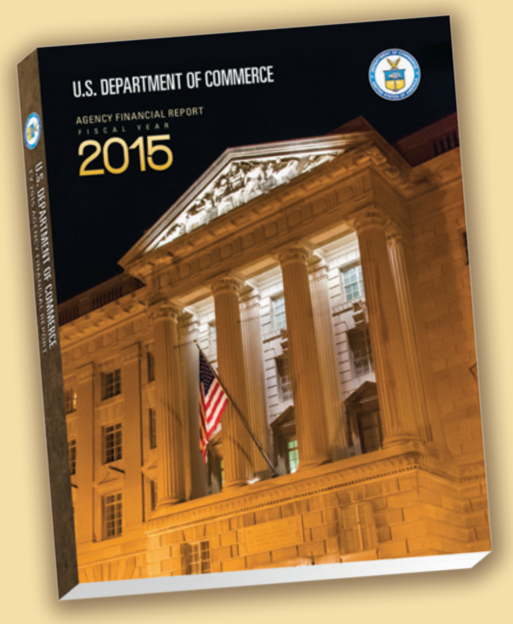
The Federal Managers' Financial Integrity Act of 1982 (FMFIA) and OMB Circular A-123 provide the framework within which Departmental and operating unit managers may determine whether adequate internal controls are in place and operating as they should. We rely on a wide range of studies conducted by programmatic and administrative managers, the Office of the Inspector General, the Government Accountability Office, and others to assist in this effort. Based on activities undertaken during FY 2015, the Department is able to provide an unqualified statement of assurance that its internal controls and financial management systems meet the objectives of FMFIA.

More detailed performance information and results will be released in the Annual Performance Report in February 2016.

I am proud of the work we do and the progress we have made. I hope you find this report useful.

Penny Pritzker
U.S. Secretary of Commerce
November 13, 2015

How to Use this Report



This Agency Financial Report (AFR) for the fiscal year ended September 30 (FY) 2015 provides the Department of Commerce's financial and summary performance information in accordance with OMB Circular A-136, *Financial Reporting Requirements.*

The Department has chosen to produce an AFR. The Department will provide performance results in the FY 2017 Congressional Budget in conjunction with performance plan information as the "FY 2017 Annual Performance Report" for each bureau and will post it on the Department's website at *http://www.osec.doc.gov/bmi/budget/.*

The Department's annual AFR is available on the Department's website at *http://www.osec.doc.gov/ofm/OFM_Publications.html.* The Department welcomes feedback on the form and content of this report.

This report is organized into the following major components:

Statement from the Secretary of Commerce

The Secretary's statement includes an assessment of the reliability and completeness of the financial and summary performance information presented in the report and a statement of assurance on the Department's management controls as required by the Federal Managers' Financial Integrity Act (FMFIA).

Management's Discussion and Analysis (MD&A)

This section provides an overview of the financial and summary-level performance information contained in the Performance Summary, Financial Section, and Other Information. The MD&A includes an overview of the summary of the performance process and current status of systems, internal control weaknesses, information on the Department's financial management, and analysis of FY 2015 financial condition and results.

Financial Section

This section contains details of the Department's finances in FY 2015. A message from the Department's Chief Financial Officer (CFO) is followed by the independent auditors' report, audited financial statements and notes, and required supplementary information.

Other Information

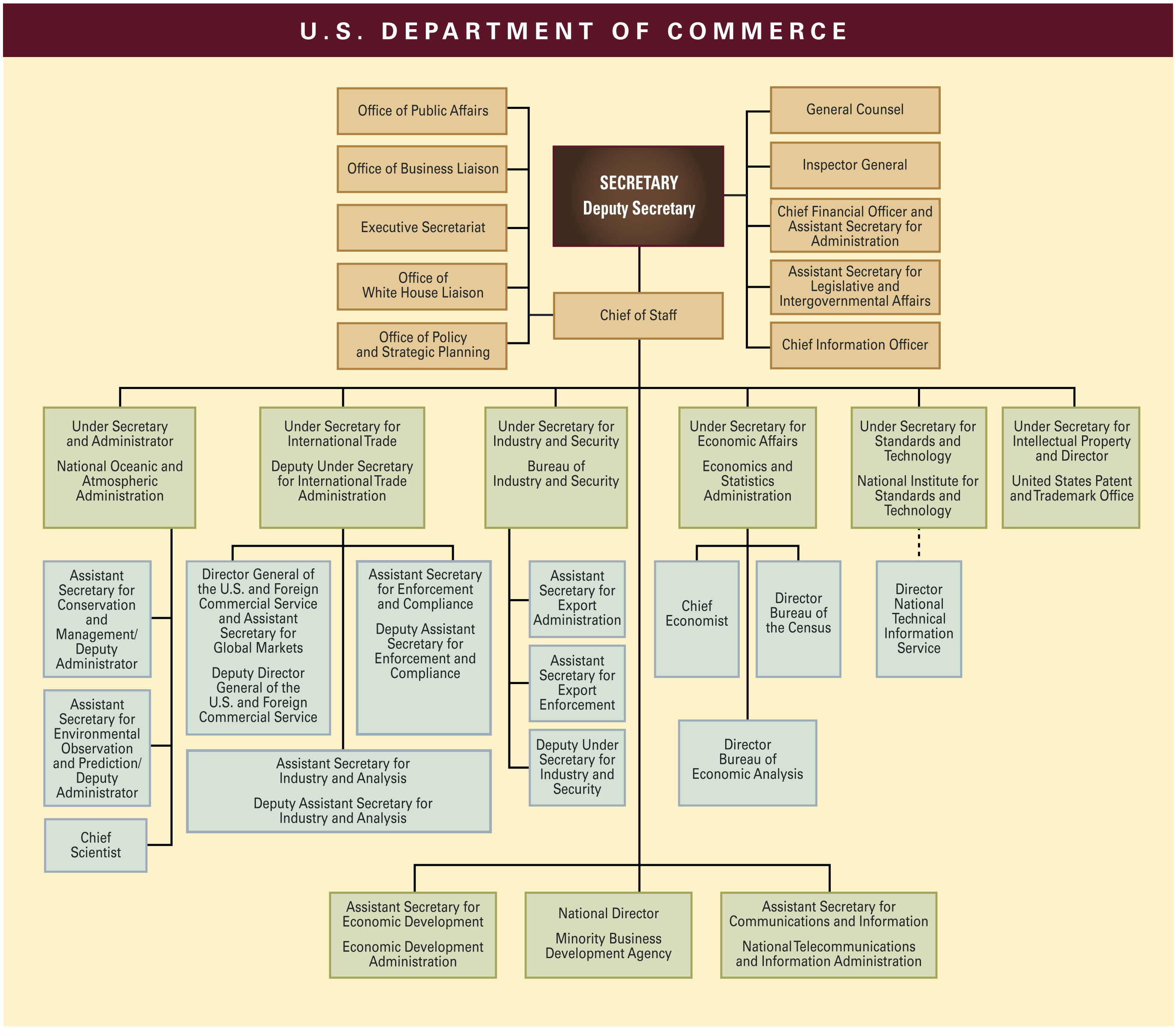
This section provides an overview of spending, a summary of the top management challenges, improper payments information, a federal real property "Freeze the Footprint" report, and a glossary of acronyms.

Management's Discussion and Analysis

MISSION AND ORGANIZATION

MISSION

TO CREATE THE CONDITIONS FOR ECONOMIC GROWTH AND OPPORTUNITY.



THE DEPARTMENT OF COMMERCE PROCESS FOR STRATEGIC PLANNING AND PERFORMANCE REPORTING

BACKGROUND ON THE FY 2014 – FY 2018 STRATEGIC PLAN

The Department of Commerce FY 2014 – FY 2018 strategic planning process was re-engineered in the summer of FY 2013. Newly confirmed, Secretary Penny Pritzker began her tenure with a national listening tour of businesses, Departmental leadership, and staff. The tour produced the outline of a new vision for the Department. The vision is a major departure from the previous strategic plan and has five goal areas: Trade and Investment, Innovation, Environment, Data, and Operational Excellence.

The outline the Office of the Secretary produced was refined and expanded upon by multi-bureau executive teams. The final product, published in March of FY 2014, requires an unprecedented level of bureau collaboration. All but three of 19 strategic objectives involve more than one bureau; 12 involve three or more.

The bureau leadership development/writing teams became multi-bureau implementation teams that wrote action plans for each objective. The action plans included initiatives, initiative owners, milestones, and due dates. In FY 2015, the Department Strategic Plan and related action plans were revised by the executive teams based on lessons learned in FY 2014. The Department now has a 1.1 version of the FY 2014 – FY 2018 Strategic Plan.

ROUTINE MONITORING OF THE STRATEGIC PLAN

The Department's Strategic Plan Review and Implementation (SPRI) meetings are the principal forum for monitoring the strategic plan and refining strategies and tactics on an ongoing basis. SPRI meets every month and includes the administration-appointed bureau leaders, the Secretary, her chief of staff, the Deputy Secretary, and principals of the Office of the Secretary. The Secretary attends when she is not on one of her many trips that support execution of the Strategic Plan. The Deputy Secretary chairs the meeting. At every meeting, a goal area and related objectives and priorities are discussed. Progress, challenges, and risks are identified and benefit from the collective talents and resources of the group. Strategies and tactics may be revised or enhanced to accelerate progress or reduce risks.

There are several other mechanisms that are used to report and review Strategic Plan implementation. The Deputy Secretary meets monthly with the Goal Area leads individually and as a group. This provides the opportunity for deeper dives into issues and challenges. Data on Agency Priority Goals (APG), initiatives singled out for emphasis, and Cross-Agency Priority Goals (CAP), multi-agency priorities, are posted to a public website *www.performance.gov*. Before the data and explanations are published to the site, the tracking information is reviewed by both bureau and Department leadership and the Office of Management and Budget (OMB). Bureaus have internal bureau centric metric review processes. Data on mission support initiatives (Human Resources, Acquisition, Information Technology, etc.) are tracked on an online dashboard and reviewed at quarterly meetings with the Chief Financial Officer/Assistant Secretary for Administration.

ANNUAL STRATEGIC REVIEW PROCESS

Apart from the SPRI and Goal Lead reviews of strategic objectives, in FY 2015 the Department conducted an annual strategic review as required by OMB Circular A-11. FY 2015 was the first year federal agencies conducted these reviews to the letter of new guidance from OMB and the Federal Performance Improvement Council. The Department's reviews were conducted in the following three steps:

- Each Strategic Objective team met to discuss evidence of progress and plans to undertake additional research to improve strategies.
- The groups developed draft assessments of progress for review by a larger staff group and leadership.
- The Commerce Performance Management Team synthesized the material into a final Annual Strategic Review report.

Action plans for the strategic objectives will continue to be refined using the analysis from the strategic reviews and input from the review meetings. The strategic reviews and budget process will also generate a list of research and evaluation subjects that will be used to develop a priority "evidence" agenda that will provide information needed to improve policy and operations.

On the following page is a summary of the strategic goals and objectives established in the FY 2014 – FY 2018 Strategic Plan. The complete plan can be viewed online at *https://www.commerce.gov/sites/commerce.gov/files/media/files/2014/doc_fy2014-2018_strategic_plan.pdf*.

SUMMARY OF STRATEGIC GOALS AND OBJECTIVES

1 TRADE AND INVESTMENT

- 1.1. Increase opportunities for U.S. companies by opening markets globally (ITA, NOAA, NTIA, USPTO)
- 1.2. Increase U.S. exports (BIS, EDA, ESA, ITA, MBDA, NIST, OS)
- 1.3. Increase high-impact inward foreign direct investment into the United States (EDA, ESA, ITA)
- 1.4. Strengthen fair competition in international trade for U.S. firms and workers (ITA)

Expand the U.S. economy through increased exports and inward foreign investment that lead to more and better American jobs

2 INNOVATION

- 2.1. Accelerate advanced manufacturing (EDA, NIST)
- 2.2. Strengthen the Nation's digital economy (ITA, NIST, NTIA, USPTO)
- 2.3. Catalyze innovation ecosystems (EDA, ESA, ITA, MBDA, NIST, OS, USPTO)

Foster a more innovative U.S. economy—one that is better at inventing, improving, and commercializing products and technologies

3 ENVIRONMENT

- 3.1. Advance the understanding and prediction of changes in the environment (NIST, NOAA)
- 3.2. Build a Weather-Ready Nation (ESA, NOAA)
- 3.3. Strengthen the resiliency of communities and regions (EDA, ESA, NIST, NOAA)
- 3.4. Foster healthy and sustainable marine resources, habitats, and ecosystems (NOAA)
- 3.5. Enable U.S. businesses to adapt and prosper by developing environmental and climate informed solutions (ESA, ITA, NIST, NOAA)

Help communities and businesses prepare for and prosper in a changing environment

4 DATA

- 4.1. Deliver increasing amounts of data to governments, businesses, and the public in formats that are easier to access and use (OS, All Bureaus)
- 4.2. Position the Department of Commerce to meet society's future data needs (ESA)
- 4.3. Create a data-driven government (EDA, ESA, ITA, MBDA)

Maximize the positive impacts of Commerce data on society

5 OPERATIONAL EXCELLENCE

- 5.1. Empower and engage Commerce employees (OS, All Bureaus)
- 5.2 Support a service-oriented culture that responds to the needs of external and internal customers (OS, All Bureaus)
- 5.3 Manage for results (OS, All Bureaus)
- 5.4 Improve facilities, support services, and IT products and services to drive mission success (OS, All Bureaus)

Strengthen the Department's capacity to achieve its objectives, maximize return on program investments, and deliver quality, timely service

Note: ESA includes the Bureau of Economic Analysis and the Census Bureau.

FY 2015 PERFORMANCE SUMMARY

OVERVIEW OF PERFORMANCE

Because the Department's new strategic plan is a significant departure from past plans; many of the supporting performance indicators are also new. Therefore, trends are not always available. However, when they are, they are included in the tables on the following pages, which serve as a compilation of data on the current Agency Priority Goals (APG) and other priority indicators. These tables do not include all the measures used to track progress at the Department. Additional measures are included in budget documents. Department budget submissions can be found at *http://www.osec.doc.gov/bmi/budget/*.

1. TRADE AND INVESTMENT

The APG in the Trade and Investment goal area is "Percentage of Global Markets' clients that achieved their export objectives." This measure reflects Global Markets' emphasis on customer service. In FY 2015, the target of 71 percent was exceeded. Accomplishments will be pushed further as new service delivery process are implemented in FY 2015 and when a new Customer Relations Management System is implement in FY 2016. The percentage of clients highly likely to recommend Global Markets assistance compares favorably to the private sector and other federal agencies.

AGENCY PRIORITY GOAL: COMPANIES ASSISTED BY GLOBAL MARKETS THAT ACHIEVE EXPORT OBJECTIVES

PERFORMANCE MEASURE	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Percentage of Global Markets clients that achieved their export objectives	N/A	67%	68%	67%	73%	73%[1]
Percentage of clients highly likely to recommend Global Markets	77%	79%	82%	78%	83%	84%[2]
Number of clients assisted by Global Markets	18,784	20,143	18,945	18,126	17,593	25,029

1 This data point reflects FY 2015 annual performance and is an average of all four quarters.

2 This data point reflects fourth quarter FY 2015 performance and is not an average of all data points for FY 2015.

2. INNOVATION

An APG for the Innovation goal area is "increased miles of broadband to unserved or underserved areas." The number of community anchor institutions connected is also measured. The targets for the measures were exceeded, thereby helping to bridge the "digital divide."

The U.S. Patent and Trademark Office (USPTO) continues to reduce the patent backlog (another APG) and the time required for a patent determination. During FY 2016–FY 2017, USPTO will produce major reductions as examiners gain experience with new processes and enabling technology.

AGENCY PRIORITY GOAL: EXPAND U.S. BROADBAND INFRASTRUCTURE

PERFORMANCE MEASURE	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Miles of broadband networks deployed (infrastructure projects)	4,824	29,191	78,699	111,361	113,555	114,697[1]
Number of community anchor institutions connected (infrastructure projects)	N/A	4,163	11,246	20,325	25,391	25,684[1]

[1] This data point reflects third quarter FY 2015 performance as fourth quarter FY 2015 data was not available at the time of this report.

AGENCY PRIORITY GOAL: IMPROVE PATENT PROCESSING TIME AND QUALITY

PERFORMANCE MEASURE	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Patent first action pendency (months)	25.7	28.0	21.9	18.2	18.4	17.3
Patent total action pendency (months)	35.3	33.7	32.4	29.1	27.4	26.6
Patent backlog	708,535	669,625	608,283	584,998	605,646	553,221

3. ENVIRONMENT

One APG in the Environment goal area has delayed results. The National Oceanic and Atmospheric Administration (NOAA) National Weather Service aims to produce reliable weather forecast nine days in advance. Problems procuring the server power needed for the new improved forecasting model set the schedule back. The problem has been solved and nine-day forecasts with good "skill" scores will be achieved in FY 2016.

The APG for enforcing monitoring fishing catch limits is right on target and the number of threatened species with improving population levels has a positive trend.

AGENCY PRIORITY GOAL: CONFIRM ELIMINATION OF OVERFISHING

PERFORMANCE MEASURE	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Number of domestic stocks, as of June 30, 2013, listed as subject to overfishing for which the annual catch does not exceed the overfishing limit	N/A	N/A	N/A	N/A	11	19

AGENCY PRIORITY GOAL: IMPROVE FORECASTING ACCURACY AND LEAD TIMES FOR SEVERE WEATHER

PERFORMANCE MEASURE	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
GFS 500 hPa anomaly correlation of forecast considered accurate	8.02	8.00	8.00	8.1	8.1	8.2[1]
Hurricane forecasts track – 48 hour error	88	71	69	103	65[2]	N/A[3]

[1] This data point is an estimate of performance. This is a calendar year measure and the data will not be available until calendar year 2016.
[2] This data point was adjusted from what was reported in FY 2014.
[3] This data point will not be available until second quarter FY 2016.

4. DATA

The Data goal area has a much different emphasis than in the past. The Department has viewed its statistical and environmental data as a product. The new strategic plan presents data as a national asset that can increase competitiveness and save lives (weather data). In FY 2014, the new Chief Data Officer joined the Department to create a vision and a plan to put the Department ahead of the breakneck speed of information technology (IT) advances. In FY 2015 his new team began working with several bureaus on new applications that make Department data more accessible and useful.

The Census Bureau has met its annual milestones toward the goal of a 2020 Census that will cost less per housing unit than the 2010 Census (when adjusted for inflation), while continuing to maintain high quality. The Bureau of Economic Analysis and Census continued to meet their critical deadlines for data releases.

PERFORMANCE MEASURE	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Percentage of key activities for cyclical census programs completed on time to support effective decision-making by policymakers, businesses, and the public	90%	90%	90%	90%	90%	100%
Percentage of key data products for Census Bureau programs released on time to support effective decision-making of policymakers, businesses, and the (Economic Indicators)	100%	100%	100%	100%	100%	100%
Percentage of key data products for Census Bureau programs released on time to support effective decision-making of policymakers, businesses, and the public. (Other Key Products: Econ, Geo, and Demo)	90%	90%	90%	90%	86%	87%

5. OPERATIONAL EXCELLENCE

There are many "granular" measures in the Operational Excellence goal area that sets strategies for mission support, e.g., measures of customer satisfaction with processes and services, cycle-times, error rates. The strategic measures are milestones for creating new frameworks for organizational development, a common IT architecture, shared services, and results focus. Plans in these areas are on track and in line with government-wide initiatives. There are significant positive trends in the quality and quantity of service provided by *www.Business.USA.gov*. This is the one-stop shop website to access all federal services available to help American business.

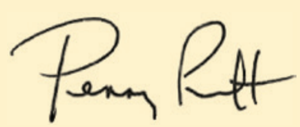
PERFORMANCE MEASURE	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Business USA (Business.USA.gov) ability to find information:						
Content subscribers	N/A	N/A	35,000	70,388	103,903	120,278
Website visits	N/A	N/A	628,000	1,370,000	2,362,313	3,838,740

MANAGEMENT CONTROLS

The Department's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). During FY 2015, the Department assessed its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, the Department can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2015 was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

In addition, the Department conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, the Department can provide reasonable assurance that its internal control over financial reporting as of June 30, 2015 was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting. Furthermore, no material weaknesses related to internal control over financial reporting were identified between July 1 and September 30.

Based on reviews conducted by the Department, it has been able to determine that its financial systems are in conformance with government-wide requirements.



Penny Pritzker
U.S. Secretary of Commerce
November 13, 2015

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA) OF 1982

The objective of the Department's management control system is to provide reasonable assurance that:

- Obligations and costs are in compliance with applicable laws;
- Assets are safeguarded against waste, loss, unauthorized use, or misappropriation;
- Revenues and expenditures applicable to the Department's operations are properly recorded and accounted for, permitting accurate accounts, reliable financial reports, and full accountability for assets; and
- Programs are efficiently and effectively carried out in accordance with applicable laws and management policy.

During FY 2015, the Department reviewed its management control system in accordance with the requirements of FMFIA, and OMB and Departmental guidelines.

SECTION 2 OF FMFIA – INTERNAL MANAGEMENT CONTROLS

Section 2 of FMFIA requires that federal agencies report, on the basis of annual assessments, any material weaknesses that have been identified in connection with their internal and administrative controls. The efficiency of the Department's operations is continually evaluated using information obtained from reviews conducted by the U.S. Government Accountability Office (GAO) and the Office of Inspector General (OIG), evaluations conducted by other federal agencies such as the U.S. Office of Personnel Management (OPM), and other specifically requested studies. The diverse reviews that took place during FY 2015 relative to non-financial controls provide assurance that Department systems and management controls comply with standards established under FMFIA.

Key Administrative and Management Internal Control Activities

In compliance with FMFIA, the following information regarding the adequacy of the design and operation of management and internal control systems in FY 2015 is detailed below.

HUMAN RESOURCE MANAGEMENT

Human Capital Accountability System. In accordance with Title 5, U.S. Code § 1104(a)(2) and Executive Order 13197, *Government-wide Accountability for Merit Systems Principles; Workforce Information*, dated January 18, 2001, and the Interagency Delegated Examining Agreement Number DOC-1, between OPM and the Department, and Human Resources Bulletin #036, FY 2006, *Human Resources Management Accountability System*, the Office of Human Resources Accountability coordinated, trained, and led the Department Human Capital (HC) Audit Team successfully through eight Delegated Examining on-site audits at the servicing human resources office. In addition, the audit team conducted two Human Capital Framework (HCF) assessments: one at the National Oceanic and Atmospheric Administration (NOAA) Headquarters Workforce Management Office, Silver Spring, MD (follow-up evaluation) and the other at U.S. Census Bureau Headquarters, Suitland, MD. The Department HC Audit Team contributes to the effectiveness of the Department's human capital accountability system by monitoring and auditing/evaluating the results of its human capital management policies, programs, and activities; by analyzing compliance with merit system principles, federal regulations, OPM standards, and Departmental policy; by identifying and monitoring required improvements; and by recognizing notable and best practices. During FY 2016, eight Delegated Examining and two HCF audits will be conducted.

Protecting Personally Identifiable Information. A quarterly analysis is conducted by an independent third-party vendor of all Department employee identities to ensure no organized misuse by fraudsters is occurring. In relation to specific breach or potential breach incidents, reports of "Harm" or "No Harm" are provided by the vendor to indicate if misuse of any employee identities is occurring as a result of the specific incident(s).

ACQUISITION MANAGEMENT

The Office of Acquisition Management's (OAM) internal control process is based on OMB-prescribed guidance on acquisition assessment with the following cornerstones:

- Policies and Processes;
- Human Capital; and
- Information Management and Leadership.

OAM's structure directly addresses major initiatives such as implementation of the scalable framework for acquisition management, strategic sourcing initiatives and acquisition/administrative savings, risk management, and cost analysis and oversight.

Acquisition Improvement Project Scalable Acquisition Framework. In 2015, OAM successfully completed Department-wide policy for acquisition project management and cost estimation and independent cost estimates with the publication of DAO 208-16 issued in May. This policy establishes a Department-wide acquisition framework, processes for Department oversight of major programs via a Milestone Review Board (MRB) chaired by the Deputy Secretary, establishment of decision points and necessary artifacts to move programs from one framework phase to the next, and a clear requirement and standard procedures for cost estimating work products and their review and approval (and responding to GAO findings in 2012). There were two MRBs in FY 2015. The scalable framework has proven very versatile, useful for non-milestone program oversight, and adaptable, being used by NOAA and the Census Bureau for internal acquisition decision-making.

USASpending.gov. USASpending.gov, a single searchable website that is accessible to the public, receives and displays data pertaining to amounts awarded for federally sponsored projects during a given budget period. One of the main source systems that provides information to the USASpending.gov website is the Federal Procurement Data System (FPDS). OAM annually reviews and certifies its procurement data captured in FPDS in accordance with Office of Federal Procurement Policy (OFPP) guidance. This activity certifies the completeness, quality, accuracy, and timeliness of the Department's data in FPDS. Accuracy is measured by reviewing a random sample of records for data elements prescribed by OFPP. The Department has consistently maintained an accuracy rating of 96 percent or above. In addition, OAM conducts quarterly FPDS independent verification and validation process (IV&V) reviews. The quarterly reviews are used to evaluate the accuracy of the agency data in FPDS throughout the year. Data elements with accuracy rates that fall below 95 percent are identified and targeted for improvement. The quarterly review process has helped to improve the accuracy of procurement data in FPDS. In FY 2015, the OMB MAX Portal was used to enter and record IV&V results. Capturing data electronically improved data validations, and enhanced and standardized collection methods across the bureaus.

Purchase Card program. OAM continuously monitors and updates internal control measures and processes to manage the Department's Purchase Card Program; certifies that the appropriate policies and controls are in place; and corrective actions have been taken to mitigate the risk of fraud and inappropriate charge card practices. In FY 2015, the Department continued its implementation efforts to enhance policy requirements and implement structured procedures. Enhancements to the purchase card program included: improvements to the customized virtual online training course to highlight changes to federal and Department-specific policies and procedures of the program and improve user training by providing realistic scenario-based examples; updated the Commerce Acquisition Management Chapter to enhance management review and internal control processes; issued a Procurement Memorandum to revise the record retention requirements in order to conform with new National Archives and Records Administration's regulations; and executed cardholder community newsletters, *APC Digest*, to improve communication with the cardholder community.

American Recovery and Reinvestment Act (ARRA) and Hurricane Sandy Funds Management. Supplemental funding received under ARRA and the Disaster Relief Appropriations Act (Hurricane Sandy) received comprehensive programmatic and administrative attention throughout the Department in order to achieve the legislative goals attributable to it. ARRA and Hurricane Sandy funds received by Department bureaus were awarded or otherwise expended for authorized purposes, in as prompt and efficient a manner as possible while safeguarding against fraud, waste, and abuse. Reporting associated with this funding is being performed clearly, transparently, and comprehensively. Monitoring has been and will continue to be conducted to ensure the recipient is meeting goals as stated in its application and as incorporated into award documents, and will also focus on the effects ARRA and Hurricane Sandy funding has had and will prospectively have on economic indicators.

Security Management. Major security-related programs within the Department worked together to mitigate the threat to the Department by addressing the terrorism and espionage risks and increasing emergency management effectiveness. The Department's Office of Security has instituted initiatives and documented accomplishments including:

- Coordinating the Department's efforts in various senior level and principal level continuity exercises while providing operational support to significant emergencies (including an active shooter at the Suitland Federal Center) to natural disasters such as floods, tornados, earthquakes, hurricanes, and fires;
- Managing the Department's overall Continuity of Government and Continuity of Operations Programs (COOP) program to include major deployed exercises (Eagle Horizon 15) and senior official exercises as well as operational reviews of Bureau COOP plans and capabilities;
- Developing a Department Active Shooter Training Program to teach the government best practice individual response of: RUN-HIDE-FIGHT and align with new Interagency Security Committee active shooter guidance; and
- Engaging various offices, including the Office of the Chief Information Officer, OAM, and NOAA to better respond to Supply Chain Risk Management requirements while also adding additional resources to specifically focus on insider threat concerns.

FACILITIES MANAGEMENT

Beginning in 2003, GAO has deemed federal real property management to be a high risk due to long standing challenges that include unreliable data reported in the Federal Real Property Profile (FRPP). In July 2014, GAO issued a report that concluded that data problems related to federal real property management continue to be an issue. While neither OMB nor the U.S. General Services Administration (GSA) has issued specific guidance regarding data quality improvements in 2014, the Federal Real Property Guidance, released in July 2014, addresses data accuracy as follows:

In accordance with OMB guidance in the July 2014 FRPP Guidance, the Department instituted an annual process to obtain formal certification from operating unit Chief Financial Officers (CFO) of federal property assigned to their control and custody as reported to GSA in December 2014.

Prior to the December 15, 2014 data submittal, the Department received certifications from the applicable operating units that their FRPP data was complete and accurate and forwarded the Department CFO's certification to GSA. The Department also performed its annual IV&V review of its current real property inventory system data, modeled after the process used by the U.S. Department of Energy.

Under the Department's IV&V review, a random sample of 20 buildings was taken, and operating units were directed to provide copies of source documentation for key data fields; eight data fields in owned properties and seven in direct lease properties. If the data value(s) in all fields for all records were properly supported with documentation, the Department could claim to have a confidence level of 90 percent for all FRPP building data. In the sample tested, we found that corrections were needed or source documentation was not found for nearly half of the owned buildings and several of the leased buildings. Operating units will be asked to certify their data again and another IV&V test will be conducted for data reported in December 2015.

INFORMATION TECHNOLOGY SECURITY RECEIVES CONTINUED FOCUS

The Office of the Chief Information Officer (OCIO) conducts reviews of its information technology (IT) investments to ensure their efficiency and effectiveness in support of the Department's missions. The Department, following OMB policies and guidelines and complying with Federal Information Security Modernization Act of 2014 (FISMA) requirements, oversees and manages IT resources by establishing and implementing policies and controls to mitigate IT risks. In FY 2015, the Department made improvements to elevate the IT security program and address deficiencies in policies and procedures, incident response management and reporting, management of privileged users, and enterprise cybersecurity initiatives.

Accomplishments resulting from the Department's efforts to address the deficiencies include significant enhancements and additions to toolsets and services. The Department has made progress in deployment of the Department Enterprise Security Oversight Center (ESOC) focusing on 24x7 coverage and establishment of a Secure Enclave; centralized tracking and reporting of incident response for the Department through the Department's Computer Incident Response Team (DOC-CIRT); a review of the Department's top high value assets; and policies and guidance on management of privileged user accounts, new remediation timelines for critical vulnerabilities, and an update to the Department IT Security Policy Program, which includes transition to the National Institute of Standards and Technology (NIST) SP 800-53 rev.4. The Department continued to implement Enterprise Cybersecurity Monitoring and Operations tool to monitor and track continuous monitoring of IT security-related events throughout the Department. The Department has developed policy and is continuing to implement a Supply Chain Risk Management program. The Department also reduced the number of outstanding IT security remediation activities over 120 days past due.

While these enhancements will allow the Department to elevate its IT security posture, more work remains to be accomplished. Despite these improvements, the OIG reported that IT security deficiencies still persist including issues with the Department's incident response management and tracking, and implementation of cloud environments regarding GSA FedRAMP compliance. The OIG also continued to find security deficiencies in bureaus' implementation of security controls, continuous monitoring, and vulnerability management in FY 2015 FISMA Audits. The OIG acknowledges the progress the Department has made with continued deployment of the ESOC and centralized incident response reporting and tracking through the DOC-CIRT. However, the OIG encourages the Department to continue to make a concerted effort to expedite the Shared Services initiatives and strengthen the Department's continuous monitoring program.

IT ACCOMPLISHMENTS TOWARD FMFIA

To ensure that the Department effectively manages the ongoing IT security concerns, the OCIO continues to engage an IT Leadership Team and an IT Management team with regularly weekly meetings and status updates. Additionally, the OCIO cybersecurity office continues to conduct rigorous IT security compliance reviews based on FISMA requirements, OMB policy, NIST standards and guidelines, and previous OIG recommendations.

Financial Management

During FY 2015, the Department's OMB Circular A-123 Appendix A reviews and assessment included the following:

- Provided training to the Senior Assessment Team on implementation of the requirements of the new GAO's *Standards for Internal Controls in the Federal Government* (Green Book) and a refresher on the five phases of the Department's OMB Circular A-123 Appendix A assessment process;
- Completed a preliminary impact assessment by each of the bureaus and Departmental Management to assess its current level of controls as they relate to those required by GAO's Green Book and to determine the level of efforts and resources required to maintain compliance with the Green Book in FY 2016;
- Utilized the Senior Management Council to implement, direct, and oversee the assessment process, and the Senior Assessment Team to develop OMB Circular A-123 Appendix A planning documentation, administer internal control test plans, and monitor and review the test work;
- Updated Departmental sampling plan and Department-wide testing templates for selected key processes;
- Analyzed the results of the overall effort to assess and document the adequacy of the Department's internal controls in order to develop the annual statement of assurance issued by the Secretary and published in the Agency Financial Report;
- Consolidated and analyzed the OMB Circular A -123 Appendix A review findings for each of the applicable Departmental bureaus;
- Performed a review of working papers for select processes/cycles at the Census Bureau for completeness, accuracy, reliability, adequacy, and adherence to the Department's Implementation Plan, Sampling Plan, and Work Paper Guide; and
- Furthered the initiative on data analytics function. Through contractor support, the Department piloted the review on purchase card, travel card, and payroll related datasets.

SECTION 4 OF FMFIA – INTERNAL CONTROLS OVER FINANCIAL MANAGEMENT SYSTEMS

The Department has reported no material weaknesses under FMFIA Section 4 in recent years. Based on reviews conducted by the Department and its bureaus for FY 2015, the financial systems in the Department are compliant with GAO principles and standards, the requirements of the CFO Act, and OMB requirements.

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA) OF 1996

Under FFMIA, 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 at the transaction level. In FY 2015, the Department remained in compliance with FFMIA.

REPORT ON AUDIT FOLLOW-UP

The Inspector General Act, as amended, requires that the Secretary report to Congress on the final action taken for Inspector General audits. This report covers Commerce Department audit follow-up activities for the period June 1, 2014, through May 31, 2015.

SUMMARY OF ACTIVITY ON AUDIT REPORTS
JUNE 1, 2014 THROUGH MAY 31, 2015

	DISALLOWED COSTS[1]		FUNDS TO BE PUT TO BETTER USE[2]		NONMONETARY REPORTS[3]	TOTAL
	NUMBER OF REPORTS	DOLLARS	NUMBER OF REPORTS	DOLLARS	NUMBER OF REPORTS	REPORTS
Beginning Balance	31	$ 40,702,191	8	$ 223,624,627	20	59
New Reports	8	2,276,186	2	309,000	21	31
Total Reports	39	42,978,377	10	223,933,627	41	90
Reports Closed	(20)	(25,307,814)	(4)	(220,783,962)	(16)	(40)
Ending Balance	19	$ 17,670,563	6	$ 43,149,665	25	50

1. This column includes reports on contract, grant, and loan audits that contain disallowed costs. Disallowed costs are questioned costs that management has sustained or agreed should not be charged to the government.
2. This column includes reports on contract, grant, and loan audits that contain funds to be put to better use. "Funds to be put to better use" are funds that could be used more efficiently if management took action to implement and complete the recommendation. Audits with "funds to be put to better use" may be non-federal audits of individual grant awards or performance audits of grant programs or other programs. Thus, the amount of "funds to be put to better use" among audits can vary widely.
3. This column Includes management (performance), contract, grant, loan, and financial statement audits with nonmonetary recommendations.

Note: Changes to the non-federal audit process were implemented in part as a result of OMB's new *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*. Effective December 26, 2014, Department OIG discontinued review of non-federal audit reports.

BIENNIAL REVIEW OF FEES

OMB Circular A-25 Revised, *User Charges*, requires the biennial review of agency programs to determine whether fees should be charged for government goods or services, and to ascertain that existing user charges are adjusted to reflect unanticipated changes in costs or market values.

The Department conducts a review of its programs at least biennially, with some bureaus conducting annual reviews. The Department is in compliance with the requirement to adjust its fees to meet the Circular A-25 Revised requirement of full-cost recovery for user charges.

FINANCIAL MANAGEMENT AND ANALYSIS

Under the Secretary's leadership, the Department is continuing to give the highest priority to providing accurate financial data to its internal and external customers, and to its accountability for all assets. Ensuring that there are strong internal controls throughout the Department remains a priority. The Department has created a financial management environment that complies with federal laws and regulations and that provides its executives with timely, accurate financial and performance information. This is evidenced with the Department continuing to receive unmodified audit opinions, maintaining a single integrated financial system, and continuing its compliance with the Federal Financial Management Improvement Act (FFMIA).

Highlights of accomplishments for FY 2015 and future initiatives are discussed further below.

FINANCIAL MANAGEMENT SYSTEMS

The Department maintains an FFMIA-compliant financial management system, Commerce Business Systems (CBS), which provides reliable, timely information within a sophisticated security infrastructure. The system is capable of producing both financial and budget reports from information generated within the financial management system. CBS consists of a Core Financial System, including the Commerce Purchase Card System and the Budget and Execution Data Warehouse. CBS is interfaced with the Commerce Standard Acquisition and Reporting System, the U.S. Department of Agriculture's National Finance Center Payroll System, and the U.S. Department of the Treasury's (Treasury) Automated Standard Application for Payments.

The financial information from CBS is integrated in the Corporate Database for consolidated financial reporting, resulting in a single integrated financial management system. The Corporate Database is a commercial, off-the-shelf software package for consolidating financial data and producing financial reports. The Corporate Database is an integrated solution that provides financial statements and Adjusted Trial Balances reported at the Department, bureau, and Treasury Appropriation/ Fund Group level. It also provides the ability to perform data analysis and produce the Department's footnotes, financial analysis reports, and other additional information required for the government-wide financial statements.

During FY 2015, the Department accomplished the following initiatives:

- Continued the Planning phase for the Business Application Solutions (BAS) project that will modernize the Department's financial and business systems. However, the project is currently on hold while the Department works with the Office of Management and Budget (OMB) and Treasury to determine a path forward;
- Completed the design, development, and testing of the government-wide Treasury Accounting Symbol modification to handle beginning balance attributes and Adjusting Entry modifications to CBS;
- Completed several technical CBS upgrades, including Fusion Middleware/WebLogic to Oracle Access Manager upgrade; completed the Oracle Database upgrade and began the Oracle portal upgrade to Webcenter;
- Deployed online dashboards, tools, processes, and standardized templates improving the efficiency, effectiveness, governance, management, and delivery of the Chief Financial Officer and Assistant Secretary for Administration (CFO/ASA) capabilities and services; and

- Conducted design and development activities for the Department's CFO/ASA Dashboard application. The CFO/ASA Dashboard provides a Department-wide, executive-level overview of the Department's highest priority and highest risk mission and administrative initiatives.

In FY 2016 and beyond, the Department will continue its efforts to enhance its financial systems. The Department plans to accomplish the following:

- Continue working with OMB and Treasury to determine the next steps for the BAS project; and

- Complete the design, development and testing of the interface between the Department's travel system and the Department's financial management system (CBS), modifications to meet the Federal Funding Accountability and Transparency Act requirements, and modifications to CBS to associate the correct business event type code to the transaction.

FINANCIAL REPORTING AND POLICY

The Department accomplished the following initiatives during FY 2015:

- Completed the Department's implementation, effective FY 2015, of financial reporting to Treasury's Governmentwide Treasury Account Symbol Adjusted Trial Balance System;

- Quarterly financial metrics were compiled, analyzed, and reported to individual bureaus, which also included a status report comparing bureau results with Departmental performance goals. The results of bureaus' metrics and any corrective actions needed were discussed at bureau CFO individual monthly meetings;

- Bureaus identified and reported improper payments data to the Department quarterly, including recaptures of improper payments data, identified reasons for improper payments, and continually implemented appropriate actions to minimize future improper payments;

- Each of the Department's bureaus/reporting entities updated or prepared their scheduled improper payment risk assessments covering all programs/activities as required by OMB Circular A-123, *Management's Responsibility for Internal Control,* Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*. These improper payment risk assessments of the entity's programs/activities also include assessments of the control, procurement, and grants management environments, and are now in the continuous process stage of being updated every three years, unless significant changes occur, in which case an assessment will be updated quicker;

- A contractor completed an annual payment recapture audit of Department-wide grants and other cooperative agreements, and completed annual payment recapture audits of contracts/obligations for Departmental Management (DM)/Salaries and Expenses (S&E), DM/Working Capital Fund, the Economic Development Administration (EDA)/S&E, the Economics and Statistics Administration/Bureau of Economic Analysis (BEA), and the International Trade Administration (ITA) (payment recapture audits of contracts/obligations are performed annually for the Department's bureaus/reporting entities, on a rotational basis). The payment recapture audits identified $4 thousand of improper payments;

- A contractor prepared a Statistical Sampling and Estimation Plan for the National Oceanic and Atmospheric Administration (NOAA) Disaster Relief Appropriations Act FY 2014 disbursements in order to yield a statistically valid improper payments estimate, and performed the FY 2014 disbursements testing, which did not identify any improper payments in accordance with the plan;

- A contractor performed a review of the Departments' capitalization thresholds for accounting for real and personal property. Revised capitalization thresholds for the National Institute of Standards and Technology (NIST) were implemented as a result, effective October 1, 2015;
- NOAA prepared a Program Review (to be prepared biennially) of its active Fisheries Finance direct loan program which evaluates the loan program's effectiveness in achieving program goals in accordance with guidance set forth in OMB Circular A-129, *Policies for Federal Credit Programs and Non-tax Receivables*, and OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, Part 6, *Strategic Plans, Annual Performance Plans, Performance Reviews, and Annual Program Performance Reports*;
- Completed bureaus' implementations of reporting Treasury Appropriation Symbols and Business Event Type Codes for each individual transaction for Intragovernmental payments, collections, and disbursements; and
- Pursuant to a Digital Accountability and Transparency Act of 2014 amendment to 31 U.S.C. 3716(c)(6), *Administrative Offset*, bureaus completed their implementations of referring delinquent debts to Treasury for cross-servicing no later than 120 days delinquent (expedited from no later than 180 days delinquent).

In FY 2016 and beyond, the Department plans to accomplish the following:

- Adjust the Department's civil monetary penalties for inflation in 2016, in accordance with the Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Debt Collection Improvement Act of 1996; and
- Evaluate and implement as necessary, effective FY 2018, Federal Accounting Standard Advisory Board's Statement of Federal Financial Accounting Standards 47, *Reporting Entity,* which establishes principles to guide preparers of general purpose federal financial reports in determining what organizations to report upon and what information should be presented.

GRANT MANAGEMENT

Under the CFO/ASA, the Office of Acquisition Management (OAM) is responsible for the Department's enterprise-wide grants management policy, projects, and oversight. The Department's focus is to standardize policy and procedures for its grant and cooperative agreement programs in order to strengthen compliance, work toward a single automated grants management system, and enhance/formalize workforce education. Targeted efforts continue to transform the decentralized Department grants management community into an effective and efficient partnership.

In FY 2014, the Department started migrating EDA to NOAA's grants management system, Grants Online. In FY 2015, NIST began the migration. This activity is expected to continue into FY 2017. ITA, Minority Business Development Administration (MBDA), and National Telecommunications and Information Administration (NTIA) have already migrated to Grants Online.

OAM's Grants Management Division (GMD) continues to coordinate the Department's implementation of 2 CFR, Part 200, the Uniform Guidance for Grants and Cooperative Agreements issued by OMB on December 26, 2013. The Uniform Guidance requires federal agencies to modify grant business processes to achieve the President's goals of streamlining federal programs to establish more efficient and user friendly requirements for both federal awarding agencies and recipients. Pursuant to the requirements of the Uniform Guidance, OAM/GMD has collaborated with partners in the Department's financial assistance community to develop updated Financial Assistance Standard Terms and Conditions

(STC) consistent with the Uniform Guidance. These revised STC's were issued on December 26, 2014 and govern all financial assistance awards issued on or subsequent to that date.

The Department's Office of Inspector General (OIG) has withdrawn from its traditional role in the audit resolution process and consequently, the grants offices have expanded their role. The OIG remains available for consultation but otherwise does not play an authoritative role in final audit resolution decisions. This responsibility now resides with the award making bureau. OAM/GMD interacts with the respective bureaus to track and report on the progress of audit resolution activities.

OAM/GMD is actively engaged in assisting the grant making bureaus with implementing the Digital Accountability and Transparency Act (DATA Act), which was enacted in FY 2014 under Public Law 113-101. The DATA Act furthers the President's effort already underway to provide transparent federal spending information and establish government-wide financial data standards for information posted on USASpending.gov.

HUMAN CAPITAL

Both the President and Congress recognize that the federal workforce is central to the delivery of services to the U.S. public. Acknowledging that people are the key to mission accomplishment, Departmental leadership continues to implement and evaluate programs to ensure that there is succession planning in the area of financial management. Internships, leadership development programs, technical training opportunities, telework, and succession plans are used as vehicles for making progress in the recruitment, development, and retention of a highly-skilled and diverse workforce.

In FY 2015, the Department hosted 14 Pathway Program interns as accountants, budget analysts, and auditors including eight new hires and two who were converted to permanent positions. Trainees were located within finance and accounting offices in the BEA, Census Bureau, ITA, NIST, and OIG.

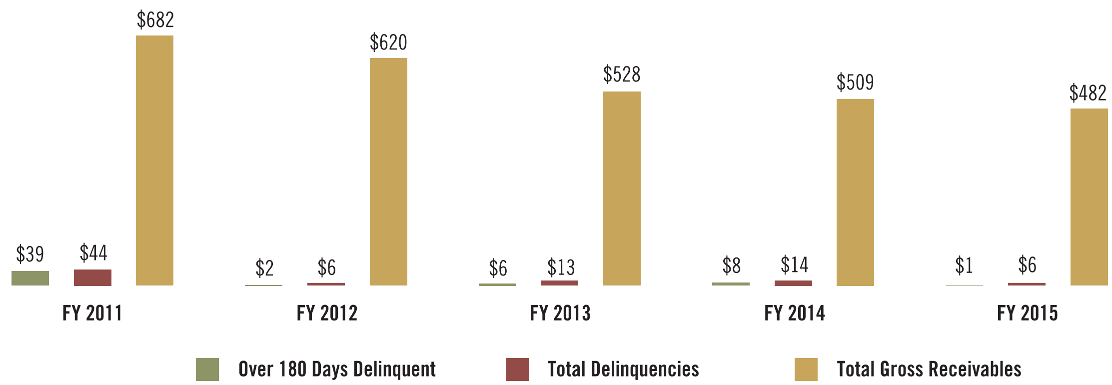
To maintain a highly-skilled financial management workforce, the Department's retention and succession strategies include the increased use of telework and development of succession plans. In FY 2015, approximately 54 percent of accounting and budgeting employees engaged in telework, an increase of eight percentage points from 46 percent in FY 2014. Telework is used by the Department to position itself as an "employer of choice" in attracting qualified employees, facilitating employee work/life balance, increasing employee satisfaction and engagement, and potentially increasing employee productivity.

RECEIVABLES WITH THE PUBLIC AND DEBT COLLECTION MANAGEMENT

The Department provides policies and procedures for the management and collection of non-tax debts owed to Departmental entities in its debt collection regulations, *Commerce Debt Collection*. These regulations adopt and incorporate all provisions of the Federal Claims Collections Standards (FCCS), which were jointly published by Treasury and the U.S. Department of Justice. The Department's debt collection regulations supplement FCCS by prescribing procedures, consistent with FCCS, as necessary and appropriate for Departmental debt collection management operations. FCCS clarifies and simplifies federal debt collection procedures and reflects changes under the Debt Collection Improvement Act of 1996 and the General Accounting Office Act of 1996. The Department also provides guidance for debt collection management in its *Credit and Debt Management Operating Standards and Procedures Handbook*, to ensure that consistent debt collection management practices are established and followed throughout the Department, and to establish and enhance Departmental debt collection management practices.

Applicable bureaus prepared, in 2014, Credit Management and Debt Collection Plans, which set forth their plans for effectively managing credit extension, account servicing, and debt collection management. These plans are updated at least every five years.

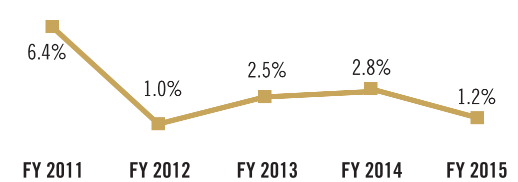
GROSS RECEIVABLES WITH THE PUBLIC AS OF SEPTEMBER 30 *(In Millions)*



The Department's total gross receivables with the public decreased $27 million or 5.3 percent, from $509 million as of September 30, 2014 to $482 million as of September 30, 2015, as reported on the Department's Treasury Report on Receivables, which is the primary means for the Department to provide comprehensive information to Treasury on its receivables with the public. Total delinquencies with the public, as a percentage of total gross receivables with the public, decreased from 2.8 percent as of September 30, 2014 to 1.2 percent as of September 30, 2015. Receivables with the public over 180 days delinquent, as a percentage of total gross receivables with the public, decreased from 1.6 percent as of September 30, 2014 to 0.3 percent as of September 30, 2015.

Prescreening procedures, account-servicing standards, determined collection of delinquent debt, and extensive referrals of delinquent debt to Treasury for cross-servicing, which includes Treasury referrals to the Treasury Offset Program and credit bureau reporting when deemed appropriate by Treasury, have all contributed to effective Departmental debt collection management. The Debt Collection Improvement Act of 1996 established Treasury as the debt collection agency for eligible federal agency debts that are more than 180 days delinquent.

TOTAL DELINQUENCIES WITH THE PUBLIC AS A PERCENTAGE OF TOTAL GROSS RECEIVABLES AS OF SEPTEMBER 30

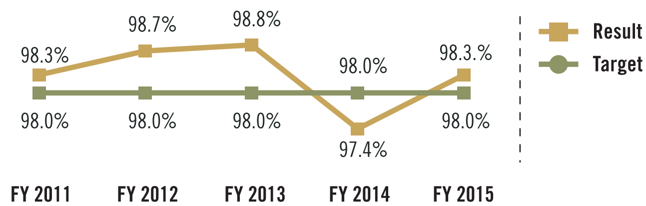


PAYMENT PRACTICES

PROMPT PAYMENT

The Prompt Payment Act of 1982 generally requires agencies to pay their bills to vendors on a timely basis (within 30 days of receipt of relevant documents), and to pay interest penalties when payments are made late. The Department closely monitors its prompt payment performance, and the bureaus submit quarterly reports of prompt payment performance to the Deputy CFO.

TIMELY VENDOR PAYMENTS *(Percentage)*



The Department's prompt payment performance increased from 97.4 percent in FY 2014 to 98.3 percent in FY 2015. The number of invoices with late-payment interest penalties decreased from 4,865 in FY 2014 to 4,480 in FY 2015. The FY 2014 prompt payment performance fell below the 98 percent target primarily due to delays in invoice processing caused by the October 2013 furlough of financial management staff. The Department's prompt payment result improved in FY 2015 as a result. The Department continues to focus on improving its prompt payment percentage by working closely with its bureaus to identify opportunities for new or improved business processes. Per OMB Memorandum M-15-19, *Improving Government Efficiency and Saving Taxpayer Dollars Through Electronic Invoicing* (July 17, 2015) federal agencies are required to transition to electronic invoicing for appropriate federal procurements by the end of FY 2018. The Department is currently exploring options to transition off its primary financial management system used by most of the bureaus and adopt a commercial off-the-shelf (COTS) product for those bureaus. As such, the Department would in large part adopt the COTS product's solution for an electronic invoice processing system, if available. The US Patent and Trademark Office is currently reviewing various electronic invoicing options and plans to have a solution in place by the end of FY 2018.

The Department implemented in July 2012 a temporary payment policy whereby agencies shall make payments to all prime contractors as soon as practicable, with a goal of paying all prime contractors within 15 days of receiving proper documentation. A July 2014 OMB memorandum, *Extension of Policy to Provide Accelerated Payment to Small Business Subcontractors*, extends this temporary policy to December 31, 2016. The Department monitors bureaus' monthly accelerated payments performance.

BANKCARDS

The Department remains committed to the use of bankcards (purchase cards) as a means to improve mission support by streamlining the procurement and payment processes, and reducing administrative costs. Based on the results of FY 2013 testing of purchase card processes under OMB Circular A-123, Appendix A, *Internal Control Over Financial Reporting*, the Department implemented a pilot data analytic program in FY 2015 that reviews Department-wide purchase and travel card transactions in an effort to identify patterns, trends, and anomalies for possible further investigation. The Department will continue to work with the bureaus in implementing corrective actions, monitoring internal controls, performing data analytics, and conducting necessary reviews and testing to ensure proper internal controls are in place during FY 2016. The Department also continues to carry out initiatives which have been implemented in the last few fiscal years, including more effective training, oversight, and risk management reviews in order to enhance the purchase card program. These enhancements have led to, among other things, a steady decrease in the number of purchase cards issued and in use by the Department.

LIMITATIONS OF THE FINANCIAL STATEMENTS

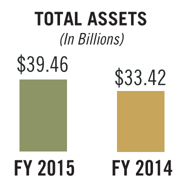
The principle financial statements in the financial section have been prepared to report the overall financial position and results of operations of the Department, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of the Department in accordance with the generally accepted accounting principles (GAAP) for federal entities and the formats prescribed in OMB Circular A-136, *Financial Reporting Requirements,* 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.

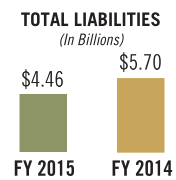
These financial statements should be read with the realization that they are for a component of the U.S. government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides the resources to do so.

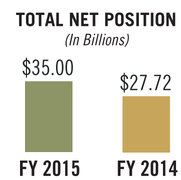
ANALYSIS OF FY 2015 FINANCIAL CONDITION AND RESULTS

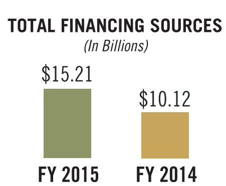
FINANCIAL HIGHLIGHTS

(Dollars In Thousands)	Percentage Change	FY 2015	FY 2014
Condensed Balance Sheets:			
As of September 30, 2015 and 2014			
ASSETS:			
Fund Balance with Treasury	25%	$ 25,511,071	$ 20,440,730
General Property, Plant, and Equipment, Net	7%	12,948,649	12,107,752
Direct Loans and Loan Guarantees, Net	0%	512,463	512,588
Other	38%	491,547	356,634
TOTAL ASSETS	**18%**	**$ 39,463,730**	**$ 33,417,704**
LIABILITIES:			
Unearned Revenue	-8%	$ 1,510,571	$ 1,641,577
Federal Employee Benefits	-2%	881,546	898,771
Accounts Payable	9%	646,074	592,999
Accrued Payroll and Annual Leave	1%	505,168	500,082
Debt to Treasury	-62%	504,704	1,311,671
Accrued Grants	-70%	144,925	475,714
Other	-3%	269,860	279,110
TOTAL LIABILITIES	**-22%**	**$ 4,462,848**	**$ 5,699,924**
NET POSITION:			
Unexpended Appropriations	9%	$ 5,733,904	$ 5,263,441
Cumulative Results of Operations	30%	29,266,978	22,454,339
TOTAL NET POSITION	**27%**	**$ 35,000,882**	**$ 27,717,780**
TOTAL LIABILITIES AND NET POSITION	**18%**	**$ 39,463,730**	**$ 33,417,704**
Condensed Financing Sources:			
For the Years Ended September 30, 2015 and 2014			
Appropriations Received, Net of Reductions	3%	$ 8,535,185	$ 8,250,441
Transfer In of Auction Proceeds from Federal Communications Commission	1,426%	18,627,804	1,221,000
Transfer Out to General Fund of U.S. Government for Deficit Reduction	N/A	(12,618,990)	–
Imputed Financing Sources from Cost Absorbed by Others	-28%	256,500	357,022
Other	43%	413,685	289,260
TOTAL FINANCING SOURCES	**50%**	**$ 15,214,184**	**$ 10,117,723**









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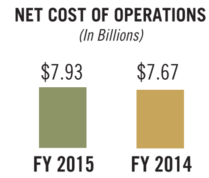
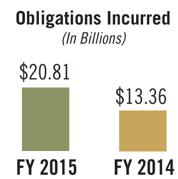
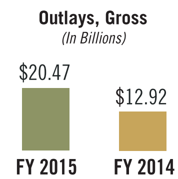
(Dollars In Thousands)	Percentage Change	FY 2015	FY 2014
Condensed Statements of Net Cost:			
For the Years Ended September 30, 2015 and 2014			
Condensed Statements of Net Cost:			
Gross Departmental Costs	4%	$ 11,951,789	$ 11,468,898
Less: Earned Revenue	6%	(4,020,707)	(3,796,874)
NET COST OF OPERATIONS	**3%**	**$ 7,931,082**	**$ 7,672,024**
Selected Budgetary Information:			
For the Years Ended September 30, 2015 and 2014			
Obligations Incurred	**56%**	**$ 20,805,228**	**$ 13,363,956**
Outlays, Gross	**59%**	**$ 20,469,821**	**$ 12,914,541**





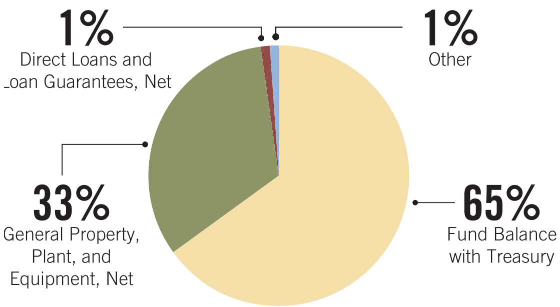


COMPOSITION OF ASSETS AND ASSETS BY RESPONSIBILITY SEGMENT

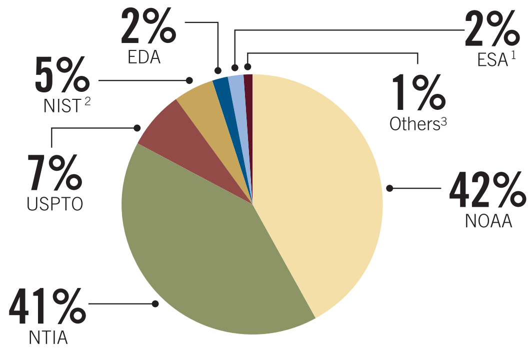
The composition (by percentage) and distribution (by responsibility segment) of the Department's assets changed somewhat from September 30, 2014 to September 30, 2015.

Departmental assets amounted to $39.46 billion as of September 30, 2015. Fund Balance with the U.S. Department of the Treasury (Treasury) of $25.51 billion is the aggregate amount of funds available to make authorized expenditures and pay liabilities. General Property, Plant, and Equipment (PP&E), Net of Accumulated Depreciation, of $12.95 billion, includes $8.81 billion of Construction-in-progress, primarily of satellites and weather measuring and monitoring systems; $1.54 billion of Satellites/Weather Systems Personal Property; $1.49 billion of Structures, Facilities, and Leasehold Improvements; and $1.11 billion of other General PP&E. Direct Loans and Loan Guarantees, Net of Allowances for Subsidy Cost (Present Value) and Loan Losses, of $512.5 million, primarily relates to the National Oceanic and Atmospheric Administration's (NOAA) direct loan programs. Other Assets of $491.5 million primarily includes Accounts Receivable, Net of Allowance for Uncollectible Accounts, of $152.1 million; Advances and Prepayments of $222.7 million; and Inventory, Materials, and Supplies, Net of Allowance for Excess, Obsolete, and Unserviceable Items, of $104.4 million.

COMPOSITION OF THE DEPARTMENT'S ASSETS AS OF SEPTEMBER 30, 2015



ASSETS BY RESPONSIBILITY SEGMENT AS OF SEPTEMBER 30, 2015



[1] Economics and Statistics Administration (ESA) includes ESA, the Bureau of Economic Analysis (BEA), and the Census Bureau.

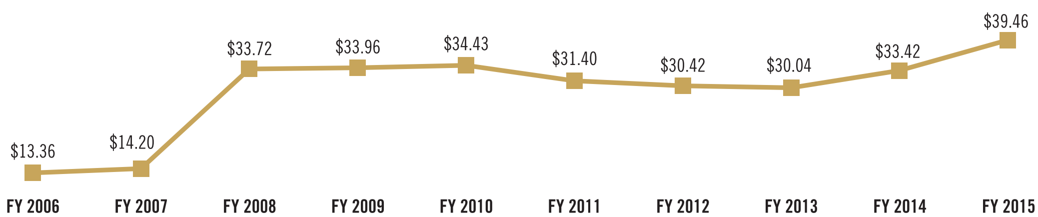
[2] National Institute of Standards and Technology (NIST) includes NIST and the National Technical Information Service (NTIS).

[3] Others includes the Bureau of Industry and Security (BIS), Departmental Management (DM), the International Trade Administration (ITA), and the Minority Business Development Agency (MBDA).

TRENDS IN ASSETS

Departmental assets increased $6.05 billion, or 18 percent, from $33.42 billion as of September 30, 2014 to $39.46 billion as of September 30, 2015. Fund Balance with Treasury increased $5.07 billion, or 25 percent, from $20.44 to $25.51billion, primarily due to a Fund Balance with Treasury increase of $6.36 billion in the National Telecommunications and Information Administration's (NTIA) Network Construction Fund, from $392 thousand to $6.36 billion, resulting from a September 2015 transfer in of $6.40 billion from NTIA's Public Safety Trust Fund, which will be used for funding of the First Responder Network Authority, an independent authority within NTIA, and for other NTIA program(s). There was an offsetting Fund Balance with Treasury decrease of $1.42 billion in NTIA's Public Safety Trust Fund, from $1.96 billion to $541.7 million. The Public Safety Trust Fund in FY 2015 received a transfer in of auction proceeds from the Federal Communications Commission (FCC) of $18.63 billion, and, in September 2015, transferred out a total of $19.24 billion pursuant to provisions of the Middle Class Tax Relief and Job Creation Act of 2012, including a transfer out of $12.62 billion to the General Fund of U.S. Government for deficit reduction, and a transfer out of $6.40 billion to NTIA's Network Construction Fund, and also in September 2015 repaid its debt to Treasury balance of $779.0 million. General PP&E, Net increased $840.9 million, or 7 percent, from $12.11 billion to 12.95 billion, primarily due to an increase in Construction-in-progress of $1.13 billion, in large part due to an increase in Construction-in-progress for NOAA's Geostationary Operational Environmental Satellites – R (GOES – R) and Joint Polar Satellite System (JPSS) of approximately $713 million and $538 million, respectively. Other Assets increased

TRENDS IN TOTAL ASSETS AS OF SEPTEMBER 30 *(In Billions)*



NOTE: *The significant fluctuation between FY 2007 and FY 2008 total assets was primarily due to NTIA proceeds of $18.96 billion from the Federal Communications Commission auction of licenses for recovered analog spectrum in FY 2008.*

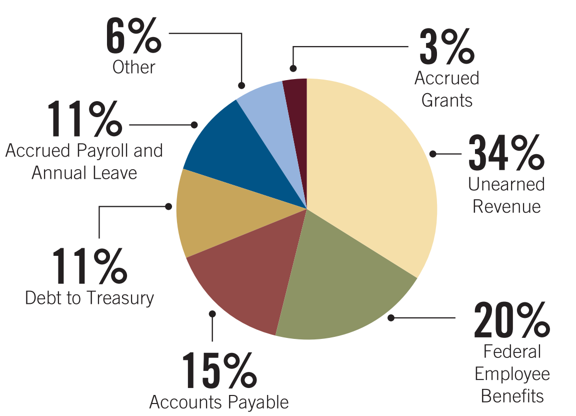
$134.9 million, or 38 percent, from $356.6 million to $491.5 million, in large part due to an increase in advances to grantees for NITA's Broadband Technology Opportunities Program of $67.7 million as a result of periods of performance carrying into FY 2016 for several grants, also due to an increase in NOAA's intragovernmental accounts receivable of $28.0 million related to agreements with the U.S. Air Force for construction, habitat conservation, and restoration of Grand Liard and Bayou DuPont, and also as a result of $19.4 million of increased intragovernmental advances and prepayments from the International Trade Administration (ITA) to the U.S. Department of the Interior for information technology-related services.

COMPOSITION OF LIABILITIES AND LIABILITIES BY RESPONSIBILITY SEGMENT

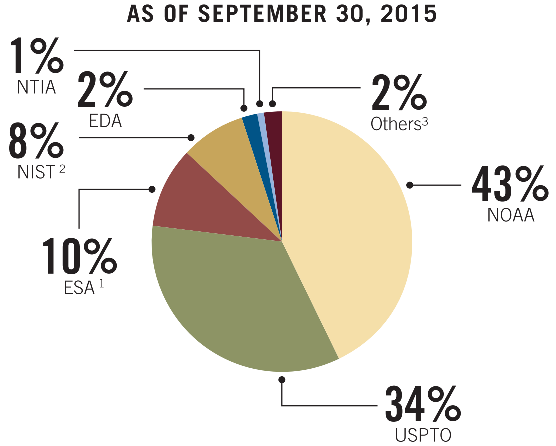
The composition (by percentage) and distribution (by responsibility segment) of the Department's liabilities changed somewhat from September 30, 2014 to September 30, 2015. Debt to Treasury decreased $807.0 million, or 62 percent, from $1.31 billion as of September 30, 2014 to $504.7 million as of September 30, 2015, primarily due to a FY 2015 debt repayment of $779.0 million by NTIA's Public Safety Trust Fund, for its outstanding debt balance, as the result of additional FCC auction proceeds being received in FY 2015. As a result, NTIA's liabilities notably decreased from 15 percent of total liabilities as of September 30, 2014 to 1 percent of total liabilities as of September 30, 2015, and NOAA's liabilities notably increased from 34 percent of total liabilities as of September 30, 2014 to 43 percent of total liabilities as of September 30, 2015.

Liabilities of the Department amounted to $4.46 billion as of September 30, 2015. Unearned Revenue of $1.51 billion represents the portion of monies received from customers for which goods and services have not been provided or rendered by the Department, including customer deposits, and primarily relates to patent and trademark application and user fees that are pending action, and also includes monies collected in advance under reimbursable agreements. Federal Employee Benefits Liability of $881.5 million is comprised of the actuarial present value of projected benefits for the NOAA Corps Retirement System of $634.9 million and the NOAA Corps Post-retirement Health Benefits of $37.3 million, and the Department's Actuarial Federal Employees Compensation Act (FECA) Liability of $209.3 million, which represents the actuarial liability for future workers' compensation benefits. Accounts Payable of $646.1 million consists primarily of amounts owed for goods, services, or capitalized assets received, progress on contract performance by others, and other

COMPOSITION OF THE DEPARTMENT'S LIABILITIES AS OF SEPTEMBER 30, 2015



LIABILITIES BY RESPONSIBILITY SEGMENT AS OF SEPTEMBER 30, 2015



1 ESA includes ESA, BEA, and the Census Bureau.

2 NIST includes NIST and NTIS.

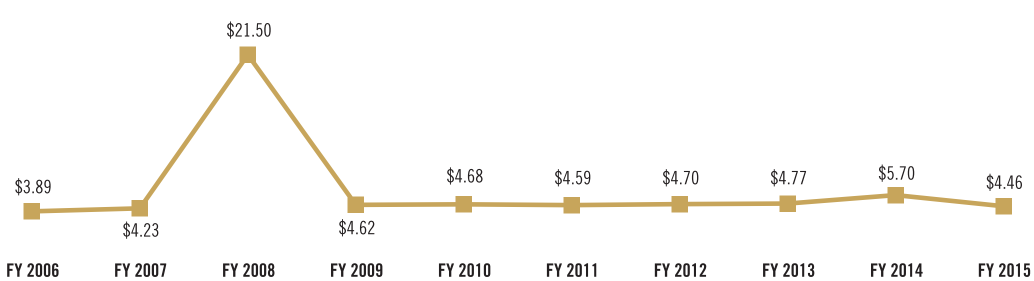
3 Others includes DM, BIS, ITA, and MBDA.

expenses due. Accrued Payroll and Annual Leave of $505.2 million includes salaries and wages earned by employees, but not disbursed as of September 30, 2015. Debt to Treasury of $504.7 million represents debt for NOAA's direct loan programs. Accrued Grants of $144.9 million relate to a diverse array of financial assistance programs and projects, including the Economic Development Administration's (EDA) accrued grants of $51.8 million for its grant investments that help communities generate jobs, retain existing jobs, and stimulate industrial and commercial growth; NOAA's accrued grants of $46.9 million for grants awarded to state and local governments, non-profits research institutions, and colleges and universities for research and conservation initiatives; and National Institute of Standards and Technology's (NIST) accrued grants of $44.2 million for its grant investments and cooperative agreements that fund programs in a variety of fields such as energy, food safety, and electronics research, strategic manufacturing technology, and the Hollings Manufacturing Extension Partnership. Other Liabilities of $269.9 million primarily include Environmental and Disposal Liabilities of $144.9 million, including $77.3 million for asbestos-related cleanup costs and $55.9 million for a nuclear reactor operated by NIST; Accrued Benefits of $40.5 million; Accrued FECA Liability of $31.7 million; Downward Subsidy Reestimates Payable to Treasury of $13.4 million for NOAA's loan programs; ITA's Foreign Service Nationals' Voluntary Separation Pay Liability of $10.1 million; and Resources Payable to Treasury of $5.9 million for the Department's loan programs which have pre-credit reform liquidating fund groups.

TRENDS IN LIABILITIES

Liabilities of the Department decreased $1.24 billion, or 22 percent, from $5.70 billion as of September 30, 2014 to $4.46 billion as of September 30, 2015. Debt to Treasury decreased $807.0 million, or 62 percent, from $1.31 billion to $504.7 million, primarily due to a $779.0 million repayment of debt in September 2015 by NTIA's Public Safety Fund, as previously discussed. Accrued Grants decreased $330.8 million, from $475.7 million to $144.9 million, or 70 percent, primarily due to a change in EDA's grant accrual methodology, aimed at better illustrating the spending patterns in each major grant program over the average life of the grant. Unearned Revenue decreased $131.0 million, or 8 percent, from $1.64 billion to $1.51 billion, primarily due to the Census Bureau's decrease of $77.5 million in advances received from the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the U.S. Department of Health and Human Services, that resulted from a combination of prior-year carryover advances and a lack of new work requests. Accounts Payable increased $53.1 million, or 9 percent, from $593.0 million to $646.1 million, in part due to NOAA's increase in payables of $19.2 million related to GOES – R and JPSS satellite projects, and also due to the Census Bureau's increase in payables of $13.5 million related to 2015 Census Tests across the United States aimed to improve the Census Bureau's operations for the 2020 Decennial Census.

TRENDS IN TOTAL LIABILITIES AS OF SEPTEMBER 30 *(In Billions)*

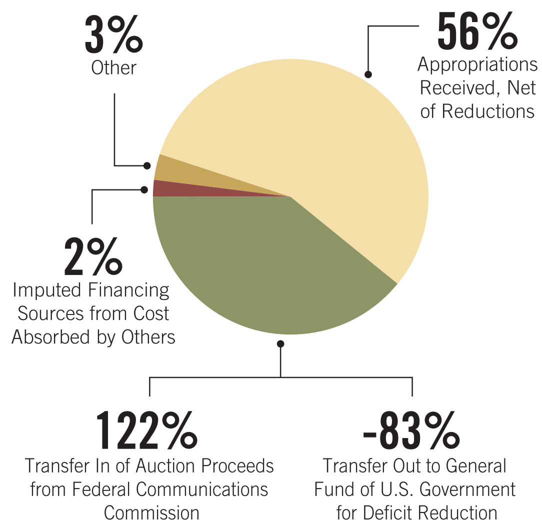


NOTE: *The significant fluctuation between FY 2007 and FY 2008 total liabilities was primarily due to NTIA's Spectrum Auction Proceeds Liability to the Federal Communications Commission (FCC) for auction proceeds for which licenses have not yet been granted by FCC as of September 30, 2008. During FY 2009, this liability was significantly reduced as a significant amount of licenses were granted by FCC.*

COMPOSITION OF AND TRENDS IN FINANCING SOURCES

The composition by percentage of the Department's financing sources, as reported in the Department's *Consolidated Statements of Changes in Net Position*, changed significantly from FY 2014 to FY 2015, primarily due to a FY 2015 transfer in of auction proceeds from FCC of $18.63 billion received by NTIA's Public Safety Trust Fund, and a subsequent FY 2015 transfer out of $12.62 billion by the Public Safety Trust Fund to the General Fund of U.S. Government for deficit reduction. As a result, Appropriations Received, Net of Reductions notably decreased from 82 percent of the Department's financing sources in FY 2014 to 56 percent of the Department's financing sources in FY 2015, with a similar notable percentage increase from FY 2014 to FY 2015 for the significant FY 2015 transfers discussed above.

COMPOSITION OF THE DEPARTMENT'S FY 2015 FINANCING SOURCES



Financing sources of the Department increased $5.10 billion, or 50 percent, from $10.12 billion in FY 2014 to $15.21 billion in FY 2015. Appropriations Received, Net of Reductions increased $284.7 million, or 3 percent, from $8.25 billion in FY 2014 to $8.54 billion in FY 2015. Imputed Financing Sources from Cost Absorbed by Others decreased $100.5 million, or 28 percent, from $357.0 million to $256.5 million, primarily due to NOAA's decrease of $46.9 million in imputed costs related to a Judgment Fund payment; NOAA's and the U.S. Patent and Trademark Office's (USPTO) decreased imputed costs related to pensions of $19.9 million and $16.0 million, respectively, due to a decrease in the Federal Employees Retirement System (FERS) cost factor; and a $9.2 million decrease in imputed costs related to the U.S. General Service Administration's (GSA) Federal Buildings Fund.

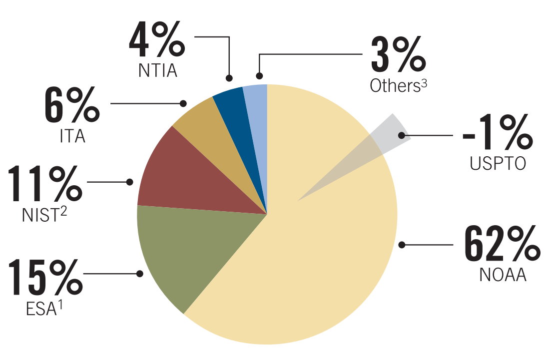
COMPOSITION OF FY 2015 NET COST OF OPERATIONS AND NET COST OF OPERATIONS BY RESPONSIBILITY SEGMENT

In FY 2015, the Department's Net Cost of Operations amounted to $7.93 billion, which consists of Gross Costs of $11.95 billion less Earned Revenue of $4.02 billion.

The distribution (by responsibility segment) of the Department's Net Cost of Operations remained consistent from FY 2014 to FY 2015.

Note: The Gross Costs and Earned Revenue amounts presented in the following paragraphs include transactions with other Departmental entities (intra-Departmental transactions). As a result, the Gross Costs amounts discussed below may not agree with the Gross Costs presented on the Department's FY 2015 *Consolidated Statement of Net Cost*, which excludes intra-Departmental transactions.

FY 2015 NET COST OF OPERATIONS BY RESPONSIBILITY SEGMENT



[1] ESA includes ESA, BEA, and the Census Bureau.

[2] NIST includes NIST and NTIS.

[3] Others includes DM, BIS, EDA, and MBDA.

NOAA's FY 2015 Net Cost of Operations was $4.91 billion (Gross Costs of $5.19 billion less Earned Revenue of $280.9 million). NOAA's mission relates to science, service, and stewardship—to understand and predict changes in climate, weather, oceans, and coasts; to share that knowledge and information with others; and to conserve and manage coastal and marine ecosystems and resources. NOAA's Gross Costs include costs related to improving weather, water quality, and climate reporting and forecasting; and enabling informed decision-making through an expanded understanding of the U.S. economy, society, and environment by providing data, standards, and services. NOAA also develops and procures satellite systems, aircraft, and ships to provide information to determine weather patterns and predict weather forecasts. NOAA's Gross Costs also support its efforts to promote economically-sound environmental stewardship and science, including developing sustainable and resilient fisheries, habitats, and species; supporting climate adaption and mitigation; and supporting coastal communities that are environmentally and economically sustainable.

USPTO's FY 2015 Net Cost of Operations of $(61.2) million (Gross Costs of $3.01 billion less Earned Revenue of $3.07 billion) relates to its patents and trademark programs. USPTO is the federal agency for granting U.S. patents and registering trademarks. The strength and vitality of the U.S. economy depends directly on effective mechanisms that protect new ideas and investments in innovation and creativity. USPTO advises the President, the Secretary of Commerce, and federal agencies on intellectual property (IP) policy, protection, and enforcement; and promotes the stronger and more effective IP protection around the world. USPTO furthers effective IP protection for the Nation's innovators and entrepreneurs worldwide by working with other federal agencies to secure strong IP provisions in free trade and other international agreements. It also provides training, education, and capacity building programs designed to foster respect for IP and encourage the development of strong IP enforcement regimes by the Nation's trading partners.

The Economics and Statistics Administration's (ESA) FY 2015 Net Cost of Operations was $1.20 billion (Gross Costs of $1.52 billion less Earned Revenue of $317.6 million), which includes ESA, the Bureau of Economic Analysis (BEA), and the Census Bureau. ESA plays three key roles within the Department. ESA provides timely economic analysis, disseminates national economic indicators, and oversees BEA and the Census Bureau. BEA promotes a better understanding of the Nation's economy by providing timely, relevant, and accurate economic accounts data in an objective and cost-effective manner. The Census Bureau's FY 2015 Net Cost of Operations was $1.10 billion (Gross Costs of $1.41 billion less Earned Revenue of $311.9 million). The Census Bureau serves as the leading source of quality data about the Nation's people and economy. Data that the Census Bureau collects includes the Population and Housing Census (every 10 years), Economic Census (every 5 years), Census of Governments (every 5 years), American Community Survey (annually), demographic and economic surveys provided to survey sponsors, and economic indicators.

NIST's FY 2015 Net Cost of Operations was $911.2 million (Gross Costs of $1.23 billion less Earned Revenue of $322.6 million), which includes NIST and the National Technical Information Service (NTIS). NIST's FY 2015 Net Cost of Operations was $912.3 million (Gross Costs of $1.07 billion less Earned Revenue of $157.0 million). NIST promotes American innovation and industrial competitiveness by advancing measurement science, standards, and technology in ways that enhance economic security and improve the Nation's quality of life. NIST's Gross Costs include costs for its NIST Laboratories program. The NIST Laboratories conducts world-class research, often in close collaboration with industry, which advances the Nation's technology infrastructure and helps American companies continually improve products and services. NTIS serves as the largest central resource for government-funded scientific, technical, engineering, and business related information available today. For more than 60 years, NTIS has assured businesses, universities, and the public timely access to approximately 3 million publications covering over 350 subject areas. NTIS promotes the Nation's economic growth by providing access to information that stimulates innovation and discovery.

ITA's FY 2015 Net Cost of Operations was $456.6 million (Gross Costs of $479.5 million less Earned Revenue of $22.9 million). ITA strengthens the competitiveness of American industry, promotes trade and investment, and ensures fair trade through the rigorous enforcement of the Nation's trade laws and agreements. ITA works to improve the global business environment and helps American organizations compete at home and abroad. ITA supports the President's recovery agenda and the National Export Initiative to sustain economic growth and support American jobs.

NTIA's FY 2015 Net Cost of Operations was $267.1 million (Gross Costs of $300.7 million less Earned Revenue of $33.6 million). NTIA is the federal agency that is principally responsible for advising the President on telecommunications and information policy issues. NTIA's programs and policymaking focus largely on expanding broadband Internet access and adoption in America, expanding the use of spectrum by all users, and ensuring that the Internet remains an engine for continued innovation and economic growth. NTIA's activities include managing the federal use of spectrum and identifying additional spectrum for commercial use, and administering grant programs that further the deployment and use of broadband and other technologies in America.

EDA's FY 2015 Net Cost of Operations was $11.3 million (Gross Costs of $27.9 million less Earned Revenue of $16.6 million). EDA leads the federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide economy. EDA plays a critical role in fostering regional economic development efforts in communities across the United States. Through strategic investments that foster job creation and attract private investment, EDA supports development in economically distressed areas of the United States. EDA works directly with local economic development officials to make grant investments that are well-defined, timely, and linked to a long-term, sustainable economic development strategy.

FY 2015 Net Cost of Operations for Departmental Management (DM) was $112.7 million (Gross Costs of $357.2 million less Earned Revenue of $244.5 million), which includes Gifts and Bequests, Franchise Fund, Herbert C. Hoover Building Renovation Project, Office of Inspector General, Salaries and Expenses, and Working Capital Fund. DM's objective is to develop and provide policies and procedures for administrative planning, oversight, coordination, direction, and guidance to ensure implementation of the Department's mission.

FY 2015 Net Cost of Operations for the other Departmental bureaus was $124.3 million (Gross Costs of $125.6 million less Earned Revenue of $1.3 million), which is comprised of the Bureau of Industry and Security (BIS) and the Minority Business Development Agency (MBDA). BIS advances the Nation's national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and promoting continued strategic technology leadership by the United States. MBDA helps to create and sustain American jobs by promoting the growth and global competitiveness of businesses owned and operated by minority entrepeneurs.

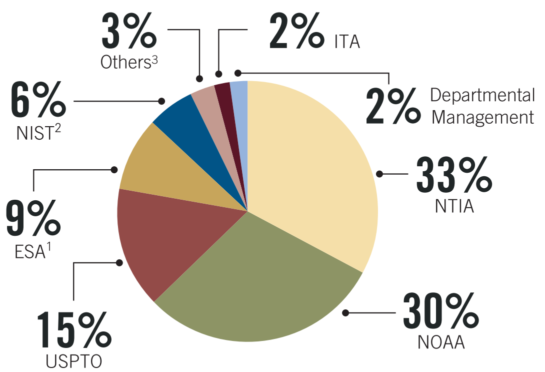
TRENDS IN NET COST OF OPERATIONS

The Department's Net Cost of Operations increased by $259.1 million, or 3 percent, from $7.67 billion in FY 2014 to $7.93 billion in FY 2015. Gross Costs increased by $482.9 million, or 4 percent, from $11.47 billion in FY 2014 to $11.95 billion in FY 2015. Earned Revenue increased by $223.8 million, or 6 percent, from $3.80 billion in FY 2014 to $4.02 billion in FY 2015, primarily due to NTIS's increased earned revenue of $51.1 million in reimbursable work related to E-Learning management services; NOAA's increase of $49.5 million with the U.S. Army Corps of Engineers for habitat conservation and restoration; and the Census Bureau's increase of $37.9 million in earned revenue resulting from increased reimbursable activities with the U.S. Department of Housing and Urban Development.

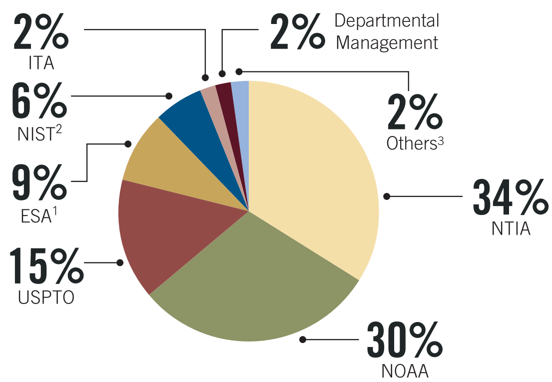
SELECTED BUDGETARY INFORMATION BY RESPONSIBILITY SEGMENT

The distribution (by responsibility segment) of the Department's Obligations Incurred, and Outlays, Gross, as reported in the Department's *Combined Statements of Budgetary Resources*, changed significantly from FY 2014 to FY 2015 primarily due to NTIA's Public Safety Trust Fund's $6.40 billion transfer out in FY 2015 to NTIA's Network Construction Fund, as previously discussed, treated as Obligations Incurred and Outlays, Gross by the Public Safety Trust Fund. As a result, NTIA's Obligations Incurred, and Outlays, Gross, notably increased from 1 percent and 3 percent of the Departmental total in FY 2014, respectively, to 33 percent and 34 percent of the Departmental total in FY 2015, respectively. This caused notable decreases in NOAA's Obligations Incurred, and Outlays, Gross, from 45 percent and 44 percent of the Departmental total in FY 2014, respectively, to 30 percent of the Departmental total, for both Obligations Incurred, and Outlays, Gross, in FY 2015.

FY 2015 OBLIGATIONS INCURRED BY RESPONSIBILITY SEGMENT



FY 2015 OUTLAYS, GROSS BY RESPONSIBILITY SEGMENT



1 ESA includes ESA, BEA, and the Census Bureau.
2 NIST includes NIST and NTIS.
3 Others includes BIS, EDA, and MBDA.

TRENDS IN SELECTED BUDGETARY INFORMATION

The Department's Obligations Incurred increased by $7.44 billion, or 56 percent, from $13.36 billion in FY 2014 to $20.81 billion in FY 2015, and the Department's Outlays, Gross increased by $7.56 billion, or 59 percent, from $12.91 billion in FY 2014 to $20.47 billion in FY 2015. The increases in Obligations Incurred, and Outlays, Gross were primarily due to a $6.40 billion increase in NTIA's Public Safety Trust Fund Obligations Incurred, and Outlays, Gross as discussed above.

SUMMARY OF STEWARDSHIP INFORMATION

STEWARDSHIP ASSETS

The Department has certain resources entrusted to it and certain stewardship responsibilities it assumes. The physical properties of Stewardship Assets resemble those of the General Property, Plant, and Equipment that is capitalized traditionally in the financial statements of federal entities. Given the nature of these assets, federal standard-setting bodies have determined that valuation is unduly burdensome and matching costs with specific periods is not meaningful. Therefore, federal accounting standards require the disclosure of the nature and quantity of these assets. The National Oceanic and Atmospheric Administration (NOAA) is the primary bureau within the Department that maintains Stewardship Assets, while the National Institute of Standards and Technology (NIST) and the Census Bureau also maintains Stewardship Assets.

NOAA maintains the following Stewardship Assets: Heritage Assets (Galveston Laboratory; National Marine Fisheries Service (NMFS) St. George Sealing Plant; NMFS Cottage M, St. George; NMFS St. Paul Old Clinic/Hospital; NMFS Woods Hole Science Aquarium; and Great Lakes Environmental Research Laboratory, Lake Michigan Field Station); 13 National Marine Sanctuaries; 4 Marine National Monuments (Marianas Trench, Pacific Remote Islands, Rose Atoll, and Papahānaumokuākea); Aleutian Islands Habitat Conservation Area; NOAA Habitat Blueprint (10 Habitat Focus Areas); and Collection-type Heritage Assets, primarily included in the NOAA Central Library (mainly books, journals, publications, photographs, and motion pictures) and Thunder Bay Sanctuary Research Collection (data cards, photograph negatives, document copies, photographs, books, and other items).

NIST maintains Collection-type Heritage Assets under its Museum and History Program, which collects, preserves, and exhibits artifacts, such as scientific instruments, equipment, objects, and records of significance to NIST and predecessor agencies. The Census Bureau maintains Collection-type Heritage Assets that help illustrate the social, educational, and cultural heritage of the Census Bureau, including artifacts, artwork, books, films, instruments, records, publications, manuscripts, photographs, and maps.

STEWARDSHIP INVESTMENTS

Stewardship investments are substantial investments made by the federal government for the benefit of the Nation, but are not physical assets owned by the federal government. Though treated as expenses when incurred to determine the Department's 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 the long-term benefit of the Nation.

Investments in Non-federal Physical Property: These investments are for the purchase, construction, or major renovation of physical property owned by state and local governments. The Economic Development Administration (EDA) and NOAA have significant investments in non-federal physical property. EDA's investments in FY 2015 totaled $142.3 million and included its Public Works program ($101.0 million), Disaster Recovery ($8.8 million), and Economic Adjustment Assistance program ($32.5 million). NOAA's investments in FY 2015 totaled $0.9 million and included the National Estuarine Research Reserves ($0.7 million) and the Coastal and Estuarine Land Conservation Program ($0.2 million).

Investments in Human Capital: These investments are 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. The most significant investments in human capital are by NOAA, whose investments in FY 2015 totaled $22.4 million and included the Educational Partnership Program ($14.3 million), the Ernest F. Hollings Undergraduate Scholarship Program ($5.5 million), the National Sea Grant College Program ($0.7 million), the National Estuarine Research Reserve Program ($1.5 million), the Southeast Fisheries Science Center's Recruiting Training Research Program ($0.3 million), and the Northeast Fisheries Science Center Partnership Education Program ($0.1 million).

Investments in Research and Development (R&D): These investments include investments in basic research, applied research, and development, which are made with the expectation of maintaining or increasing national economic productive capacity, or yielding other future economic or societal benefits. The only significant investments in R&D are by NIST and NOAA. NIST's investments in FY 2015 totaled $722.4 million, and included $717.2 million for its NIST Laboratories Program and $5.2 million for its Technology Innovation Program, Advanced Technology Program, and Advanced Manufacturing Technology Consortia. NOAA's investments in FY 2015 totaled $450.6 million, which included Environmental and Climate ($298.4 million), Fisheries ($50.3 million), Marine Operations and Maintenance and Aircraft Services ($29.2 million), Weather Service ($42.7 million), and Other ($30.0 million).

Financial Section

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

This FY 2015 Agency Financial Report provides financial and high-level program performance information to enable the Department's stakeholders to understand and evaluate the Department's achievements relative to its mission and resources. The Department is committed to operational excellence, with a focus on providing outstanding service to our customers. This includes providing the public with highlights of our performance, and detailed financial information. This report also fulfills several statutory requirements, including the Reports Consolidation Act of 2000, the Chief Financial Officers Act, the Federal Managers' Financial Integrity Act (FMFIA), and the Government Management Reform Act.

For FY 2015, the Department achieved an unmodified audit opinion for the seventeenth consecutive year. The Department was able to eliminate the significant deficiency related to the accounting for the Economic Development Administration's accrued grants; however, the Department received a significant deficiency relating to needed improvement in (1) accounting for the National Oceanic and Atmospheric Administration's Commissioned Officer Corps pension benefits, (2) Department-wide information technology general controls around access and configuration management, and (3) accounting for the Public Safety Trust Fund spectrum auction proceeds. We will continue to take corrective actions to strengthen controls in these areas in FY 2016.

The Department will continue enhancing financial and non-financial controls under FMFIA and Office of Management and Budget (OMB) Circular A-123. The Department has provided an unqualified statement of assurance that its internal controls and financial management systems meet the objectives of FMFIA, and that internal controls operated effectively.

The Department's leadership continues its commitment to improving the capacity to deliver our mission with customer focused outcomes. This starts with our most important assets—our people. The Department's employees are committed to the Commerce mission and public service, and leadership is committed to engaging and empowering them to maximize their talents through continuous learning, collaboration, and innovation.

This includes providing an up-to-date work environment and information technology services that support collaboration amongst our employees in order to unleash their potential and creativity to solve common challenges. The Department's headquarters, the Herbert C. Hoover Building, is undergoing a critical renovation that will support this environment. Our Office of the Chief Information Officer is modernizing our tools to enable best-in-class service through enterprise solutions, while also safeguarding against cyber threats.

The Department's management is also committed to looking at more efficient and effective ways to manage our processes as an enterprise for our key services. This includes using data to better manage results and exploring opportunities for increased collaboration. This will not only allow for improved service delivery, but also smarter and more efficient, effective use of taxpayer resources.

Ellen Herbst
Chief Financial Officer
and Assistant Secretary for Administration
November 13, 2015

FINANCIAL SECTION

Independent Auditors' Report

UNITED STATES DEPARTMENT OF COMMERCE
The Inspector General
Washington, D.C. 20230

November 13, 2015

INFORMATION MEMORANDUM FOR THE SECRETARY

FROM: David Smith, Acting

SUBJECT: *Department of Commerce FY 2015 Consolidated Financial Statements*—Final Report No. OIG-16-007-A

I am pleased to provide you with the attached audit report, which presents an unmodified opinion on the Department of Commerce's fiscal year 2015 consolidated financial statements. KPMG LLP, an independent public accounting firm, performed the audit in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget Bulletin 15-02, *Audit Requirements for Federal Financial Statements*.

In its audit of the Department, KPMG

- determined that the financial statements were fairly presented in all material respects and in conformity with U.S. generally accepted accounting principles;
- identified three significant deficiencies in internal control over financial reporting related to weaknesses in information technology general controls, accounting for Public Safety Trust Fund spectrum auction proceeds, and accounting for NOAA Corps pension benefits;
- identified no instance of reportable noncompliance with applicable provisions of laws, regulations, contracts, and grant agreements;
- identified no instances in which the Department's financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996; and
- disclosed five potential Antideficiency Act compliance matters currently under review at the Department.

My office oversaw the audit performance. We reviewed KPMG's report and related documentation and made inquiries of its representatives. Our review disclosed no instances where KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards. However, our review—as differentiated from an audit in accordance with these standards—was not intended to enable us to express, and we do not express, any opinion on the Department's consolidated financial statements, conclusions about the effectiveness of internal control, or conclusions on compliance with laws, regulations, contracts, and grant agreements. KPMG is solely responsible for the attached audit report and the conclusions expressed in it.

We appreciate the cooperation and courtesies extended to KPMG during the audit.

Attachment

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Acting Inspector General, U.S. Department of Commerce and
Secretary, U.S. Department of Commerce:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the U.S. Department of Commerce (Department), which comprise the consolidated balance sheets as of September 30, 2015 and 2014, and the related consolidated statements of net cost and changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements 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* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

U.S. Department of Commerce
Independent Auditors' Report
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Opinion on the Financial Statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of Commerce as of September 30, 2015 and 2014, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Management has elected to reference to information on websites or other forms of interactive data outside the *Agency Financial Report* to provide additional information for the users of its financial statements. Such information is not a required part of the basic consolidated financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis (including the Financial Management and Analysis section), Required Supplementary Information, and Required Supplementary Stewardship Information sections be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The information in the *Message from Secretary Pritzker*, the *How to Use this Report* section, the *Message from the Chief Financial Officer*, the Other Information section, and the Appendices are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

U.S. Department of Commerce
Independent Auditors' Report
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Other Reporting Required by *Government Auditing Standards*

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2015, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described below and in more detail in Exhibit I that we consider to be significant deficiencies.

- **Information technology (IT) general controls need improvement.** During fiscal year (FY) 2015, we noted control deficiencies relating to access controls and configuration management. Specifically, the Department needs to make improvements in its IT general controls to fully ensure that financial data processed on the Department's systems has integrity, is securely maintained, and is available only to authorized users.

- **Accounting for Public Safety Trust Fund spectrum auction proceeds needs improvement.** During FY 2015, we noted that the Department needs to improve controls and its accounting policies relating to accounting for the Public Safety Trust Fund spectrum auction proceeds. Specifically, the Department needs to ensure that the portion of these proceeds that are due to external parties as of an interim date are recognized as a liability regardless of the Department's plans to distribute the funds prior to the end of the period.

- **Accounting for NOAA Corps pension benefits needs improvement.** During FY 2015, we noted that the National Oceanic and Atmospheric Administration (NOAA) did not review the census data that was provided to an external actuary and did not obtain and review a service organization report or perform sufficient alternative procedures to identify and address key controls supporting the NOAA Corps retirement system and health benefits liabilities.

KPMG

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 15-02.

We also performed tests of its compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of FFMIA disclosed no instances in which the Department's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

Other Matters: The Department informed us of potential Antideficiency Act compliance matters that are being reviewed by the Department's Office of the Secretary and the Department's Office of General Counsel as follows: (i) potential incorrect use of budgetary funding sources to support its programs; (ii) accepting terms of agreement on purchases made through the internet; (iii) relating to work performed without compensation through appointment as an intermittent expert after retiring from employment with the bureau; (iv) unemployment claims filed by temporary employees; and, (v) potential obligations in excess of quarterly advance of apportionment from OMB. Because these reviews are not complete, the ultimate outcomes of these potential matters are not presently known.

The Department's Responses to Findings

The Department's responses to the findings identified in our audit are described in Exhibit I. The Department's responses were not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the responses.

***Purpose of the Other Reporting Required by* Government Auditing Standards**

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
November 13, 2015

U.S. Department of Commerce
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Exhibit I – Significant Deficiencies

A. Information Technology General Controls Need Improvement

For several years, information security is recognized as a top management challenge for the Department. While the Department has implemented corrective actions, it continues to be an area of focus. Using the U.S. Government Accountability Office's *Federal Information System Controls Audit Manual* (FISCAM), we considered the Department's IT general controls supporting its financial reporting because IT systems significantly facilitate an entity's financial processing activities and retain important financial data. Effective IT general controls assists management with ensuring that data used to prepare and report financial statements and related information is complete, reliable, and has integrity.

Access controls. In close concert with an organization's entity-wide information security program, access controls for general support systems 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. Access controls are facilitated by an organization's entity-wide security program. Such controls include physical controls, such as keeping computers in locked rooms to limit physical access, and logical controls, such as security software programs designed to prevent or detect unauthorized access to data. Similar to security management, inadequate access controls diminish the reliability and integrity of computerized data and increase the risk of destruction or inappropriate disclosure of information.

The objectives of limiting access are to ensure that users have only the access needed to perform their duties; that access to sensitive resources, such as security software programs, is limited to few individuals; and that employees are restricted from performing incompatible functions or duties beyond their responsibility. This is reiterated by Federal guidelines. For example, the OMB Circular A-130 and supporting National Institute of Standards and Technology publications provide guidance related to the maintenance of technical access controls. In addition, the Department's IT Security Program Policy contains requirements for operating Department IT devices in a secure manner.

During FY 2015, we noted that access controls should be improved, primarily in the areas of: (1) improving application, database and operating system password controls; (2) strengthening access administration controls to financial and feeder systems' applications and supporting infrastructure (e.g. databases and network); (3) restricting logical access to financially significant source code; (4) reviewing user accounts to appropriately disable and recertify access to financial and feeder systems' applications and supporting infrastructure; (5) strengthening software encryption controls; and (6) improving monitoring of audit logs. We recognize that the Department has certain compensating controls in place to help reduce the risk of the identified weaknesses, and we considered such compensating controls as part of our audit of the Department's consolidated financial statements.

Configuration management. Configuration management involves the identification and management of security features for all hardware, software, and firmware components of an information system at a given point and systematically controls configuration changes throughout the life cycle of the system. Configuration settings and the related configuration management is a key component of many IT systems

Exhibit I – Significant Deficiencies, continued

to ensure that hardware, software and firmware programs, and program modifications are properly authorized, tested, and approved, and that access to, and distribution of, programs is carefully controlled. Configuration settings may affect the design, implementation and/or operating effectiveness of application controls and may be subject to change control procedures to maintain the integrity of the application controls. Without proper controls, there is a risk that security features could be inadvertently or deliberately omitted or turned off, or that processing irregularities or malicious code could be introduced into the IT environment.

During FY 2015, we noted that configuration management controls should be improved to address configuration and patch management weaknesses identified. We recognize that the Department has certain compensating controls in place to help reduce the risk of the identified weaknesses, and we considered such compensating controls as part of our audit of the Department's consolidated financial statements.

Recommendations

We provided the Department specific recommendations to improve its IT general controls related to financial systems in a separate limited distribution IT report, issued as part of the FY 2015 consolidated financial statement audit. The Department should monitor operating units' actions to ensure effective implementation of our recommendations and to ensure continued compliance with the Federal Financial Management Improvement Act of 1996.

Management's Response

The Department concurs. We will develop corrective action plans and ensure timely implementation to address KPMG's recommendations.

B. Accounting for Public Safety Trust Fund Spectrum Auction Proceeds Needs Improvement

On June 9, 2015, the National Telecommunications and Information Administration (NTIA) Public Safety Trust Fund received a transfer-in of $18.6 billion from the Federal Communications Commission for spectrum auction proceeds in accordance with the *Middle Class Tax Relief and Job Creation Act of 2012* (the Act). In accordance with the Act, NTIA planned to use $6.3 billion for the Network Construction Fund, $131 million for the NTIA State and Local Implementation Fund, $779 million for NTIA's loan repayment to the U.S. Department of Treasury (Treasury), $93 million for certain National Institute of Standards and Technology (NIST) programs, and $12.6 billion to be disbursed to the Treasury General Fund.

On June 25, 2015, NIST, the accounting service provider for NTIA, recorded an accounting entry to recognize this transaction. However, NIST, in coordination with NTIA and the Department's Office of Financial Management (OFM), did not accrue a liability for the portion of the proceeds that were owed to

Exhibit I – Significant Deficiencies, continued

the Treasury General Fund even though the conditions outlined in Statement of Federal Financial Accounting Standards Number 5, *Accounting for Liabilities*, were met. As a result, the Department's FY 2015 third quarter financial statements were misstated because they did not include this liability.

NIST stated that a liability was not recorded because of uncertainties associated with the timing of OMB approving the apportionment of the proceeds received and that NIST intended to record the liability when the apportionment was received. In addition, OFM's management review control of third quarter submissions from bureaus for financial statement reporting purposes did not identify the need for a liability. Further, although the Department's *Accounting Principles and Standards Handbook* recognizes the need for quarterly accruals for goods and services received, it does not address the type of non-entity activity described above (that is, receipts received that are due to an external party upon receipt).

As a result of our inquiry about this matter, the Department recorded a liability in the general ledger on September 22, 2015. The liability was subsequently liquidated on September 29, 2015 when the proceeds were disbursed to the Treasury General Fund as a result of receipt of the apportionment on September 11, 2015.

Recommendations

We recommend that:

1. NIST improve its processes to identify and determine the financial statement impact of all significant events and/or transactions to ensure that accounting positions are based on U.S. generally accepted accounting principles (GAAP).
2. OFM update the Department's *Accounting Principles and Standards Handbook* to address the appropriate accounting for such transactions.
3. OFM ensure that significant transactions and events that are identified when reviewing the analysis of significant variances received from the bureaus for the quarterly financial statements that are required to be submitted to OMB are resolved on a timely basis.

Management's Response

The Department concurs. We will develop corrective action plans and ensure timely implementation to address KPMG's recommendations.

C. Accounting for NOAA Corps Pension Benefits Needs Improvement

The NOAA Corps payroll, retirement system, and health benefits payments are processed and maintained by an external accounting service provider and the related actuarial liabilities as of fiscal year end are determined by an external actuary.

Exhibit I – Significant Deficiencies, continued

In prior years, we recommended that the NOAA either: 1) obtain a Statement on Standards for Attestation Engagements No. 16 (SSAE 16) report relating to the service provider's processing of payments due to NOAA Corps active and retired officers, and, as applicable, their beneficiaries or 2) develop a documented system of internal controls to ensure that the related payroll and pension benefits data processed and maintained by the service provider is complete and accurate.

During FY 2015, we noted that NOAA made some progress in addressing our prior year recommendation as they requested a service organization control (SOC) report from the service provider and drafted a standard operating procedures (SOP) document outlining a system of internal controls to ensure that NOAA pay and benefit data processed and maintained by the service provider is complete and accurate. However, we noted the following weaknesses relating to the SOC report and the draft SOP.

> **SOC report.** The service provider provided NOAA with a Service Organization Control 2 (SOC 2), Type 2 report, *Report on Controls at the Service Organization Relevant to Security, Availability, Processing Integrity, and Confidentiality* that covered the period from April 1, 2015 to September 30, 2015. NOAA received this report on October 30, 2015 (that is, after the period end).
>
> While the SOC 2 report may be useful to NOAA Corps for operational purposes, it does not directly address internal controls over financial reporting. A SOC 1 Type 2 report, *Report on Controls at a Service Organization Relevant to User Entities' Internal Control over Financial Reporting* should be used by user entities' management for its consideration of financial reporting controls that are relevant to the Department's consolidated financial statements. As described by the American Institute of Certified Public Accountants (AICPA), a SOC 1 Type 2 report (also referred to as a SSAE 16 report as a result of the relevant AICPA attestation standards) is a report on the fairness of the presentation of management's description of the service organization's system and the suitability of the design and operating effectiveness of the controls to achieve the related control objectives included in the description throughout a specified period (e.g. the entire fiscal year).
>
> **Draft SOP.** NOAA did not finalize its draft SOP during fiscal year 2015. Therefore, control procedures were not implemented as of and for the year ended September 30, 2015 to ensure that the NOAA Corps data processed and maintained by the service provider is complete and accurate.
>
> Moreover, the NOAA Corps census data that contains personally identifiable information (e.g. officers' and surviving beneficiaries' date of birth and date of initial entry into military service, pay, as applicable) was sent directly from the service provider to the external actuary. Therefore, NOAA Corps did not review the data prior to submission to the external actuary and does not have a policy to review that data for completeness and accuracy prior to such submission.

Exhibit I – Significant Deficiencies, continued

The lack of a SOC 1 Type 2 report or sufficient alternative procedures and sufficient complementary end user controls relating to the NOAA Corps census data provides an increased risk for misstatements in the NOAA Corps actuarial liabilities to occur and not be detected and corrected in a timely manner. We considered that NOAA has compensating controls over the input of personnel information and reconciliations relating to the payroll expense that reduce the risk of the identified weaknesses.

Recommendations

We recommend that NOAA:

4. Coordinate with the service provider to obtain a SOC 1 Type 2 report or perform sufficient alternative procedures to identify and address key internal controls over financial reporting over the completeness and accuracy of the NOAA Corps retirement system and health benefits liabilities.
5. Continue to develop and implement complementary end user controls and other financial reporting controls, to address control deficiencies identified in a SOC 1 Type 2 report or in the results of any alternative procedures as well as finalize and implement policies to ensure completeness and accuracy of the NOAA Corps census data.

Management's Response

The Department concurs. We will develop corrective action plans and ensure timely implementation to address KPMG's recommendations.

FINANCIAL SECTION

PRINCIPAL FINANCIAL STATEMENTS

United States Department of Commerce Consolidated Balance Sheets
As of September 30, 2015 and 2014 *(In Thousands)*

	FY 2015	FY 2014
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Notes 2 and 18)	$ 25,511,071	$ 20,440,730
Accounts Receivable (Note 3)	119,395	79,756
Advances and Prepayments	104,385	75,948
Total Intragovernmental	**25,734,851**	**20,596,434**
Cash (Note 4)	4,406	5,444
Accounts Receivable, Net (Note 3)	32,718	48,201
Direct Loans and Loan Guarantees, Net (Note 5)	512,463	512,588
Inventory, Materials, and Supplies, Net (Note 6)	104,388	100,038
General Property, Plant, and Equipment, Net (Note 7)	12,948,649	12,107,752
Other (Note 8)	126,255	47,247
TOTAL ASSETS	**$ 39,463,730**	**$ 33,417,704**
Stewardship Assets (Note 23)		
LIABILITIES		
Intragovernmental:		
Accounts Payable	$ 165,233	$ 141,659
Debt to Treasury (Note 10)	504,704	1,311,671
Other		
Resources Payable to Treasury	5,905	8,674
Unearned Revenue	266,056	348,361
Other (Note 11)	87,078	85,953
Total Intragovernmental	**1,028,976**	**1,896,318**
Accounts Payable	480,841	451,340
Loan Guarantee Liabilities (Notes 5 and 16)	–	516
Federal Employee Benefits (Note 12)	881,546	898,771
Environmental and Disposal Liabilities (Note 13)	144,893	157,503
Other		
Accrued Payroll and Annual Leave	505,168	500,082
Accrued Grants	144,925	475,714
Capital Lease Liabilities (Note 14)	3,109	6,345
Unearned Revenue	1,244,515	1,293,216
Other (Note 11)	28,875	20,119
TOTAL LIABILITIES	**$ 4,462,848**	**$ 5,699,924**
Commitments and Contingencies (Note 16)		
NET POSITION		
Unexpended Appropriations		
Unexpended Appropriations – Funds from Dedicated Collections (Note 21)	$ –	$ –
Unexpended Appropriations – All Other Funds	5,733,904	5,263,441
Cumulative Results of Operations		
Cumulative Results of Operations – Funds from Dedicated Collections (Note 21)	17,640,086	11,592,944
Cumulative Results of Operations – All Other Funds	11,626,892	10,861,395
Total Net Position – Funds from Dedicated Collections	**17,640,086**	**11,592,944**
Total Net Position – All Other Funds	**17,360,796**	**16,124,836**
TOTAL NET POSITION	**$ 35,000,882**	**$ 27,717,780**
TOTAL LIABILITIES AND NET POSITION	**$ 39,463,730**	**$ 33,417,704**

The accompanying notes are an integral part of these financial statements.

United States Department of Commerce Consolidated Statements of Net Cost
For the Years Ended September 30, 2015 and 2014 (Note 17) ***(In Thousands)***

	FY 2015	FY 2014
Gross Departmental Costs		
National Oceanic and Atmospheric Adminstration (NOAA) (Note 7)	$ 5,174,270	$ 4,891,391
U.S. Patent and Trademark Office (USPTO)	3,012,010	2,731,675
Economics and Statistics Adminstration (ESA)	1,509,005	1,402,443
National Institute of Standards and Technology (NIST)	1,204,798	1,017,709
National Telecommunications and Information Adminstration (NTIA) (Note 7)	298,848	406,530
Departmental Management	129,952	115,770
Others	622,906	903,380
Total Gross Departmental Costs	11,951,789	11,468,898
Less: Earned Revenue	(4,020,707)	(3,796,874)
NET COST OF OPERATIONS	**$ 7,931,082**	**$ 7,672,024**

The accompanying notes are an integral part of these financial statements.

United States Department of Commerce Consolidated Statements of Changes in Net Position
For the Years Ended September 30, 2015 and 2014 *(In Thousands)*

	FY 2015			FY 2014		
	Funds from Dedicated Collections (Note 21)	All Other Funds	Consolidated Total	Funds from Dedicated Collections (Note 21)	All Other Funds	Consolidated Total
Cumulative Results Of Operations:						
Beginning Balance	$ 11,592,944	$ 10,861,395	$ 22,454,339	$ 10,033,602	$ 9,897,600	$ 19,931,202
Budgetary Financing Sources:						
Appropriations Used	–	8,204,450	8,204,450	–	8,299,985	8,299,985
Non-exchange Revenue	118,419	12,001	130,420	176,145	6,630	182,775
Donations and Forfeitures of Cash and Cash Equivalents	–	4,119	4,119	–	4,749	4,749
Transfer In of Auction Proceeds from Federal Communications Commission (Note 21)	18,627,804	–	18,627,804	1,221,000	–	1,221,000
Transfer Out to Receipt Account for Providing Funds to General Fund of U.S. Government (Note 21)	(12,618,990)	–	(12,618,990)	–	–	–
Transfers In/(Out) Without Reimbursement, Net	1,674	143,870	145,544	3,768	129,540	133,308
Rescissions/Sequestrations (Note 18)	–	(2,906)	(2,906)	–	–	–
Other Budgetary Financing Sources/(Uses), Net	–	31	31	–	–	–
Other Financing Sources (Non-exchange):						
Donations and Forfeitures of Property	1,351	1,305	2,656	–	1,296	1,296
Transfer In Received by Receipt Account for Providing Funds to General Fund of U.S. Government (Note 21)	12,618,990	–	12,618,990	–	–	–
Transfer Out to General Fund of U.S. Government for Deficit Reduction (Note 21)	(12,618,990)	–	(12,618,990)	–	–	–
Transfers In/(Out) Without Reimbursement, Net	(1,251)	410	(841)	–	6,742	6,742
Imputed Financing Sources from Cost Absorbed by Others	47,002	209,498	256,500	62,780	294,242	357,022
Other Financing Sources/(Uses), Net	–	(5,066)	(5,066)	–	(11,716)	(11,716)
Total Financing Sources	**6,176,009**	**8,567,712**	**14,743,721**	**1,463,693**	**8,731,468**	**10,195,161**
Net Cost of Operations	**(128,867)**	**(7,802,215)**	**(7,931,082)**	**95,649**	**(7,767,673)**	**(7,672,024)**
Net Change	**6,047,142**	**765,497**	**6,812,639**	**1,559,342**	**963,795**	**2,523,137**
Cumulative Results of Operations – Ending Balance	**17,640,086**	**11,626,892**	**29,266,978**	**11,592,944**	**10,861,395**	**22,454,339**
Unexpended Appropriations:						
Beginning Balance	–	5,263,441	5,263,441	–	5,340,879	5,340,879
Budgetary Financing Sources:						
Appropriations Received (Note 18)	–	8,545,281	8,545,281	–	8,261,101	8,261,101
Appropriations Transferred In/(Out), Net	–	283,364	283,364	–	17,688	17,688
Rescissions/Sequestrations of Appropriations (Note 18)	–	(7,190)	(7,190)	–	(10,660)	(10,660)
Cancellations and Other Adjustments	–	(146,542)	(146,542)	–	(45,582)	(45,582)
Appropriations Used	–	(8,204,450)	(8,204,450)	–	(8,299,985)	(8,299,985)
Total Budgetary Financing Sources	**–**	**470,463**	**470,463**	**–**	**(77,438)**	**(77,438)**
Unexpended Appropriations – Ending Balance	**–**	**5,733,904**	**5,733,904**	**–**	**5,263,441**	**5,263,441**
NET POSITION	**$ 17,640,086**	**$ 17,360,796**	**$ 35,000,882**	**$ 11,592,944**	**$ 16,124,836**	**$ 27,717,780**

The accompanying notes are an integral part of these financial statements.

United States Department of Commerce Combined Statements of Budgetary Resources
For the Years Ended September 30, 2015 and 2014 (Note 18) *(In Thousands)*

	FY 2015		FY 2014	
	Budgetary	Non-budgetary Credit Program Financing Accounts	Budgetary	Non-budgetary Credit Program Financing Accounts
BUDGETARY RESOURCES:				
Unobligated Balance, Brought Forward, October 1	$ 12,834,426	$ 10	$ 10,701,770	$ 7
Adjustments to Unobligated Balance, Brought Forward	–	–	(2,721)	–
Unobligated Balance, Brought Forward, October 1, as Adjusted	12,834,426	10	10,699,049	7
Actual Recoveries of Prior-years Unpaid Obligations	306,562	28,490	378,062	6,696
Actual Nonexpenditure Transfers of Unobligated Balance, Net	1,672	–	3,826	–
Borrowing Authority Withdrawn	–	(28,490)	–	(6,696)
Other Changes in Unobligated Balance, Net	(146,510)	–	(46,094)	–
Unobligated Balance From Prior-years Budget Authority, Net	**12,996,150**	**10**	**11,034,843**	**7**
Appropriations	13,981,745	–	8,429,193	–
Borrowing Authority	–	65,860	1,738,475	98,218
Spending Authority From Offsetting Collections	11,341,144	31,130	4,867,504	30,152
TOTAL BUDGETARY RESOURCES	**$ 38,319,039**	**$ 97,000**	**$ 26,070,015**	**$ 128,377**
STATUS OF BUDGETARY RESOURCES:				
Obligations Incurred	$ 20,710,355	$ 94,873	$ 13,235,589	$ 128,367
Unobligated Balance, End of Year				
Apportioned	8,041,086	–	3,449,315	–
Exempt From Apportionment	2,486	–	4,016	–
Unapportioned	9,565,112	2,127	9,381,095	10
Total Unobligated Balance, End of Year	**17,608,684**	**2,127**	**12,834,426**	**10**
TOTAL STATUS OF BUDGETARY RESOURCES	**$ 38,319,039**	**$ 97,000**	**$ 26,070,015**	**$ 128,377**
CHANGE IN UNPAID OBLIGATED BALANCE, NET:				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, October 1	$ 6,677,864	$ 182,409	$ 6,656,223	$ 139,393
Obligations Incurred	20,710,355	94,873	13,235,589	128,367
Outlays, Gross	(20,343,080)	(126,741)	(12,835,886)	(78,655)
Actual Recoveries of Prior-years Unpaid Obligations	(306,562)	(28,490)	(378,062)	(6,696)
UNPAID OBLIGATIONS, END OF YEAR	**$ 6,738,577**	**$ 122,051**	**$ 6,677,864**	**$ 182,409**
Uncollected Customer Payments:				
Uncollected Customer Payments, Brought Forward, October 1	$ (448,663)	$ (467)	$ (468,789)	$ (467)
Adjustments to Uncollected Customer Payments, Brought Forward	–	–	4,025	–
Change in Uncollected Customer Payments	(115,828)	–	16,101	–
UNCOLLECTED CUSTOMER PAYMENTS, END OF YEAR	**$ (564,491)**	**$ (467)**	**$ (448,663)**	**$ (467)**
Unpaid Obligated Balance, Net, Brought Forward, October 1, as Adjusted	**$ 6,229,201**	**$ 181,942**	**$ 6,191,459**	**$ 138,926**
Unpaid Obligated Balance, Net, End of Year	**$ 6,174,086**	**$ 121,584**	**$ 6,229,201**	**$ 181,942**
BUDGET AUTHORITY, NET:				
Budget Authority, Gross	$ 25,322,889	$ 96,990	$ 15,035,172	$ 128,370
Actual Offsetting Collections	(11,351,448)	(135,026)	(4,886,210)	(92,352)
Change in Uncollected Customer Payments	(115,828)	–	16,101	–
BUDGET AUTHORITY, NET	**$ 13,855,613**	**$ (38,036)**	**$ 10,165,063**	**$ 36,018**
OUTLAYS, NET:				
Outlays, Gross	$ 20,343,080	$ 126,741	$ 12,835,886	$ 78,655
Actual Offsetting Collections	(11,351,448)	(135,026)	(4,886,210)	(92,352)
Outlays, Net	8,991,632	(8,285)	7,949,676	(13,697)
Distributed Offsetting (Receipts)/Outlays, Net	(36,089)	–	(56,006)	–
AGENCY OUTLAYS, NET	**$ 8,955,543**	**$ (8,285)**	**$ 7,893,670**	**$ (13,697)**

The accompanying notes are an integral part of these financial statements.

FINANCIAL SECTION

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

(All Tables are Presented in Thousands Unless Otherwise Stated)

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 12 bureaus, the Emergency Steel Loan Guarantee Program, and Departmental Management.

For the *Consolidated Statements of Net Cost,* the Department's entities have been grouped together as follows:

- National Oceanic and Atmospheric Administration (NOAA)
- U.S. Patent and Trademark Office (USPTO)
- Economics and Statistics Administration (ESA) — based on organizational structure
    - Bureau of Economic Analysis (BEA)
    - Census Bureau
- National Institute of Standards and Technology (NIST) — based on organizational structure
    - National Technical Information Service (NTIS)
- National Telecommunications and Information Administration (NTIA)[1]
- Departmental Management (DM)
    - Franchise Fund
    - Gifts and Bequests (G&B)
    - Herbert C. Hoover Building (HCHB) Renovation Project
    - Office of Inspector General (OIG)
    - Salaries and Expenses (S&E)
    - Working Capital Fund (WCF)
- Others
    - Bureau of Industry and Security (BIS)
    - Economic Development Administration (EDA)
    - Emergency Steel Loan Guarantee Program (ELGP-Steel)
    - International Trade Administration (ITA)
    - Minority Business Development Agency (MBDA)

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[1] The Middle Class Tax Relief and Job Creation Act of 2012 created the First Responder Network Authority (FirstNet) as an independent authority within NTIA, to provide emergency responders with the first high-speed, nationwide network dedicated to public safety.

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.

These financial statements have been prepared from the accounting records of the Department in conformance with U.S. generally accepted accounting principles (GAAP) and the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in Circular A-136, *Financial Reporting Requirements*. GAAP for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board, which is the official body for setting the accounting standards of the U.S. government.

Throughout these financial statements, intragovernmental assets, liabilities, gross costs, earned revenue, transfers, and other activity represent activity or balances with other federal entities.

The Department has allocation transfer transactions with other federal agencies as both a transferring (parent) entity and as a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Department of the Treasury (Treasury) as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activity related to these allocation transfers (e.g., budgetary resources, obligations incurred, gross costs, and outlays, gross) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations, and OMB apportionments are derived. EDA allocates funds, as the parent, to the U.S. Department of Agriculture's Rural Development Administration; all financial activity related to these EDA funds is reported in the Department's financial statements. NOAA, EDA, the Census Bureau, and BEA have received allocation transfers, as the child, from the U.S. General Services Administration (GSA), U.S. Environmental Protection Agency, Delta Regional Authority, Appalachian Regional Commission, and the Northern Border Regional Commission. Activity relating to these child allocation transfers is not reported in the Department's financial statements, except that the Department has recognized Imputed Costs, and Imputed Financing Sources From Cost Absorbed by Others, for gross costs, as the child, under GSA's Federal Buildings Fund.

C Funds from Dedicated Collections

Funds from Dedicated Collections are financed by specifically identified revenues, often supplemented by other financing sources that are originally provided to the federal government by a non-federal source, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the federal government's general revenues.

Funds from Dedicated Collections include general funds, revolving funds (not including credit reform financing funds), special funds, and trust funds. (See Note 21, *Funds from Dedicated Collections*.)

D Elimination of Intra-entity and Intra-Departmental Transactions and Balances

Transactions and balances within a reporting entity (intra-entity), and transactions and balances among the Department's entities (intra-Departmental), have been eliminated from the *Consolidated Balance Sheets, Consolidated Statements of Net Cost*, and are excluded from the consolidated total column of the *Consolidated Statements of Changes in Net Position;* however, to improve the transparency of an intra-entity (NTIA) transfer preceding a September 2015 transfer out of $12.62 billion to the General Fund of U.S. Government, a transfer out of $12.62 billion from NTIA's Public Safety Trust Fund to a receipt account for transferring funds to the General Fund of U.S. Government is not eliminated on the FY 2015 *Consolidated Statement of Changes in Net Position*. See Note 21, *Funds from Dedicated Collections, Public Safety Trust Fund*, for a full description of these transfers. The *Statements of Budgetary Resources* are presented on a combined basis; therefore, intra-Departmental and intra-entity transactions and balances have not been eliminated from these statements.

E Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of funds in the Department's accounts with Treasury. Deposit Funds include 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 Advances and Prepayments

Advances are payments the Department has made to cover a part or all of a grant recipient's anticipated expenses, or are advance payments for the cost of goods and services to be acquired. For grant awards, the recipient is required to periodically (for example, quarterly) report the amount of costs incurred. Prepayments are payments the Department has made to cover certain periodic expenses before those expenses are incurred, such as subscriptions and rent. Advances and Prepayments are included in Other Assets.

H Direct Loans and Loan Guarantees, 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.

Interest Receivable generally represents uncollected interest income earned on loans. For past-due loans, only up to 180 days of interest income is generally recorded.

Foreclosed Property is acquired primarily through foreclosure and voluntary conveyance, and is recorded at the fair market value at the time of acquisition. Foreclosed Property is adjusted to the current fair market value each fiscal year-end.

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.

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 a direct or guaranteed loan 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 life of the loan, minus the present value of estimated cash inflows, discounted at the applicable Treasury interest rate. Administrative costs such as salaries 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.

A Loan Receivable is recorded at the present value of the estimated cash inflows less cash outflows. The difference between the outstanding principal of the loan and the present value of its net cash inflows is recorded as the Allowance for Subsidy Cost. A subsidy reestimate is normally performed annually, as of September 30. The subsidy reestimate takes into account all factors that may have affected the estimated cash flows. Any adjustment resulting from the reestimate is recognized as a subsidy expense (or a reduction in subsidy expense). The portion of the Allowance for Subsidy Cost related to subsidy modifications and reestimates is calculated annually, as of September 30.

The amounts of any downward subsidy reestimates as of September 30 must be disbursed to Treasury in the subsequent fiscal year. Appropriations are normally obtained in the following fiscal year for any upward subsidy reestimates.

I Inventory, Materials, and Supplies, Net

Inventory, Materials, and Supplies, Net are stated at the lower of cost or net realizable value primarily under the average, weighted-average, and first-in, first-out methods, and are adjusted for the results of physical inventories. Inventory, Materials, and Supplies are expensed when consumed. There are no restrictions on their sale, use, or disposition.

J General Property, Plant, and Equipment, Net

General Property, Plant, and Equipment, Net (PP&E) is composed of capital assets used in providing goods or services. General PP&E is stated at full cost, including all costs related to acquisition, delivery, and installation, less Accumulated Depreciation. Acquisitions of General PP&E include assets purchased, or assets acquired through other means such as through transfer in from another federal entity, donation, devise (a will or clause of a will disposing of property), judicial process, exchange between a federal entity and a non-federal entity, and forfeiture. General 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:

Single-asset Acquisitions: The Department's policy is to capitalize single-asset acquisitions of General PP&E if the useful life is two years or more and the dollar amount meets the entity's single-asset acquisition capitalization threshold. Based on a Department-wide capitalization thresholds review, which reflects materiality and cost-benefit analyses, the Department's single-asset acquisition capitalization thresholds for both FY 2015 and FY 2014 are as follows: NOAA—$200 thousand or more; NIST and USPTO—$50 thousand or more; and all other bureaus and Departmental Management—$25 thousand or more, except that NTIA's First Responder Network Authority has a single-asset acquisition capitalization threshold of $5 thousand.

Personal Property Bulk Acquisitions: As of September 30, 2015, NOAA has a personal property bulk acquisition capitalization threshold of $1 million, where individual items cost $25 thousand or more but less than $200 thousand, and all other bureaus and Departmental Management have a personal property bulk acquisition capitalization threshold of $250 thousand, except that USPTO has a furniture bulk acquisition capitalization threshold of $50 thousand and NTIA's First Responder Network Authority has a personal property bulk acquisition capitalization threshold of $50 thousand.

General PP&E not meeting the applicable capitalization threshold is expensed.

Depreciation: Depreciation is recognized on a straight-line basis over the estimated useful life of the asset with the exception of leasehold improvements, which are depreciated over the remaining life of the lease or over the useful life of the improvement, whichever is shorter. Land and Construction-in-progress are not depreciated.

Real Property: GSA provides most of the facilities in which the Department operates, and generally charges rent based on comparable commercial rental rates under operating leases. Accordingly, GSA-owned properties under operating leases are not included in the Department's General PP&E. The Department's real property primarily consists of facilities for NIST and NOAA.

Construction-in-progress: Costs for the construction, modification, or modernization of General PP&E are initially recorded as Construction-in-progress. The Department's construction-in-progress consists primarily of satellites under development for NOAA, and major laboratory renovations and construction projects under development for NIST. Upon completion of the work, the costs are transferred to the appropriate General PP&E account.

K Non-entity Assets

Non-entity assets are assets held by the Department that are not available for use in its operations, and for which a liability has been recorded. Non-entity Fund Balance with Treasury includes customer deposits held by the Department until customer orders are received, and monies payable to the General Fund of U.S. Government for custodial and loan programs activity.

L 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.

Accounts Payable: Accounts Payable are amounts primarily owed for goods, services, or capitalized assets received, progress on contract performance by others, and other expenses due.

Debt to Treasury: The Department has borrowed funds from Treasury through the Fisheries Finance Financing Account for various NOAA direct loan programs, and through NTIA's Public Safety Trust Fund, and State and Local Implementation Fund. To simplify interest calculations, the Fisheries Finance Financing Account 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, and deposits from public safety communications and electromagnetic spectrum auction proceeds. Balances of any borrowed but undisbursed Fisheries Finance Financing Account will earn interest at the same rate used in calculating interest expense. The amounts borrowed by NTIA are interest-free. The amounts reported for Debt to Treasury include accrued interest payable. See Note 10, *Debt to Treasury*, for information regarding maturity dates.

Resources Payable to Treasury: Resources Payable to Treasury includes assets in excess of liabilities that are being held as working capital in the Department's liquidating fund groups, which account for loan programs prior to October 1, 1991 (pre-FY 1992).

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 primarily relates to monies 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 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 (DOL), 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 DOL for claims paid on behalf of the Department.

Federal Employee 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 DOL 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. Projected annual payments were discounted to present value based on OMB's interest rate assumptions which were interpolated to reflect the average duration in years for income payments and medical payments.

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. The actual rates for these factors are also used to adjust the historical payments to current-year constant dollars.

The model's resulting projections are analyzed by DOL to ensure that the amounts are reliable. The analysis is based on four tests: (1) a sensitivity analysis of the model to economic assumptions; (2) a comparison of the percentage change in the liability amount to the percentage change in the actual incremental payments; (3) a comparison of the incremental paid losses per case (a measure of case severity) in chargeback year to the average pattern observed during the most current three chargeback years; and (4) a comparison of the estimated liability per case in the projection to the average pattern for the projections of the most recent three years.

NOAA Corps Retirement System Liability and NOAA Corps Post-retirement Health Benefits Liability: 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. For purposes of calculating the normal cost, certain actuarial assumptions utilized for the actual valuation of U.S. Military Retirement System are used. Actuarial gains and losses, and prior and past service costs, if any, are recognized immediately in the fiscal year they occur, without amortization. The medical claim rates used for the NOAA Corps Post-retirement Health Benefits Liability actuarial calculations are based on the claim rates used for the U.S. Department of Defense Medicare-Eligible Retiree Health Care Fund actuarial valuations. Demographic assumptions appropriate to covered personnel are also used. For background information about these plans, see Note 1.P, *Employee Retirement Benefits*.

Environmental and Disposal Liabilities: The Department has incurred asbestos-related cleanup costs related to the costs of removing, containing, and/or disposing of asbestos-containing materials from property, plant, and equipment; specifically, from facilities owned by NIST and NOAA, and from ships owned by NOAA. The Department has estimated its liabilities for asbestos-related cleanup costs for both friable and nonfriable asbestos-related cleanup costs. Estimates of asbestos-related cleanup costs are reviewed periodically, and updated as appropriate, to account for actual or estimated increases or decreases in asbestos-containing materials, material changes due to inflation or deflation, and changes in regulations, plans, and/or technology.

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 $71.8 million. The NIST decommissioning estimate includes an assumption that an offsite waste disposal facility will become available, when needed, estimated in 2029. Currently, an offsite disposal location has not been identified, and the NIST environmental liability cost estimate includes an amount approved by the Nuclear Regulatory Commission for offsite waste disposal. The total estimated decommissioning cost 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 liabilities for environmental cleanup costs at all NOAA-used facilities, including the decommissioning of ships. The largest of NOAA's environmental liabilities relates to the cleanup of the Pribilof Islands in Alaska, which contains waste from the U.S. Department of Defense's use during World War II. Such cleanup activities are the responsibility of the Department because it became the successor agency of the waste generated from war-related programs. The Department does not recognize a liability for environmental cleanup costs for NOAA-used facilities that are less than $25 thousand per project. When an estimate of cleanup costs includes a range of possible costs, the most likely cost is reported. When 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.

The Department may have liabilities associated with lead-based paints at certain NOAA facilities. The Department has scheduled surveys to assess the potential for liabilities for lead-based paint contamination. All known issues, however, are contained, and NOAA facilities meet current environmental standards. No cost estimates are presently available for facilities that have not yet been assessed for lead-based paint issues.

Accrued Payroll and Annual Leave: These categories include salaries, wages, and other compensation 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 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 drawdown requests may be received and fulfilled before grantees make the program expenditures. When the Department has disbursed funds but the grant recipient has not yet reported expenditures, these disbursements are recorded as advances. If a recipient, however, reports program expenditures that have not been advanced by the Department by September 30, such amounts are recorded as grant expenses and grants payable as of September 30.

Capital Lease Liabilities: Capital leases are leases for property, plant, and equipment that transfer substantially all the benefits and risks of ownership to the Department.

Contingent Liabilities and Contingencies: 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 (included in Other Liabilities) and an expense are recognized when a past event has occurred, and a future outflow or other sacrifice of resources is measurable and probable. A contingency is considered probable when the future confirming event or events are more likely than not to occur, with the exception of pending or threatened litigation and unasserted claims. For pending or threatened litigation and unasserted claims, the future confirming event or events are likely to occur. A contingency is disclosed in the *Notes to the Financial Statements* if any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred. A contingency is considered reasonably possible when the chance of the future confirming event or events occurring is more than remote but less than probable. A contingency is not recognized as a contingent liability and an expense nor disclosed in the *Notes to the Financial Statements* when the chance of the future event or events occurring is remote. A contingency is considered remote when the chance of the future event or events occurring is slight.

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 groups, appropriations are provided to pay for the leave when it is taken. As a result, budgetary resources do not cover a large portion of the Department's *Accrued Annual Leave* liability.

The Department generally receives budgetary resources for its *Federal Employee Benefits* liability when needed for disbursements.

Due to USPTO's funding structure, budgetary resources do not cover a portion of its Unearned Revenue. The Unearned Revenue reported in Note 15 is the portion of USPTO's Unearned Revenue that is considered not covered by budgetary resources. USPTO's Unearned Revenue is a liability for revenue received before the patent or trademark work has been completed. Budgetary resources derived from the current reporting period's revenue have been partially used to cover the current reporting period's costs associated with unearned revenue from a prior reporting period. In addition, the current patent fee structure sets low initial application fees that are followed by income from maintenance fees as a supplement in later years to cover the full cost of the patent examination and issuance processes. The combination of these funding circumstances requires USPTO to obtain additional budgetary resources to cover its liability for unearned revenue.

M Commitments

Commitments are preliminary actions that will ultimately result in an obligation to the U.S. government if carried through, such as purchase requisitions, estimated travel orders, or unsigned contracts/grants. Major long-term commitments are disclosed in Note 16, *Commitments and Contingencies*.

N Net Position

Net Position is the residual difference between assets and liabilities, and is composed of Unexpended Appropriations and Cumulative Results of Operations.

Unexpended Appropriations represent the total amount of unexpended budget authority that is classified as appropriations, both obligated and unobligated. Unexpended Appropriations is increased for Appropriations Received, is reduced for Appropriations Used, and is adjusted for other changes in appropriations, such as transfers and rescissions. Cumulative Results of Operations is the net result of the Department's operations since inception.

O 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-fiscal year, and no-year bases. Upon expiration of an annual or multiple-fiscal year appropriation, the obligated and unobligated balances retain their fiscal year identity, and are maintained separately within an expired account. The unobligated balances can be used to make legitimate obligation adjustments, but are otherwise not available for expenditures. Annual and multiple-fiscal year appropriations are canceled at the end of the fifth fiscal year after expiration. No-year appropriations do not expire. Appropriations of budget authority are recognized as used when costs are incurred, for example, when goods and services are received or benefits and grants are provided.

Exchange and Non-exchange Revenue: The Department classifies revenue as either exchange revenue or non-exchange revenue. Exchange revenue is derived from transactions in which both the federal government and the other party receive value, including processing patents and registering trademarks, the sale of weather data, nautical charts, and navigation information, reimbursable revenue, and other sales of goods and services. Exchange revenue is presented on the Department's *Consolidated Statements of Net Cost*. Non-exchange revenue is derived from the federal government's sovereign right to demand payment, and, for example, includes revenue of NOAA's Damage Assessment and Restoration Revolving Fund as reported and described in Note 21, *Funds from Dedicated Collections*. Non-exchange revenue is 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. Non-exchange is not considered to reduce the cost of the Department's operations and is therefore reported on the *Consolidated Statements 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 Cost Absorbed by Others (and Related Imputed Costs): In certain cases, operating costs of the Department are paid for in full or in part by funds appropriated to other federal entities. For example, Civil Service Retirement System pension benefits for applicable Departmental employees are paid for in part by the U.S. Office of Personnel

Management (OPM), and certain legal judgments against the Department are paid for in full from the Judgment Fund maintained by Treasury. The Department includes applicable imputed costs in the *Consolidated Statements of Net Cost*. In addition, *Imputed Financing Sources from Cost Absorbed by Others* is recognized on the *Consolidated Statements of Changes in Net Position* as an other financing source.

Transfers In/(Out): Intragovernmental transfers, for example, of budgetary resources, or of assets without reimbursement that are recorded at book value, are reported in the *Consolidated Statements of Changes in Net Position*.

P 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 regular employees, the Department was required to make contributions to the plan equal to 7 percent of an 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 an imputed financing source from cost absorbed by others, for the difference between the estimated service cost and the contributions made by the Department and its covered employees.

Effective October 1, 2014, for FERS-covered regular employees hired prior to January 1, 2013, the Department was required to make contributions of 13.2 percent of basic pay. Employees contributed 0.8 percent of basic pay. For regular employees hired after December 31, 2012, as defined in Public Law 112-96, Section 5001, the Department was required to make contributions of 11.1 percent of basic pay. Regular employees hired between December 31, 2012 and December 31, 2013 contributed 3.1percent of basic pay. Regular employees hired after December 31, 2013 contributed 4.4 percent of basic pay. For each fiscal year, OPM calculates the U.S. government's service cost for covered employees. Since the U.S. government's estimated service cost exceeds contributions made by employer agencies and covered employees, this plan was not fully funded by the Department and its employees. The Department has recognized an imputed cost, and an imputed financing source from cost absorbed by others, for the difference between the estimated service cost and the contributions made by the Department and its covered employees.

Employees participating in FERS are covered under the Federal Insurance Contributions Act, for which the Department contributes a matching amount to the Social Security Administration.

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, 2015, included 327 active duty officers, 376 nondisability retiree annuitants, 14 disability retiree annuitants, and 53 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. ITA makes contributions to the systems based on a percentage of an employee's pay. Both systems are multi-employer plans administered by the U.S. 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 U.S. 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. The Department also makes matching contributions of up to four percent of basic pay for FERS-covered employees. FERS and CSRS-covered employees have no limit on the percentage of pay contributed to their TSP account. However, the total employee regular contribution for 2015 and 2014 may not exceed the IRS limit of $18 thousand for 2015 and $17.5 thousand for 2014. The Department makes no matching contributions for CSRS-covered employees. TSP participants age 50 or older who are already contributing the maximum amount of contributions for which they are eligible may also make catch-up contributions, subject to the IRS dollar limit for catch-up contributions.

Federal Employees Health Benefit (FEHB) Program: Most Departmental 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 health benefits for covered employees as an imputed cost, and an imputed financing source from cost absorbed by others.

NOAA Corps Post-retirement 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 a pay-as-you-go plan administered by the Department. Participants do not make any contributions to this plan.

Federal Employees Group Life Insurance (FEGLI) Program: Most Department employees are entitled to participate in the FEGLI 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 an imputed financing source from cost absorbed by others.

Q 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.

R Tax Status

The Department is not subject to federal, state, or local income taxes. Accordingly, no provision for income taxes is recorded.

S Fiduciary Activities

Fiduciary activities are the collection or receipt, and the management, protection, accounting, and disposition by the federal government of cash or other assets in which non-federal individuals or entities have an ownership interest that the federal government must uphold. Fiduciary cash and other assets are not assets of the federal government, and, accordingly, are not recognized in the Department's financial statements.

The Department's fiduciary activities consist of the following:

The Patent Cooperation Treaty authorizes USPTO to collect patent filing and search fees on behalf of the World Intellectual Property Organization (WIPO), European Patent Office, Korean Intellectual Property Office, Russian Intellectual Property Organization, Israeli Patent Office, Japanese Patent Office, and Australian Patent Office, from U.S. citizens requesting an international patent. The Madrid Protocol Implementation Act authorizes USPTO to collect trademark application fees on behalf of the International Bureau of WIPO from U.S. citizens requesting an international trademark. These fiduciary activities are reported in Note 20.

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury, by type, is as follows:

	FY 2015	FY 2014
General Funds	$ 8,411,292	$ 8,247,076
Revolving Funds		
Network Construction Fund	6,356,712	392
Others	856,404	906,561
Special Funds		
Digital Television Transition and Public Safety Fund	8,815,921	8,822,152
Patent and Trademark Surcharge Fund	233,529	233,529
Others	123,287	110,312
Deposit Funds	167,402	154,037
Trust Funds		
Public Safety Trust Fund	541,696	1,957,934
Other	2,735	4,674
Other Fund Types	2,093	4,063
Total	$ 25,511,071	$ 20,440,730

Status of Fund Balance with Treasury is as follows:

	FY 2015	FY 2014
Temporarily Precluded From Obligation	$ 1,325,068	$ 1,089,248
Unobligated Balance		
Available	8,065,051	3,452,709
Unavailable	9,545,232	9,381,382
Obligated Balance Not Yet Disbursed	6,174,260	6,126,726
Non-budgetary	401,460	390,665
Total	$ 25,511,071	$ 20,440,730

See Note 18, *Combined Statements of Budgetary Resources*, for legal arrangements affecting the Department's use of Fund Balance with Treasury for FY 2015 and FY 2014.

See Note 21, *Funds from Dedicated Collections*, for more information regarding the Network Construction Fund, the Digital Television Transition and Public Safety Fund, the Patent and Trademark Surcharge Fund, and the Public Safety Trust Fund.

NOTE 3. ACCOUNTS RECEIVABLE, NET

FY 2015	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ 119,395	$ –	$ 119,395
With the Public	$ 43,461	$ (10,743)	$ 32,718

FY 2014	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ 79,756	$ –	$ 79,756
With the Public	$ 59,868	$ (11,667)	$ 48,201

NOTE 4. CASH

	FY 2015	FY 2014
Cash Not Yet Deposited with Treasury	$ 4,054	$ 5,091
Imprest Funds	352	353
Total	$ 4,406	$ 5,444

Cash Not Yet Deposited with Treasury primarily 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 for environments that do not permit the use of electronic payments.

NOTE 5. DIRECT LOANS AND LOAN GUARANTEES, NET

The Department operates the following direct loan and loan guarantee programs:

Direct Loan Programs:

EDA	Drought Loan Portfolio
EDA	Economic Development Revolving Fund
NOAA	Alaska Purse Seine Fishery Buyback Loans
NOAA	Bering Sea and Aleutian Islands Non-Pollock Buyback Loans
NOAA	Bering Sea Pollock Fishery Buyback
NOAA	Coastal Energy Impact Program (CEIP)
NOAA	Crab Buyback Loans
NOAA	Federal Gulf of Mexico Reef Fish Buyback Loans[1]
NOAA	Fisheries Finance Individual Fishing Quota (IFQ) Loans
NOAA	Fisheries Finance Traditional Loans
NOAA	Fisheries Loan Fund
NOAA	New England Groundfish Buyback Loans[1]
NOAA	New England Lobster Buyback Loans[1]
NOAA	Pacific Groundfish Buyback Loans

[1] *No loans have been issued under these programs as of* September *30, 2015.*

Loan Guarantee Programs:

EDA	Economic Development Revolving Fund
ELGP-Steel	Emergency Steel Loan Guarantee Program
NOAA	Fishing Vessel Obligation Guarantee (FVOG) Program

NOAA's Fisheries Finance Loan programs provide direct loans for certain fisheries costs, including vessels, shoreside facilities, aquaculture, and Individual Fishing Quota (IFQ). Vessel financing is available for the purchase of used vessels or the reconstruction of vessels. Refinancing is available for existing debt obligations. The purpose of these loan programs is to contribute to stable fisheries and fishing communities, and ensure that fisheries are sustainable economic resources. NOAA's various buyback loan programs address excess fishing capacity which decreases fisheries earnings, complicates fisheries management, and imperils fisheries conservation. Buyback loans are issued to fisheries to permanently remove vessels and/or permits and thus lower fishing effort in overcapitalized fisheries. Loans are repaid from fees collected on the ex-vessel value of the catch in the fishery.

The net assets for the Department's loan programs consist of:

	FY 2015	FY 2014
Direct Loans Obligated Prior to FY 1992	$ 7,698	$ 11,771
Direct Loans Obligated After FY 1991	504,761	500,298
Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees	4	3
Defaulted Guaranteed Loans from Post-FY 1991 Guarantees	–	516
Total	$ 512,463	$ 512,588

Direct Loans Obligated Prior to FY 1992 consist of:

FY 2015

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
CEIP	$ 18,624	$ 5,743	$ (20,082)	$ 4,285
Drought Loan Portfolio	2,917	–	–	2,917
Fisheries Loan Fund	148	16	(164)	–
Economic Development Revolving Fund	501	–	(5)	496
Total	$ 22,190	$ 5,759	$ (20,251)	$ 7,698

FY 2014

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
CEIP	$ 18,842	$ 5,474	$ (19,813)	$ 4,503
Drought Loan Portfolio	4,257	–	–	4,257
Fisheries Loan Fund	148	16	(164)	–
Economic Development Revolving Fund	3,040	1	(30)	3,011
Total	$ 26,287	$ 5,491	$ (20,007)	$ 11,771

Direct Loans Obligated After FY 1991 consist of:

FY 2015

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans, Net
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	$ 32,106	$ 80	$ 4,858	$ 37,044
Bering Sea Pollock Fishery Buyback	28,227	23	1,588	29,838
Crab Buyback Loans	78,565	1,123	19,310	98,998
Fisheries Finance IFQ Loans	21,892	192	3,266	25,350
Fisheries Finance Traditional Loans	240,425	1,541	30,065	272,031
Pacific Groundfish Buyback Loans	25,728	69	5,511	31,308
Alaska Purse Seine Fishery Buyback Loans	9,383	6	803	10,192
Total	$ 436,326	$ 3,034	$ 65,401	$ 504,761

FY 2014

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans, Net
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	$ 32,956	$ 85	$ 5,040	$ 38,081
Bering Sea Pollock Fishery Buyback	33,226	52	1,830	35,108
Crab Buyback Loans	83,006	1,481	19,945	104,432
Fisheries Finance IFQ Loans	23,237	233	4,102	27,572
Fisheries Finance Traditional Loans	225,699	2,015	22,979	250,693
Pacific Groundfish Buyback Loans	27,486	66	6,421	33,973
Alaska Purse Seine Fishery Buyback Loans	9,572	16	851	10,439
Total	$ 435,182	$ 3,948	$ 61,168	$ 500,298

New Disbursements of Direct Loans (Post-FY 1991):

Direct Loan Program	FY 2015	FY 2014
Fisheries Finance IFQ Loans	$ 1,658	$ 1,411
Fisheries Finance Traditional Loans	84,308	42,563
Total	$ 85,966	$ 43,974

Subsidy Expense for Direct Loans by Program and Component:

Subsidy Expense for New Disbursements of Direct Loans:

FY 2015

Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	$ (325)	$ 2	$ (7)	$ 224	$ (106)
Fisheries Finance Traditional Loans	(12,507)	477	(419)	6,668	(5,781)
Total	$ (12,832)	$ 479	$ (426)	$ 6,892	$ (5,887)

FY 2014

Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	$ (5,366)	$ 28	$ (217)	$ 1,836	$ (3,719)
Fisheries Finance Traditional Loans	(233)	2	(6)	85	(152)
Total	$ (5,599)	$ 30	$ (223)	$ 1,921	$ (3,871)

Reestimates:

FY 2015

Direct Loan Program	Technical Reestimates
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	$ (225)
Bering Sea Pollock Fishery Buyback	(175)
Crab Buyback Loans	1,104
Fisheries Finance IFQ Loans	619
Fisheries Finance Traditional Loans	(3,886)
Pacific Groundfish Buyback Loans	663
Alaska Purse Seine Fishery Buyback Loans	(4)
Total	$ (1,904)

FY 2014

Direct Loan Program	Technical Reestimates
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	$ (594)
Bering Sea Pollock Fishery Buyback	(3)
Crab Buyback Loans	2,883
Fisheries Finance IFQ Loans	(328)
Fisheries Finance Traditional Loans	9,125
Fisheries Finance Traditional Loans	1,200
Alaska Purse Seine Fishery Buyback Loans	(399)
Total	$ 11,884

There were no interest rate reestimates and all reestimates were technical for both FY 2015 and FY 2014.

Total Direct Loan Subsidy Expense:

Direct Loan Program	FY 2015	FY 2014
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	$ (225)	$ (594)
Bering Sea Pollock Fishery Buyback	(175)	(3)
Crab Buyback Loans	1,104	2,883
Fisheries Finance IFQ Loans	513	(481)
Fisheries Finance Traditional Loans	(9,667)	5,407
Pacific Groundfish Buyback Loans	663	1,200
Alaska Purse Seine Fishery Buyback Loans	(4)	(399)
Total	$ (7,791)	$ 8,013

Subsidy Rates for Direct Loans by Program and Component:

Budget Subsidy Rates for Direct Loans for the Current Fiscal-year's Cohorts:

FY 2015					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	(20.82) %	0.12 %	(0.41) %	18.74 %	(2.37) %
Fisheries Finance Traditional Loans	(15.06) %	0.57 %	(0.49) %	10.12 %	(4.86) %

FY 2014					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	(21.48) %	0.14 %	(0.40) %	13.68 %	(8.06) %
Fisheries Finance Traditional Loans	(14.94) %	0.58 %	(0.50) %	7.50 %	(7.36) %

The budget subsidy rates disclosed pertain only to the reporting period's cohorts. These rates cannot be applied to the new disbursements of direct loans during the reporting period to yield the subsidy expense. The subsidy expense for new disbursements of direct loans for the reporting period could result from disbursements of loans from both the reporting period's cohorts and prior fiscal-year(s) cohorts. The subsidy expense for the reporting period may also include modifications and reestimates.

Schedule for Reconciling Allowance for Subsidy Cost (Post-FY 1991 Direct Loans):

	FY 2015	FY 2014
Beginning Balance of the Allowance for Subsidy Cost	$ 61,168	$ 73,396
Add Subsidy Expense for Disbursements of Direct Loans During the Year by Component:		
Interest Rate Differential	12,832	5,599
Defaults	(479)	(30)
Fees and Other Collections	426	223
Other	(6,892)	(1,921)
Total of the above Subsidy Expense Components	5,887	3,871
Adjustments:		
Fees Received	(529)	(238)
Loans Written Off	913	–
Subsidy Allowance Amortization	(3,949)	(3,980)
Other	7	3
Total of Adjustments	(3,558)	(4,215)
Ending Balance of the Allowance for Subsidy Cost Before Reestimates	63,497	73,052
Add or Subtract Subsidy Reestimates by Component:		
Technical Reestimates	1,904	(11,884)
Ending Balance of the Allowance for Subsidy Cost	$ 65,401	$ 61,168

Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees:

FY 2015

Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	$ 7,318	$ 1	$ (7,315)	$ 4

FY 2014

Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	$ 7,318	$ –	$ (7,315)	$ 3

Defaulted Guaranteed Loans from Post-FY 1991 Guarantees:

FY 2014				
Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	$ 14,128	$ 1,254	$ (14,866)	$ 516

Loan Guarantees:

Guaranteed Loans Outstanding:

Outstanding non-acquired guaranteed loans as of September 30, 2014, which are not reflected in the financial statements, are as follows:

	FY 2014	
Loan Guarantee Program	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
FVOG Program	$ 157	$ 157

New Guaranteed Loans Disbursed:

There were no new guaranteed loans disbursed during FY 2015 and FY 2014.

Loan Guarantee Liabilities:

	FY 2014
Loan Guarantee Program	Loan Guarantee Liabilities for Post-FY 1991 Guarantees, Present Value
FVOG Program	$ 516

Subsidy Expense for Loan Guarantees by Program and Component:

Subsidy Expense for New Loan Guarantees Disbursed:

As there were no new guaranteed loans disbursed during FY 2015 and FY 2014, there is not any related subsidy expense.

Modifications and Reestimates:

There were no modifications and reestimates for loan guarantees for FY 2015 and FY 2014.

Subsidy Rates for Loan Guarantees by Program and Component:

Budget Subsidy Rates for Loan Guarantees for the Current Fiscal-year's Cohorts:

There were no new cohorts of guaranteed loans during FY 2015 and FY 2014.

Schedule for Reconciling Loan Guarantee Liabilities (Post-FY 1991 Loan Guarantees):

	FY 2015	FY 2014
Beginning Balance of Loan Guarantee Liabilities	$ 516	$ 516
Adjustments:		
Loans Written Off	(516)	–
Ending Balance of Loan Guarantee Liabilities	$ –	$ 516

Administrative Expenses:

Administrative expenses in support of the Department's direct loan and loan guarantee programs consist of:

Direct Loan Program	FY 2015	FY 2014
Drought Loan Portfolio and Economic Development Revolving Fund	$ 2,555	$ 165
NOAA Direct Loan Programs	3,382	3,374
Total	$ 5,937	$ 3,539

Loan Guarantee Program	FY 2015	FY 2014
FVOG Program	$ 66	$ 176

NOTE 6. INVENTORY, MATERIALS, AND SUPPLIES, NET

Category	Cost Flow Assumption	FY 2015	FY 2014
Inventory			
Items Held for Current Sale			
NIST Standard Reference Materials	Average	$ 23,054	$ 22,379
Other	Various	160	325
Allowance for Excess, Obsolete, and Unserviceable Items		(86)	(73)
Total Inventory, Net		23,128	22,631
Materials and Supplies			
Items Held for Use			
NOAA's National Logistics Support Center	Weighted-average	53,980	51,020
Other	Various	5,729	5,100
Items Held for Repair			
NOAA's National Reconditioning Center	Weighted-average	30,384	36,332
Allowance for Excess, Obsolete, and Unserviceable Items		(8,833)	(15,045)
Total Materials and Supplies, Net		81,260	77,407
Total		$ 104,388	$ 100,038

NIST's Standard Reference Materials Program provides reference materials for quality assurance of measurements, while NOAA's Materials and Supplies are primarily repair parts for weather forecasting equipment.

NOTE 7. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

FY 2015				
Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	$ 16,656	$ –	$ 16,656
Land Improvements	30-40	2,996	(1,747)	1,249
Structures, Facilities, and Leasehold Improvements	2-50	2,275,931	(781,791)	1,494,140
Satellites/Weather Systems Personal Property	3-20	6,372,079	(4,836,992)	1,535,087
Other Personal Property	1-30	3,198,064	(2,114,006)	1,084,058
Assets Under Capital Lease	3-40	18,987	(9,970)	9,017
Construction-in-progress	N/A	8,808,442	–	8,808,442
Total		$ 20,693,155	$ (7,744,506)	$ 12,948,649

In August 2015, a $430.0 million impairment, or reduction, to Construction-in-progress was recorded for a significant and permanent decline to expected service utility for NOAA's Joint Polar Satellite System C1-Bus, which resulted because intellectual property provided by the original contractor could no longer be used subsequent to the contract award to a new contractor. The impairment is included in the Department's FY 2015 *Consolidated Statement of Net Cost* as Gross Cost for NOAA.

NTIA's Federal Spectrum Management System re-engineering, automation, and modernization effort was suspended, resulting in a $18.0 million impairment, or reduction, to Internal-Use Software in Development. Because of escalating costs and concerns with the strategy of developing the software, the decision was made to terminate this investment. The impairment is included in the Department's FY 2015 *Consolidated Statement of Net Cost* as Gross Cost for NTIA.

FY 2014				
Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	$ 16,633	$ –	$ 16,633
Land Improvements	30-40	2,996	(1,655)	1,341
Structures, Facilities, and Leasehold Improvements	2-50	2,203,366	(739,337)	1,464,029
Satellites/Weather Systems Personal Property	3-20	6,381,184	(4,415,831)	1,965,353
Other Personal Property	2-30	2,945,075	(1,974,690)	970,385
Assets Under Capital Lease	3-40	30,408	(18,557)	11,851
Construction-in-progress	N/A	7,678,160	–	7,678,160
Total		$ 19,257,822	$ (7,150,070)	$ 12,107,752

NOTE 8. OTHER ASSETS

	FY 2015	FY 2014
With the Public		
Advances and Prepayments	$ 118,310	$ 37,024
Note Receivable	1,408	1,464
Bibliographic Database, Net	5,324	5,533
General PP&E Permanently Removed but Not Yet Disposed	194	2,679
Other	1,019	547
Total	$ 126,255	$ 47,247

As of September 30, 2015 and 2014, there is one Note Receivable with a maturity date of July 2024 and an interest rate of 7.0 percent. The balance includes accrued interest.

The Bibliographic Database relates to NTIS's scientific and technical information used to prepare products and services for sale. The database is stated at capitalized costs of $74.7 million and $72.4 million, less accumulated amortization of $69.4 million and $66.9 million, as of September 30, 2015 and 2014, respectively.

NOTE 9. NON-ENTITY ASSETS

The assets that are not available for use in the Department's operations are summarized below:

	FY 2015	FY 2014
Intragovernmental		
Fund Balance with Treasury	$ 148,933	$ 136,209
Accounts Receivable	13,359	11,614
Other	1,079	–
Total Intragovernmental	163,371	147,823
With the Public		
Cash	691	769
Accounts Receivable, Net	349	471
Direct Loans and Loan Guarantees, Net	3,417	7,210
Advances and Prepayments	–	2,437
Other	1,408	1,464
Total	$ 169,236	$ 160,174

NOTE 10. DEBT TO TREASURY

FY 2015

Loan Program	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	$ 510,871	$ (6,167)	$ 504,704
NTIA Public Safety Trust Fund	779,000	(779,000)	–
NTIA State and Local Implementation Fund	21,800	(21,800)	–
Total	$ 1,311,671	$ (806,967)	$ 504,704

For the direct loan program Debt to Treasury, maturity dates range from September 2017 to September 2052, and interest rates range from 2.11 to 6.13 percent.

FY 2014

Loan Program	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	$ 524,565	$ (13,694)	$ 510,871
NTIA Public Safety Trust Fund	39,238	739,762	779,000
NTIA State and Local Implementation Fund	11,800	10,000	21,800
Total	$ 575,603	$ 736,068	$ 1,311,671

NOTE 11. OTHER LIABILITIES

	FY 2015			FY 2014
	Current Portion	Non-current Portion	Total	Total
Intragovernmental				
Accrued FECA Liability	$ 22,535	$ 9,165	$ 31,700	$ 33,508
Accrued Benefits	40,549	–	40,549	39,718
Custodial Activity	388	–	388	361
Downward Subsidy Reestimates Payable to Treasury	13,359	–	13,359	11,614
Other	1,082	–	1,082	752
Total	$ 77,913	$ 9,165	$ 87,078	$ 85,953
With the Public				
ITA Foreign Service Nationals' Voluntary Separation Pay	$ 2,308	$ 7,830	$ 10,138	$ 11,236
Contingent Liabilities (Note 16)	15,712	–	15,712	409
Employment-related	1,624	–	1,624	1,416
Other	1,401	–	1,401	7,058
Total	$ 21,045	$ 7,830	$ 28,875	$ 20,119

The Current Portion represents liabilities expected to be paid by September 30, 2016, while the Non-current Portion represents liabilities expected to be paid after September 30, 2016.

NOTE 12. FEDERAL EMPLOYEE BENEFITS

	FY 2015	FY 2014
Actuarial FECA Liability	$ 209,346	$ 226,371
NOAA Corps Retirement System Liability	634,900	632,800
NOAA Corps Post-retirement Health Benefits Liability	37,300	39,600
Total	$ 881,546	$ 898,771

Actuarial FECA Liability:

Actuarial FECA liability is calculated annually, as of September 30. For discounting projected annual future benefit payments to present value, the interest rate assumptions used by DOL were as follows:

	FY 2015	FY 2014
Year 1	3.13%	3.46%
Year 2 and Thereafter	3.13%	3.46%

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, were as follows:

FY 2015		
Fiscal Year	Cost of Living Allowance	Consumer Price Index - Medical
2016	1.64 %	2.94 %
2017	1.47 %	2.98 %
2018	1.33 %	3.09 %
2019	1.43 %	3.39 %
2020	1.65 %	3.69 %

FY 2014		
Fiscal Year	Cost of Living Allowance	Consumer Price Index - Medical
2015	1.73 %	2.93 %
2016	2.17 %	3.76 %
2017	2.13 %	3.86 %
2018	2.23 %	3.90 %
2019	2.30 %	3.90 %

NOAA Corps Retirement System Liability:

This liability represents the unfunded actuarial present value of projected plan benefits. The actuarial calculation is performed annually, as of September 30. The September 30, 2015 and 2014 actuarial calculations used the following economic assumptions:

	FY 2015	FY 2014
Discount Rate	3.99%	4.19%
Annual Basic Pay Scale Increases	2.59%	2.81%
Annual Inflation	2.09%	2.31%

Schedule for Reconciling NOAA Corps Retirement System Liability:

A reconciliation of the NOAA Corps Retirement System Liability from the beginning balance to the ending balance, including the components of the related pension costs included in the *Consolidated Statements of Net Costs*, follows:

	FY 2015	FY 2014
Beginning Balance - NOAA Corps Retirement System Liability	$ 632,800	$ 612,200
Add Pension Costs:		
Normal Cost	12,700	12,600
Interest on the Unfunded Liability	24,700	25,200
Actuarial (Gains)/Losses, Net		
From Experience	(10,200)	(4,200)
From Discount Rate Assumption Change	18,100	6,000
From Long-term Assumption Changes		
Annual Inflation	(19,400)	(10,800)
Annual Basic Pay Scale Increases	(1,000)	(600)
Demographic	1,900	16,600
Total Pension Costs	26,800	44,800
Subtract Benefit Payments	(24,700)	(24,200)
Ending Balance - NOAA Corps Retirement System Liability	$ 634,900	$ 632,800

NOAA Corps Post-retirement Health Benefits Liability:

This liability represents the unfunded actuarial present value of projected post-retirement plan benefits. The actuarial calculation is performed annually, as of September 30. The actuarial calculations used the following economic assumptions:

	FY 2015	FY 2014
Discount Rate	3.97%	4.17%
Ultimate Medical Trend Rate	5.15%	5.15%

Schedule for Reconciling NOAA Corps Post-retirement Health Benefits Liability:

A reconciliation of the NOAA Corps Post-retirement Health Benefits Liability from the beginning balance to the ending balance, including the components of the related post-retirement health benefits costs included in the *Consolidated Statements of Net Costs*, follows:

	FY 2015	FY 2014
Beginning Balance - NOAA Corps Post-retirement Health Benefits Liability	$ 39,600	$ 42,300
Add Health Benefits Costs:		
Normal Cost	1,300	1,300
Interest on the Unfunded Liability	1,600	1,800
Actuarial (Gains)/Losses, Net		
From Experience	400	800
From Discount Rate Assumption Change	300	200
From Long-term Assumption Changes		
Medical Claims Costs	(3,500)	(4,500)
Other	–	300
Total Health Benefits Costs	100	(100)
Subtract Benefit Payments	(2,400)	(2,600)
Ending Balance - NOAA Corps Post-retirement Health Benefits Liability	$ 37,300	$ 39,600

NOTE 13. ENVIRONMENTAL AND DISPOSAL LIABILITIES

	FY 2015	FY 2014
Asbestos-related Cleanup Costs	$ 77,343	$ 85,907
Nuclear Reactor	55,881	60,122
Pribilof Islands	1,665	1,950
Non-reactor Radiological Facilities	8,280	7,320
Other	1,724	2,204
Total	$ 144,893	$ 157,503

NOTE 14. LEASES

Capital Leases:

Assets under capital leases are as follows:

	FY 2015	FY 2014
Structures, Facilities, and Leasehold Improvements	$ 6,206	$ 18,527
Equipment	12,781	11,881
Less: Accumulated Depreciation	(9,970)	(18,557)
Net Assets Under Capital Leases	$ 9,017	$ 11,851

Capital Lease Liabilities are primarily related to NOAA and DM/WCF. NOAA has real property capital leases covering both land and buildings. The majority of these leases are for weather forecasting offices, but the leases are also for radar system sites, river forecasting centers, and National Weather Service enforcement centers. NOAA's real property capital leases range from 10 to 40 years. The DM/WCF has a capital lease for equipment with a lease term of 5 years.

Capital Lease Liabilities:

Future payments due under capital leases are as follows:

FY 2015			
	General PP&E Category		
Fiscal Year	Real Property	Personal Property	Total
2016	$ 463	$ 1,162	$ 1,625
2017	314	1,161	1,475
2018	315	–	315
2019	26	–	26
Total Future Lease Payments	1,118	2,323	3,441
Less: Imputed Interest	(98)	(50)	(148)
Less: Executory Costs	(184)	–	(184)
Net Capital Lease Liabilities	$ 836	$ 2,273	$ 3,109

By year 2020, GSA will take over all NOAA's capital leases, therefore, NOAA will no longer have any executed real property capital leases after year 2019.

FY 2014			
	General PP&E Category		
Fiscal Year	Real Property	Personal Property	Total
2015	$ 1,956	$ 1,280	$ 3,236
2016	904	449	1,353
2017	839	449	1,288
2018	839	–	839
2019	551	–	551
Thereafter	7,940	–	7,940
Total Future Lease Payments	13,029	2,178	15,207
Less: Imputed Interest	(6,741)	(39)	(6,780)
Less: Executory Costs	(2,082)	–	(2,082)
Net Capital Lease Liabilities	$ 4,206	$ 2,139	$ 6,345

Operating Leases:

Most of the Department's facilities are rented from GSA, which generally charges rent that is intended to approximate commercial rental rates. For federally 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-federally owned property rented from GSA, an occupancy agreement is generally executed, and the Department may normally cancel these agreements with 120 days notice.

The Department's (1) estimated real property rent payments to GSA for FY 2016 through FY 2020; and (2) future payments due under noncancellable operating leases (non-GSA real property) are as follows:

FY 2015		
	General PP&E Category	
Fiscal Year	GSA Real Property	Non-GSA Real Property
2016	$ 276,177	$ 17,075
2017	280,478	11,789
2018	281,452	11,541
2019	278,524	10,573
2020	276,297	10,680
Thereafter	[1]	68,114
Total Future Lease Payments		$ 129,772

1 *Not estimated.*

NOTE 15. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

	FY 2015	FY 2014
Intragovernmental		
Accrued FECA Liability	$ 31,610	$ 33,413
Total Intragovernmental	31,610	33,413
Accrued Payroll	58,050	55,470
Accrued Annual Leave	291,019	280,960
Federal Employee Benefits	881,546	898,771
Environmental and Disposal Liabilities	144,893	157,503
Contingent Liabilities	15,712	409
Capital Lease Liability	882	1,316
Unearned Revenue	523,271	439,031
ITA Foreign Service Nationals' Voluntary Separation Pay	10,138	11,236
Other	78	2,437
Total	$ 1,957,199	$ 1,880,546

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 as of September 30, 2015 is shown below.

Major Long-term Commitments:

			FY 2015				
Description	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Thereafter	Total
Geostationary Operational Environmental Satellites	$ 871,791	$ 786,684	$ 523,049	$ 364,032	$ 266,865	$ 1,928,554	$ 4,740,975
Joint Polar Satellite Systems	808,966	797,246	735,777	558,803	439,506	1,129,825	4,470,123
Polar Follow-on	370,000	430,000	589,000	579,000	577,000	–	2,545,000
Comprehensive Large Array-data Stewardship System	58,525	58,525	58,525	58,525	58,525	–	292,625
NOAA Weather Service	36,353	36,042	36,111	35,526	35,594	34,390	214,016
Satellite Projects, Planning, and Analysis	30,488	33,488	33,488	33,488	33,488	–	164,440
Constellation Observing System for Meteorology, Ionosphere, and Climate - 2	20,000	16,200	8,800	8,800	8,800	25,400	88,000
Ocean Surface Topography	7,458	7,288	7,265	7,196	–	–	29,207
Satellite System Architecture and Advanced Planning	4,929	4,929	4,929	4,929	4,929	–	24,645
Deep Space Climate Observatory	3,200	2,400	2,069	–	–	–	7,669
Space Weather Follow-on	2,500	–	–	–	–	–	2,500
Solar Irradiance, Data, and Rescue	500	–	–	–	–	–	500
Total	$ 2,214,710	$ 2,172,802	$ 1,999,013	$ 1,650,299	$ 1,424,707	$ 3,118,169	$12,579,700

Legal Contingencies:

The Department is subject to potential liabilities 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, suits, and claims will not materially affect the financial position or net costs of the Department.

Probable Likelihood of an Adverse Outcome:

The Department is subject to potential liabilities where adverse outcomes are probable, and claims are approximately $15.7 million and $409 thousand as of September 30, 2015 and 2014, respectively. Accordingly, these contingent liabilities were included in Other Liabilities on the *Consolidated Balance Sheets* as of September 30, 2015 and 2014, respectively. For a majority of these claims, any amounts ultimately due will be paid out of Treasury's Judgment Fund. For the claims to be paid by Treasury's Judgment Fund, once the claims are settled or court judgments are assessed relative to the Department, the liability will be removed and an Imputed Financing Source From Cost Absorbed by Others will be recognized.

Reasonably Possible Likelihood of an Adverse Outcome:

The Department and other federal agencies are subject to potential 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. Since some of the potential liabilities represent claims with no stated amount, the exact amount of total potential liabilities is unknown, but may exceed $267.2 million as of September 30, 2015. For these potential liabilities, it is reasonably possible that an adverse outcome will result. It is not possible, however, to speculate as to a range of loss. 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 claims. Although the Department has been implicated as a responsible party, the U.S. Department of Justice was unable to provide an amount for these potential liabilities that is attributable to the Department. Of these potential liabilities, all will be funded by Treasury's Judgment Fund, if any amounts are ultimately due.

The Department and other federal agencies are subject to other potential liabilities. Since some of the potential liabilities represent claims with no stated amount, the exact amount of total potential liabilities is unknown, but may exceed $373.8 million as of September 30, 2015. For these potential liabilities, it is reasonably possible that an adverse outcome will result. It is not possible, however, to speculate as to a range of loss. Of these potential liabilities, most will be funded by Treasury's Judgment Fund, if any amounts are ultimately due.

Guaranteed Loan Contingencies:

Fishing Vessels Obligation Guarantee Program: This loan guarantee program had outstanding non-acquired guaranteed loans (fully guaranteed by the Department) as of September 30, 2014, with outstanding principal balances totaling $157 thousand. A loan guarantee liability of $516 thousand was recorded for the outstanding guarantees as of September 30, 2014.

NOTE 17. CONSOLIDATED STATEMENTS OF NET COST

The following tables illustrate the major budgetary functions of the Department.

United States Department of Commerce Consolidating Statement of Net Cost by Major Budgetary Function
For the Year Ended September 30, 2015

	Natural Resources and Environment/ Other Natural Resources	Other Advancement of Commerce	Area and Regional Development	Others	Combined Total	Intra-Departmental Eliminations	Consolidated Total
Intragovernmental							
Gross Costs	$ 747,484	$ 1,619,748	$ 16,550	$ 41,057	$ 2,424,839	$ (293,252)	$ 2,131,587
Less: Earned Revenue	(206,810)	(868,874)	(13,515)	457	(1,088,742)	293,252	(795,490)
Intragovernmental, Net Costs	**540,674**	**750,874**	**3,035**	**41,514**	**1,336,097**	**–**	**1,336,097**
With the Public							
Gross Costs	4,366,680	5,376,238	11,302	65,982	9,820,202	–	9,820,202
Less: Earned Revenue	(49,623)	(3,170,769)	(3,093)	(1,732)	(3,225,217)	–	(3,225,217)
With the Public, Net Costs	**4,317,057**	**2,205,469**	**8,209**	**64,250**	**6,594,985**	**–**	**6,594,985**
Total Program Costs							
Gross Costs	5,114,164	6,995,986	27,852	107,039	12,245,041	(293,252)	11,951,789
Less: Earned Revenue	(256,433)	(4,039,643)	(16,608)	(1,275)	(4,313,959)	293,252	(4,020,707)
NET COST OF OPERATIONS	**$ 4,857,731**	**$ 2,956,343**	**$ 11,244**	**$ 105,764**	**$ 7,931,082**	**$ –**	**$ 7,931,082**

United States Department of Commerce Consolidating Statement of Net Cost by Major Budgetary Function
For the Year Ended September 30, 2014

	Natural Resources and Environment/ Other Natural Resources	Other Advancement of Commerce	Area and Regional Development	Others	Combined Total	Intra-Departmental Eliminations	Consolidated Total
Intragovernmental							
Gross Costs	$ 764,915	$ 1,564,233	$ 14,884	$ 48,338	$ 2,392,370	$ (286,047)	$ 2,106,323
Less: Earned Revenue	(160,330)	(760,524)	(3,216)	743	(923,327)	286,047	(637,280)
Intragovernmental, Net Costs	**604,585**	**803,709**	**11,668**	**49,081**	**1,469,043**	**–**	**1,469,043**
With the Public							
Gross Costs	4,071,006	4,934,261	283,550	73,758	9,362,575	–	9,362,575
Less: Earned Revenue	(49,009)	(3,108,481)	446	(2,550)	(3,159,594)	–	(3,159,594)
With the Public, Net Costs	**4,021,997**	**1,825,780**	**283,996**	**71,208**	**6,202,981**	**–**	**6,202,981**
Total Program Costs							
Gross Costs	4,835,921	6,498,494	298,434	122,096	11,754,945	(286,047)	11,468,898
Less: Earned Revenue	(209,339)	(3,869,005)	(2,770)	(1,807)	(4,082,921)	286,047	(3,796,874)
NET COST OF OPERATIONS	**$ 4,626,582**	**$ 2,629,489**	**$ 295,664**	**$ 120,289**	**$ 7,672,024**	**$ –**	**$ 7,672,024**

NOTE 18. COMBINED STATEMENTS OF BUDGETARY RESOURCES

Appropriations:

There are reconciling items from the amounts of the *Budgetary Resources*, *Appropriations* on the *Combined Statements of Budgetary Resources* (*SBR*) to the amounts of the *Budgetary Financing Sources*, *Appropriations Received* on the *Consolidated Statements of Changes in Net Position* (*SCNP*).

For FY 2015, the primary reconciling items are (a) a transfer in of auction proceeds from the Federal Communications Commission to NTIA's Public Safety Trust Fund of $18.63 billion, which is included as *Appropriations* on *SBR*, and is included as a budgetary transfer in on *SCNP* (see Note 21, *Funds from Dedicated Collections*, for more information on the Public Safety Trust Fund); and (b) a transfer out from NTIA's Public Safety Trust Fund to the General Fund of U.S. Government of $12.62 billion for deficit reduction, which is included as negative *Appropriations* on *SBR*, and is included as a transfer out on *SCNP*.

For FY 2014, the primary reconciling item is budgetary transfers in/out, net of $149.8 million included in *SBR Appropriations*, which is $0 on *SCNP* as classified as transfers in/(out) on *SCNP* or excluded from *SCNP* for intra-Departmental transfers.

Borrowing Authority: Total borrowing authority available for NTIA's State and Local Implementation Fund amounted to $0 million and $102.7 million as of September 30, 2015 and 2014, respectively. Total borrowing authority available for NOAA's loan programs amounted to $121.6 million and $181.9 million as of September 30, 2015 and 2014, respectively. The Borrowing Authority amounts reported in the *SBR* Budgetary Resources section represent only borrowing authority realized during the fiscal year being reported. See Note 1L, *Debt to Treasury*, for debt repayment requirements, financing sources for repayments, and other terms of borrowing authority used.

Permanent, Indefinite Appropriations: All of the Department's reporting entities have one or more permanent, indefinite appropriations to finance operations. Permanent, indefinite appropriations are appropriations that are available until expended.

Permanent Reductions to Budgetary Resources: Permanent reductions to the Department's budgetary resources under Public Law 113-235 amounted to $10.1 million for FY 2015, while permanent reductions for FY 2014 under Public Laws 113-76 and 112-96 amounted to $10.9 million. These permanent reductions are included in the *SBR* Budgetary Resources section, and are also included on the *SCNP* when applicable.

Legal arrangements affecting the Department's use of Unobligated Balances of Budget Authority and/or Fund Balance with Treasury during FY 2015 and FY 2014 include the following:

- The Department's Deposit Funds, reported in Note 2, *Fund Balance with Treasury*, are not available to finance operating activities. These funds are also included in Note 2 on the line Non-budgetary (breakdown by status).
- The Department's Fund Balance with Treasury as of September 30, 2015 and 2014 includes $790.1 million of USPTO offsetting collections exceeding the current fiscal year and prior fiscal years' appropriations. USPTO may use these funds only as authorized by the U.S. Congress, and only as made available by the issuance of a Treasury warrant. These funds are included in Note 2 on the lines *General Funds* (breakdown by type) and *Temporarily Precluded From Obligation* (breakdown by status).
- The Omnibus Budget Reconciliation Act of 1990 established surcharges on certain statutory patent fees collected by USPTO. Subsequent legislation extended the surcharges through September 30, 1998. These surcharges were deposited into the Patent and Trademark Surcharge Fund, a 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.

As of September 30, 2015 and 2014, $233.5 million is held in the Patent and Trademark Surcharge Fund. These funds are included in Note 2 on the lines *Patent and Trademark Surcharge Fund* - Special Funds section (breakdown by type), and *Non-budgetary* (breakdown by status).

- The Department's Fund Balance with Treasury as of September 30, 2015 and 2014 includes $147.7 million of USPTO sequestered funds temporarily not available. These funds are included in Note 2 on the lines *General Funds* (breakdown by type) and *Temporarily Precluded from Obligation* (breakdown by status).
- For loan programs prior to the Federal Credit Reform Act of 1990 (pre-FY 1992 loans), most or all liquidating fund unobligated balances in excess of working capital needs are required to be transferred to Treasury as soon as practicable during the following fiscal year.
- For direct loan programs under the Federal Credit Reform Act of 1990 (post-FY 1991 loans) that have outstanding debt to Treasury, regulations require that most unobligated balances be returned to Treasury on September 30 or require that the borrowing authority be cancelled on September 30.

Comparison to Budget of the U.S. Government: A comparison was performed, and there were no material differences, between the amounts reported in the FY 2014 *SBR* and the actual FY 2014 amounts reported in the FY 2014 budget of the U.S. government for *SBR* lines *Total Budgetary Resources, Obligations Incurred, Outlays, Net,* and *Distributed Offsetting (Receipts)/Outlays, Net.* The President's Budget that will report actual amounts for FY 2015 has not yet been published, and will be available on OMB's Budget Web page at *https://www.whitehouse.gov/omb/budget/*.

Apportionment Categories of Obligations Incurred:

Category A apportionments distribute budgetary resources by fiscal quarters, whereas Category B apportionments typically distribute budgetary resources by activities, projects, objects, or a combination of these categories.

The amounts of Direct (for example, derived from Appropriations) and Reimbursable (for example, derived from Spending Authority From Offsetting Collections) Obligations Incurred by apportionment category are as follows:

	FY 2015		
	Direct	Reimbursable	Total
Category A	$ 2,767,351	$ 3,735,586	$ 6,502,937
Category B	13,125,120	1,171,520	14,296,640
Exempt from Apportionment	5,651	–	5,651
Total Obligations Incurred	$ 15,898,122	$ 4,907,106	$ 20,805,228

	FY 2014		
	Direct	Reimbursable	Total
Category A	$ 2,905,239	$ 3,488,090	$ 6,393,329
Category B	5,910,848	1,219,303	7,130,151
Exempt from Apportionment	(159,524)	–	(159,524)
Total Obligations Incurred	$ 8,656,563	$ 4,707,393	$ 13,363,956

Undelivered Orders: Undelivered orders (unpaid and paid) were $6.14 billion and $5.81 billion as of September 30, 2015 and 2014, respectively.

NOTE 19. CUSTODIAL NON-EXCHANGE ACTIVITY

Custodial non-exchange activity represents revenue that was or will be collected on behalf of another entity, and the disposition of that revenue, for the General Fund of U.S. Government, a trust fund, or other recipient entities. The Department's custodial non-exchange activity is not included in the Department's financial statements.

The Department's custodial non-exchange revenue in FY 2015 was $14.7 million, primarily received by EDA and BIS. EDA received custodial non-exchange revenue in FY 2015 primarily for miscellaneous collections remitted to the General Fund of U.S. Government, while BIS's FY 2015 custodial non-exchange revenue included civil monetary penalties from private entities that violate the Export Administration Act, remitted or payable to the General Fund of U.S. Government. The Department's payable to the General Fund of U.S. Government for custodial non-exchange revenue was $388 thousand as of September 30, 2015.

The Department's custodial non-exchange revenue in FY 2014 was $63.2 million, primarily for BIS's civil monetary penalties from private entities that violate the Export Administration Act, remitted or payable to the General Fund of U.S. Government. The Department's payable to the General Fund of U.S. Government for custodial non-exchange revenue was $361 thousand as of September 30, 2014.

NOTE 20. FIDUCIARY ACTIVITIES

Schedule of Fiduciary Activities for the Year Ended September 30, 2015:

	FY 2015		
	Patent Cooperation Treaty	**Madrid Protocol**	**Total**
Fiduciary Net Assets, Beginning Balance	$ 15,795	$ 512	$ 16,307
Contributions	159,753	22,274	182,027
Disbursements to and on Behalf of Beneficiaries	(159,380)	(22,171)	(181,551)
Increase/(Decrease) in Fiduciary Net Assets	373	103	476
Fiduciary Net Assets, Ending Balance	$ 16,168	$ 615	$ 16,783

Fiduciary Net Assets as of September 30, 2015:

	FY 2015		
	Patent Cooperation Treaty	**Madrid Protocol**	**Total**
Fund Balance with Treasury	$ 16,168	$ 615	$ 16,783

Schedule of Fiduciary Activities for the Year Ended September 30, 2014:

	FY 2014		
	Patent Cooperation Treaty	**Madrid Protocol**	**Total**
Fiduciary Net Assets, Beginning Balance	$ 14,364	$ 484	$ 14,848
Contributions	186,630	21,818	208,448
Disbursements to and on Behalf of Beneficiaries	(185,199)	(21,790)	(206,989)
Increase/(Decrease) in Fiduciary Net Assets	1,431	28	1,459
Fiduciary Net Assets, Ending Balance	$ 15,795	$ 512	$ 16,307

Fiduciary Net Assets as of September 30, 2014:

	FY 2014		
	Patent Cooperation Treaty	**Madrid Protocol**	**Total**
Fund Balance with Treasury	$ 15,795	$ 512	$ 16,307

NOTE 21. FUNDS FROM DEDICATED COLLECTIONS

The following tables depict major funds from dedicated collections separately chosen based on their significant financial activity and importance to taxpayers. All other funds from dedicated collections not shown are aggregated as "Other Funds from Dedicated Collections."

United States Department of Commerce Combining Balance Sheet – Funds from Dedicated Collections
As of September 30, 2015

	NIST Wireless Innovation Fund	NOAA Damage Assessment and Restoration Revolving Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA Network Construction Fund	NTIA Public Safety Trust Fund	NTIA State and Local Implementation Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections
ASSETS									
Fund Balance with Treasury	$ 92,700	$ 261,170	$ 8,815,921	$ 6,356,712	$ 541,697	$ 100,195	$ 2,346,986	$ 51,989	$ 18,567,370
Accounts Receivable, Net	–	32	–		60	2	298	6	398
General Property, Plant, and Equipment, Net	–	–	–	3,626	2,823	–	405,740	–	412,189
Other	–	129	10,855	14,106	717	–	22,973	109	48,889
TOTAL ASSETS	**$ 92,700**	**$ 261,331**	**$ 8,826,776**	**$ 6,374,444**	**$ 545,297**	**$ 100,197**	**$ 2,775,997**	**$ 52,104**	**$ 19,028,846**
LIABILITIES									
Accounts Payable	$ –	$ 18	$ 68	$ 5,058	$ 3,163	$ 131	$ 116,211	$ 8	$ 124,657
Federal Employee Benefits	–	–	–	156	–	–	11,003	–	11,159
Other									
Accrued Payroll and Annual Leave	–	196	–	258	1,049	13	206,031	106	207,653
Accrued Grants	–	463	262		–	495	–	926	2,146
Unearned Revenue	–	–	–	1,109	282	–	1,027,460	–	1,028,851
Other Liabilities	–	63	–	(1)	60	–	14,136	36	14,294
TOTAL LIABILITIES	**$ –**	**$ 740**	**$ 330**	**$ 6,580**	**$ 4,554**	**$ 639**	**$ 1,374,841**	**$ 1,076**	**$ 1,388,760**
NET POSITION									
Unexpended Appropriations	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Cumulative Results of Operations	92,700	260,591	8,826,446	6,367,864	540,743	99,558	1,401,156	51,028	17,640,086
TOTAL NET POSITION	**$ 92,700**	**$ 260,591**	**$ 8,826,446**	**$ 6,367,864**	**$ 540,743**	**$ 99,558**	**$ 1,401,156**	**$ 51,028**	**$ 17,640,086**
TOTAL LIABILITIES AND NET POSITION	**$ 92,700**	**$ 261,331**	**$ 8,826,776**	**$ 6,374,444**	**$ 545,297**	**$ 100,197**	**$ 2,775,997**	**$ 52,104**	**$ 19,028,846**

United States Department of Commerce Combining Balance Sheet – Funds from Dedicated Collections
As of September 30, 2014

	NOAA Damage Assessment and Restoration Revolving Fund	NOAA Environmental Improvement and Restoration Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA Public Safety Trust Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections
ASSETS							
Fund Balance with Treasury	$ 246,360	$ 37,843	$ 8,822,152	$ 1,957,934	$ 2,372,126	$ 29,994	$ 13,466,409
Cash	–	–	–	–	4,322	–	4,322
Accounts Receivable, Net	1,336	–	–	277	255	3	1,871
General Property, Plant, and Equipment, Net	–	–	–	206	328,290	–	328,496
Other	26	26	14,357	1,702	8,695	53	24,859
TOTAL ASSETS	**$ 247,722**	**$ 37,869**	**$ 8,836,509**	**$ 1,960,119**	**$ 2,713,688**	**$ 30,050**	**$ 13,825,957**
LIABILITIES							
Accounts Payable	$ 14	$ –	$ –	$ 5,330	$ 112,810	$ 143	$ 118,297
Debt To Treasury	–	–	–	779,000	–	21,800	800,800
Federal Employee Benefits	–	–	–	–	11,030	–	11,030
Other							
Accrued Payroll and Annual Leave	166	–	–	843	192,942	115	194,066
Accrued Grants	512	1,024	2,345	–	–	3,354	7,235
Unearned Revenue	–	–	–	–	1,089,812	–	1,089,812
Other Liabilities	53	–	–	–	11,686	34	11,773
TOTAL LIABILITIES	**$ 745**	**$ 1,024**	**$ 2,345**	**$ 785,173**	**$ 1,418,280**	**$ 25,446**	**$ 2,233,013**
NET POSITION							
Unexpended Appropriations	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Cumulative Results of Operations	246,977	36,845	8,834,164	1,174,946	1,295,408	4,604	11,592,944
TOTAL NET POSITION	**$ 246,977**	**$ 36,845**	**$ 8,834,164**	**$ 1,174,946**	**$ 1,295,408**	**$ 4,604**	**$ 11,592,944**
TOTAL LIABILITIES AND NET POSITION	**$ 247,722**	**$ 37,869**	**$ 8,836,509**	**$ 1,960,119**	**$ 2,713,688**	**$ 30,050**	**$ 13,825,957**

United States Department of Commerce Combining Statement of Net Cost – Funds from Dedicated Collections
As of September 30, 2015

	NIST Wireless Innovation Fund	NOAA Damage Assessment and Restoration Revolving Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA Network Construction Fund	NTIA Public Safety Trust Fund	NTIA State and Local Implementation Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections
Intragovernmental									
Gross Costs	$ –	$ 3,786	$ 1,967	$ 10,482	$ 7,090	$ 328	$ 620,933	$ 1,242	$ 645,828
Less: Earned Revenue	–	–	–	–	(234)	(2)	(9,225)	–	(9,461)
Intragovernmental, Net Costs	**–**	**3,786**	**1,967**	**10,482**	**6,856**	**326**	**611,708**	**1,242**	**636,367**
With the Public									
Gross Costs	–	93,319	5,751	18,751	16,396	15,955	2,391,900	15,204	2,557,276
Less: Earned Revenue	–	–	–	–	–	–	(3,064,776)	–	(3,064,776)
With the Public, Net Costs	**–**	**93,319**	**5,751**	**18,751**	**16,396**	**15,955**	**(672,876)**	**15,204**	**(507,500)**
Total Program Costs									
Gross Costs	–	97,105	7,718	29,233	23,486	16,283	3,012,833	16,446	3,203,104
Less: Earned Revenue	–	–	–	–	(234)	(2)	(3,074,001)	–	(3,074,237)
NET COST OF OPERATIONS	**$ –**	**$ 97,105**	**$ 7,718**	**$ 29,233**	**$ 23,252**	**$ 16,281**	**$ (61,168)**	**$ 16,446**	**$ 128,867**

United States Department of Commerce Combining Statement of Net Cost – Funds from Dedicated Collections
For the Year Ended September 30, 2014

	NOAA Damage Assessment and Restoration Revolving Fund	NOAA Environmental Improvement and Restoration Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA Public Safety Trust Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections
Intragovernmental							
Gross Costs	$ 1,859	$ –	$ 14,732	$ 8,649	$ 584,745	$ 1,464	$ 611,449
Less: Earned Revenue	–	–	–	(277)	(9,102)	–	(9,379)
Intragovernmental, Net Costs	**1,859**	**–**	**14,732**	**8,372**	**575,643**	**1,464**	**602,070**
With the Public							
Gross Costs	105,194	9,159	9,483	19,663	2,147,634	20,091	2,311,224
Less: Earned Revenue	–	–	–	–	(3,008,943)	–	(3,008,943)
With the Public, Net Costs	**105,194**	**9,159**	**9,483**	**19,663**	**(861,309)**	**20,091**	**(697,719)**
Total Program Costs							
Gross Costs	107,053	9,159	24,215	28,312	2,732,379	21,555	2,922,673
Less: Earned Revenue	–	–	–	(277)	(3,018,045)	–	(3,018,322)
NET COST OF OPERATIONS	**$ 107,053**	**$ 9,159**	**$ 24,215**	**$ 28,035**	**$ (285,666)**	**$ 21,555**	**$ (95,649)**

United States Department of Commerce Combining Statement of Changes in Net Position – Funds from Dedicated Collections
For the Year Ended September 30, 2015

	NIST Wireless Innovation Fund	NOAA Damage Assessment and Restoration Revolving Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA Network Construction Fund	NTIA Public Safety Trust Fund	NTIA State and Local Implementation Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections
Cumulative Results of Operations:									
Beginning Balance	$ –	$ 246,977	$ 8,834,164	$ 384	$ 1,174,946	$ (15,035)	$ 1,295,408	$ 56,100	$ 11,592,944
Budgetary Financing Sources:									
Non-exchange Revenue	–	107,045	–	–	–	–	–	11,374	118,419
Transfer In of Auction Proceeds from Federal Communications Commission	–	–	–	–	18,627,804	–	–	–	18,627,804
Transfer Out to Receipt Account for Providing Funds to General Fund of U.S Government	–	–	–	–	(12,618,990)	–	–	–	(12,618,990)
Transfers from Public Safety Trust Fund to Dedicated Collections Funds	92,700	–	–	6,396,613	(6,620,187)	130,874	–	–	–
Transfers In/(Out) Without Reimbursement, Net	–	3,674	–	–	–	–	(2,000)	–	1,674
Other Financing Sources (Non-exchange):									
Donations and Forfeitures of Property	–	–	–	1,351	–	–	–	–	1,351
Transfer In Received by Receipt Account for Providing Funds to General Fund of U.S Government	–	–	–	–	12,618,990	–	–	–	12,618,990
Transfer Out to General Fund of U.S Government for Deficit Reduction	–	–	–	–	(12,618,990)	–	–	–	(12,618,990)
Transfers In/(Out) Without Reimbursement, Net	–	–	–	(1,251)	–	–	–	–	(1,251)
Imputed Financing Sources from Cost Absorbed by Others					422		46,580		47,002
Total Financing Sources	**92,700**	**110,719**	**–**	**6,396,713**	**(610,951)**	**130,874**	**44,580**	**11,374**	**6,176,009**
Net Cost of Operations	**–**	**(97,105)**	**(7,718)**	**(29,233)**	**(23,252)**	**(16,281)**	**61,168**	**(16,446)**	**(128,867)**
Net Change	**92,700**	**13,614**	**(7,718)**	**6,367,480**	**(634,203)**	**114,593**	**105,748**	**(5,072)**	**6,047,142**
Cumulative Results of Operations – Ending Balance	**92,700**	**260,591**	**8,826,446**	**6,367,864**	**540,743**	**99,558**	**1,401,156**	**51,028**	**17,640,086**
NET POSITION	**$ 92,700**	**$ 260,591**	**$ 8,826,446**	**$ 6,367,864**	**$ 540,743**	**$ 99,558**	**$ 1,401,156**	**$ 51,028**	**$ 17,640,086**

United States Department of Commerce Combining Statement of Changes in Net Position – Funds from Dedicated Collections For the Year Ended September 30, 2014

	NOAA Damage Assessment and Restoration Revolving Fund	NOAA Environmental Improvement and Restoration Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA Public Safety Trust Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections
Cumulative Results of Operations:							
Beginning Balance	$ 199,985	$ 27,611	$ 8,858,379	$ (17,894)	$ 949,237	$ 16,284	$ 10,033,602
Budgetary Financing Sources:							
Non-exchange Revenue	148,277	18,393	–	–	–	9,475	176,145
Transfer In of Auction Proceeds from Federal Communications Commission	–	–	–	1,221,000	–	–	1,221,000
Transfers In/(Out) Without Reimbursement, Net	5,768	–	–	(400)	(2,000)	400	3,768
Other Financing Sources (Non-exchange):							
Imputed Financing Sources from Cost Absorbed by Others	–	–	–	275	62,505	–	62,780
Total Financing Sources	**154,045**	**18,393**	**–**	**1,220,875**	**60,505**	**9,875**	**1,463,693**
Net Cost of Operations	**(107,053)**	**(9,159)**	**(24,215)**	**(28,035)**	**285,666**	**(21,555)**	**95,649**
Net Change	**46,992**	**9,234**	**(24,215)**	**1,192,840**	**346,171**	**(11,680)**	**1,559,342**
Cumulative Results of Operations – Ending Balance	**246,977**	**36,845**	**8,834,164**	**1,174,946**	**1,295,408**	**4,604**	**11,592,944**
NET POSITION	**$ 246,977**	**$ 36,845**	**$ 8,834,164**	**$ 1,174,946**	**$ 1,295,408**	**$ 4,604**	**$ 11,592,944**

Below is a description of major Funds from Dedicated Collections shown in the tables on the previous pages.

The ***NIST Wireless Innovation Fund*** was created in order for NIST, in consultation with the Federal Communications Commission, the Secretary of Homeland Security, and the National Institute of Justice of the Department of Justice, to conduct research and assist with the development of standards, technologies, and applications to advance wireless public safety communications. Section 6413 of the Middle Class Tax Relief and Job Creation Act of 2012 requires NTIA to make available $100.0 million to the Director of NIST as amounts are deposited into the Public Safety Trust Fund to carry out the requirements of this program. The Wireless Innovation Fund in September 2015 received a transfer in of $92.7 million, net of sequestration, from NTIA's Public Safety Trust Fund (included in FY 2015 *SCNP*), and which is included as a *Budgetary Resource* on the FY 2015 *SBR* (*Spending Authority From Offsetting Collections*). The law establishing this program can be found in Section 6303 of the Middle Class Tax Relief and Job Creation Act of 2012.

The ***NOAA Damage Assessment and Restoration Revolving Fund*** receives monies for the reimbursement of expenses related to oil or hazardous substance spill response activities, or natural resource damages assessment, restoration, rehabilitation, replacement, or acquisition activities conducted by NOAA. The recovered sums by a federal, state, indian, or foreign trustee for natural resource damages is retained by the trustee and is only used to reimburse or pay costs incurred by the trustee for the damaged natural resources. The law establishing the Damage Assessment and Restoration Revolving Fund can be found in 33 USC Section 2706.

The ***NTIA Digital Television Transition and Public Safety Fund*** made digital television available to every home in America, improved communications between local, state, and federal agencies, allowed smaller television stations to broadcast digital television, and improved how warnings are received when disasters occur. NTIA received initial funding from borrowings from Treasury, and repaid Treasury from the proceeds of the auction of recovered analog spectrum which was completed in March 2008. The proceeds from the auction provide funding for several programs, and $7.36 billion was transferred in September 2009 to the General Fund of U.S. Government as required by the Deficit Reduction Act of 2005. The Fund has a *Net Position*, *Cumulative Results of Operations* balance of $8.83 billion included in the Department's *Consolidated Balance Sheet* as of September 30, 2015, and has an *Unobligated Balance, End of Year, Unapportioned* balance of $8.80 billion as of September 30, 2015 included in the Department's FY 2015 *SBR*. The law establishing this program can be found in the Deficit Reduction Act of 2005, Sections 3001-3014. For FY 2015 budgetary financial information for the Digital Television Transition and Public Safety Fund, see the *Combining Schedule of Budgetary Resources by Major Budget Account* for FY 2015, included in *Required Supplementary Information*.

The ***NTIA Network Construction Fund*** primarily provides funding for build-out and operations, excluding administrative expenses which are paid by NTIA's Public Safety Trust Fund, of the First Responder Network Authority (FirstNet), an independent authority within NTIA, and also provides funding for NTIA to make grants to states under the "Opt-Out" program. FirstNet shall ensure the establishment of a nationwide interoperable broadband network to help police, firefighters, emergency medical service professionals, and other public safety officials stay safe and do their jobs. The Network Construction Fund in FY 2015 received transfers in totaling $6.40 billion from NTIA's Public Safety Trust Fund (included in FY 2015 *SCNP*), which are included as *Budgetary Resources* on the FY 2015 *SBR* (*Spending Authority From Offsetting Collections*). FirstNet is also authorized to assess and collect network user fees and lease fees related to network capacity, and, eventually, shall be permanently self-funded. FirstNet has not yet collected any user fees as of September 30, 2015. The law establishing the Network Construction Fund can be found under Section 6206 of the Middle Class Tax Relief and Job Creation Act of 2012. For FY 2015 budgetary financial information for the Network Construction Fund, see the *Combining Schedule of Budgetary Resources by Major Budget Account* for FY 2015, included in *Required Supplementary Information*.

The ***NTIA Public Safety Trust Fund*** was created as a result of Section 6413 of the Middle Class Tax Relief and Job Creation Act of 2012 (Act). The Act provides funding for specified programs and activities to be derived from the proceeds of Federal Communications Commission (FCC) auctions of spectrum licenses, to be deposited into the Public Safety Trust Fund.

Prior to the receipt of auction proceeds from FCC, the Act provided authority to NTIA to borrow up to $2.00 billion from Treasury, interest-free, with the debt to be repaid from auction proceeds as the first priority. The Public Safety Trust Fund borrowed $2.00 billion from Treasury through FY 2014, and also repaid $1.22 billion in FY 2014, leaving a *Debt to Treasury* balance of $779.0 million as of September 30, 2014, which was repaid in full in September 2015. These repayments of debt were included as a reduction of *Budgetary Resources, Appropriations* in the FY 2014 and FY 2015 *SBR*.

FCC carries out auctions in accordance with the Act, of which certain earned net auction proceeds (earned auction proceeds less any FCC administrative fees) are transferred in from FCC to the Public Safety Trust Fund. A transfer in from FCC becomes a *Budgetary Financing Source* on the *SCNP* and a *Budgetary Resource* on the *SBR* when the transfer in is received. Transfers in of auction proceeds from FCC of $18.63 billion and $1.22 billion were received in FY 2015 and FY 2014, respectively, and are included as a *Budgetary Financing Source* on the FY 2015 and FY 2014 *SCNP* and as a *Budgetary Resource* in the FY 2015 and FY 2014 *SBR* (*Appropriations*).

The Act directs the use of auction proceeds in an order of priority after the repayment of borrowings from Treasury (priority 1). In FY 2015, the Public Safety Trust Fund transferred out $130.9 million to the NTIA State and Local Implementation Fund (priority 2), $6.40 billion to the NTIA Network Construction Fund (towards priority 3 of $7.00 billion), and $92.7 million, net of sequestration, to the NIST Wireless Innovation Fund (priority 4). These intra-Departmental FY 2015 budgetary transfers out and in net to $0 and are not reported on the FY 2015 *SCNP*. These Public Safety Trust Fund transfers out are included on the FY 2015 *SBR* as *Obligations Incurred*, and *Outlays, Gross*. Priority 5 specifies that the Public Safety Trust Fund deposit $20.40 billion in the General Fund of U.S. Government for deficit reduction. Towards this priority, the Public Safety Trust Fund in September 2015 transferred out $12.62 billion to a receipt account utilized for transferring the $12.62 billion to the General Fund of U.S. Government (transfer out by Public Safety Trust Fund, and transfer in received by receipt account, are reported on the FY 2015 *SCNP*), and the receipt account in September 2015 transferred the $12.62 billion to the General Fund of U.S. Government (transfer out reported on the FY 2015 *SCNP*, *Other Financing Sources* (*Non-exchange* section). The receipt account transfers in and out of $12.62 billion are also included in the Public Safety Trust Fund column of the FY 2015 *SCNP*, as the receipt account serves as the established transactional mechanism for the Public Safety Trust Fund to transfer out the $12.62 billion to the General Fund of U.S. Government. The Public Safety Trust Fund transfer out of $12.62 billion to the receipt account is included as a reduction of *Budgetary Resources, Appropriations* in the FY 2015 *SBR*.

For FY 2015 budgetary financial information for the Public Safety Trust Fund, see the *Combining Schedule of Budgetary Resources by Major Budget Account* for FY 2015, included in *Required Supplementary Information*.

Further priorities specified in the Act include that the Public Safety Trust Fund transfer out $115.0 million to the National Highway Traffic Safety Administration to fund 9-1-1, E9-1-1, and Next Generation 9-1-1 implementation grants (priority 6), that the Public Safety Trust Fund transfer out an additional $200.0 million to NIST to carry out additional public safety research (priority 7), and that any additional amounts deposited in the Public Safety Trust Fund be deposited in the General Fund of U.S. Government for deficit reduction. The Act specifies that amounts in the Public Safety Trust Fund be invested in accordance with Section 9702 of Title 31, United States Code.

The ***NTIA State and Local Implementation Fund*** includes a matching grants program to states, carried out by NTIA, in consultation with the First Responder Network Authority, to assist state, regional, tribal, and local jurisdictions to identify, plan, and implement the most efficient and effective way for such jurisdictions to utilize and integrate the infrastructure, equipment, and other architecture associated with the nationwide public safety broadband network to satisfy the wireless communications and data services needs of that jurisdiction, including with regards to coverage, siting, and other needs. The program was initially funded by borrowings from Treasury, without interest, which have been fully repaid in FY 2015. The State and Local Implementation Fund in September 2015 received a transfer in of $130.9 million from NTIA's Public Safety Trust Fund (included in FY 2015 *SCNP*), which is included as a *Budgetary Resource* on the FY 2015 *SBR* (*Spending Authority From Offsetting Collection*). If there is a balance remaining in the Fund on September 30, 2022, the Fund shall transfer such balance to the General Fund of U.S. Government, where such balance shall be dedicated for the sole purpose of deficit reduction. The law establishing this program can be found in Sections 6301 and 6302 of the Middle Class Tax Relief and Job Creation Act of 2012.

The ***USPTO Funds from Dedicated Collections*** consist of its Salaries and Expenses Fund, Patent and Trademark Fee Reserve Fund, and Patent and Trademark Surcharge Fund.

The Salaries and Expenses Fund contains monies used for the administering of the laws relevant to patents and trademarks and advising the Secretary of Commerce, the President of the United States, and the Administration on patent, trademark, and copyright protection, and trade-related aspects of intellectual property. This fund is used for USPTO's three core business activities – granting patents; registering trademarks; and intellectual property policy, protection, and enforcement – that promote the use of intellectual property rights as a means of achieving economic prosperity. These activities give innovators, businesses, and entrepreneurs the protection and encouragement they need to turn their creative ideas into tangible products, and also provide protection for their inventions and trademarks. USPTO may use monies from this account only as authorized by Congress. For FY 2015 budgetary financial information for the Salaries and Expenses Fund, see the *Combining Schedule of Budgetary Resources by Major Budget Account* for FY 2015, included in *Required Supplementary Information*.

The Patent and Trademark Fee Reserve Fund results from a provision that requires USPTO to deposit all patent and trademark fees collected in excess of the annual appropriation amount into the fund. Funds made available may only be used for expenses of the office relating to the processing of patent applications and for other activities, services, and materials relating to patents and applicable administrative costs.

The Patent and Trademark Surcharge Fund, a Special Fund Receipt Account at Treasury, is discussed in Note 18, *Combined Statements of Budgetary Resources*. USPTO may use monies from this account only as authorized by Congress and made available by the issuance of a Treasury warrant. As of September 30, 2015 and 2014, $233.5 million is held in this fund.

NOTE 22. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

The Reconciliation of Net Cost of Operations to Budget reconciles the Department's *Resources Used to Finance Activities* (first section), which consists of the budgetary basis of accounting *Net Obligations Incurred* (as reported on several lines in the Department's *SBR*) plus the proprietary basis of accounting *Other Resources* (as reported in the Department's *SCNP*), to the proprietary basis of accounting *Net Cost of Operations* as reported in the Department's *Consolidated Statement of Net Cost*. The second section, *Resources Used to Finance Items Not Part of Net Cost of Operations*, reverses out items included in the first section that are not included in *Net Cost of Operations*. The third section, *Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period*, adds items included in *Net Cost of Operations* that are not included in the first section.

The third section's subsection, *Components Requiring or Generating Resources in Future Periods*, includes costs reported in the current period that are included in the Liabilities Not Covered by Budgetary Resources reported in Note 15. This subsection does not include costs reported in prior fiscal years that are also included in Liabilities Not Covered by Budgetary Resources reported in Note 15.

The reconciliations of Net Cost of Operations to Budget for FY 2015 and 2014 are as follows:

	FY 2015	FY 2014
Resources Used to Finance Activities:		
Budgetary Resources Obligated:		
Obligations Incurred	$ 20,805,228	$ 13,363,956
Less: Spending Authority From Offsetting Collections and Actual Recoveries of Prior-years Unpaid Obligations	(11,707,326)	(5,282,414)
Obligations Incurred Net of Offsetting Collections and Actual Recoveries	9,097,902	8,081,542
Less: Distributed Offsetting (Receipts)/Outlays, Net	(36,089)	(56,006)
Net Obligations Incurred	9,061,813	8,025,536
Other Resources:		
Donations and Forfeitures of Property	2,656	1,296
Transfers In Received by Receipt Account for Returning Funds to General Fund of U.S. Government	12,618,990	–
Transfers Out to General Fund of U.S. Government for Deficit Reduction	(12,618,990)	–
Transfers In/(Out) Without Reimbursement, Net	(841)	6,742
Imputed Financing Sources From Cost Absorbed by Others	256,500	357,022
Other Financing Sources/(Uses), Net	(5,066)	(11,716)
Net Other Resources Used to Finance Activities	253,249	353,344
Total Resources Used to Finance Activities	**9,315,062**	**8,378,880**

(continued on next page)

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	FY 2015	FY 2014
Resources Used to Finance Items Not Part of Net Cost of Operations:		
Obligations Incurred:		
Change in Obligations Incurred for Goods, Services, and Benefits Ordered but Not Yet Provided	(406,434)	(75,928)
Obligations Incurred that Fund Expenses Recognized in Prior Periods	(43,375)	(1,995)
Obligations Incurred for Downward Subsidy Reestimates Payable to Treasury	(11,614)	(7,361)
Obligations Incurred that Finance the Acquisition of Assets	(2,189,846)	(2,115,341)
Other	(5,887)	–
Spending Authority From Offsetting Collections and Actual Recoveries of Prior-years Unpaid Obligations:		
Non-exchange Revenue	111,092	145,641
Credit Program Collections which relate to Direct Loans and Loan Guarantees, Net (Asset)	112,188	66,792
Change in Unfilled Customer Orders	(47,199)	210,548
Repayments of Debt that reduce Debt to Treasury Liability	(84,265)	(62,201)
Substitution of Borrowing Authority that is not related to Earned Revenue	(143,895)	–
Other	(6,068)	(3,115)
Distributed Offsetting (Receipts)/Outlays, Net	36,089	56,006
Other Resources:		
Donations and Forfeitures of Property	(2,656)	(1,296)
Transfer In Received by Receipt Account for Returning Funds to General Fund of U.S. Government	(12,618,990)	–
Transfer Out to General Fund of U.S. Government for Deficit Reduction	12,618,990	–
Transfers In/Out Without Reimbursement, Net	841	(6,742)
Other Financing Sources/(Uses), Net	5,066	11,716
Total Resources Used to Finance Items Not Part of Net Cost of Operations	**(2,675,963)**	**(1,783,276)**
Total Resources Used to Finance Net Cost of Operations	**6,639,099**	**6,595,604**
Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Increase in Accrued Annual Leave Liability	10,059	8,610
Increase in Federal Employee Benefits	–	1,580
Increase in Environmental and Disposal Liabilities	–	830
Increase/(Decrease) in Contingent Liabilities	15,303	(216)
Other	2,282	11,071
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	27,644	21,875
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	741,034	1,017,300
NOAA Issuances of Materials and Supplies	17,912	19,135
Revaluation of Assets or Liabilities	502,485	20,239
Other	2,908	(2,129)
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	1,264,339	1,054,545
Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period	**1,291,983**	**1,076,420**
NET COST OF OPERATIONS	**$ 7,931,082**	**$ 7,672,024**

NOTE 23. STEWARDSHIP ASSETS

Preservation of stewardship assets promotes the Department's mission of providing effective management and monitoring of our Nation's resources and assets to support both environmental and economic health. The physical properties of stewardship assets resemble those of General PP&E that is capitalized traditionally in the Balance Sheet of the financial statements of federal entities. Due to the nature of these assets, however, valuation would be difficult and matching costs with specific periods would not be meaningful. Therefore, federal accounting standards require the disclosure of the nature and quantity of these assets. NOAA, NIST, and the Census Bureau are the only entities within the Department that have stewardship assets.

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 a heritage asset also has a practical and predominant use for general federal government operations, the asset is considered a multi-use heritage asset. The cost of a multi-use heritage asset is capitalized as General PP&E and is depreciated over the useful life of the asset.

NOAA has established policies for heritage assets to ensure the proper care and handling of these assets under its control or jurisdiction. The Deputy Under Secretary of NOAA established the Heritage Assets Working Committee to administer NOAA's stewardship policies and procedures. In carrying out these policies and procedures, the Working Committee:

- Maintains a nationwide inventory of heritage assets, ensuring that they are identified and recorded in the Personal Property Heritage Asset Accountability System;
- Establishes nationwide NOAA policies, procedures, and standards for the preservation, security, handling, storage, and display of NOAA heritage assets;
- Tracks and updates each loan of NOAA heritage assets, including assigning current values and inventory numbers, and reporting the current conditions of heritage assets;
- Determines the feasibility of new asset loans, such as meters, standard tide gauges, portraits, and books for exhibit loans; and
- Collects heritage assets and properties of historic, cultural, artistic, or educational significance to NOAA.

Heritage Assets maintained by NOAA include the Galveston Laboratory; National Marine Fisheries Service (NMFS) St. George Sealing Plant; NMFS Cottage M, St. George; NMFS St. Paul Old Clinic/Hospital; NMFS Woods Hole Science Aquarium; and Great Lakes Environmental Research Laboratory/Lake Michigan Field Station.

Information regarding deferred maintenance and repairs for heritage assets is included in the *Required Supplementary Information* section.

Stewardship National Marine Sanctuaries, Marine National Monuments, Conservation Area, and Habitat Blueprint

Written policy statements or permit guidelines for the National Marine Sanctuaries and Marine National Monuments have been developed for the areas of acoustic impacts, artificial reefs, climate change, invasive species, and marine debris. The Office of Marine National Sanctuaries answers the most frequently asked questions related to alternative energy and oil and gas policy decisions for national marine sanctuaries.

NOAA maintains the following stewardship assets:

National Marine Sanctuaries: In 1972, Congress passed the Marine Protection, Research, and Sanctuaries Act (Act) in response to a growing awareness of the intrinsic environmental and cultural value of coastal waters. The Act authorized the Secretary of Commerce to designate special nationally-significant areas of the marine environment 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. National marine sanctuaries are also used for recreation (e.g., boating, diving, and sport fishing), and support valuable commercial industries such as fishing and kelp harvesting. As of September 30, 2015, 13 National Marine Sanctuaries, which include both coastal and offshore areas, have been designated, covering a total area of nearly 35 thousand square miles.

Marine National Monuments: NOAA's Marine National Monument Program implements the January 2009 Presidential Proclamations that established three Pacific Marine National Monuments—the Marianas Trench, Pacific Remote Islands, and Rose Atoll, and also co-manages the Papahānaumokuākea Marine National Monument, created in 2006. The Marine National Monuments were created to protect the abundant and diverse coral, fish, and seabird populations; to facilitate exploration and scientific research; and to promote public education regarding the value of these national treasures. The establishment of the Monuments provides the opportunity to protect areas of outstanding scientific, cultural, conservation, and aesthetic value, and provide for the long-term preservation of these natural and cultural legacies.

Aleutian Islands Habitat Conservation Area: On July 28, 2006, NOAA formally established the Aleutian Islands Habitat Conservation Area in Alaska, which covers nearly 370 thousand square miles and may harbor among the highest diversity of deep-water corals in the world. The conservation area established a network of fishing closures in the Aleutian Islands and Gulf of Alaska, and protects habitat for deep-water corals and other sensitive features that are slow to recover once disturbed by fishing gear or other activities. Six small areas that include fragile coral gardens discovered by NOAA Fisheries Service scientists are closed to all bottom-contact fishing gear. This effort is part of a network of new marine protected areas in Alaskan waters designed to protect essential fish habitat and prevent any further damage of the area.

NOAA Habitat Blueprint: Protecting our natural infrastructure is vital to protecting our communities and their economies as well as fisheries and recreational opportunities along our coasts. With continued widespread loss and deterioration of coastal and marine habitats, we are in danger of losing this infrastructure. Congress has charged NOAA with protecting habitat for fish, threatened and endangered species, marine mammals, and other natural resources within the coastal zone. NOAA needs to increase the sustainability and productivity of our fisheries by focusing on the habitat that fish need to spawn and grow, as well as protecting the coastal resources on which our communities depend. Recognizing the need for more concerted efforts to conserve, protect, and restore habitat, NOAA developed the NOAA Habitat Blueprint to build on existing programs, prioritize its activities, and guide its future actions. This is being accomplished by creating Habitat Focus Areas. There are currently 10 Habitat Focus Areas. A five-year Implementation Plan is being developed for each Focus Area. As of September 30, 2015, four of these plans have been completed, and the remaining six will be finalized by March 2016. The 10 Focus Areas are:

- Penobscot River Watershed, ME
- Choptank River Watershed, MD/DE
- Muskegon Lake, MI
- St. Louis River Estuary, MN/WI
- Russian River Watershed, CA
- Kachemak Bay, AK
- West Hawaii, HI
- Manell-GeusWatershed, GU
- Biscayne Bay, FL
- Northeast Reserves and Culebra Island, PR

Collection-type Heritage Assets:

NOAA:

NOAA's collection-type heritage assets are comprised primarily of books, journals, publications, photographs and motion pictures, manuscripts, records, nautical chart plates, and artifacts. Many of these heritage assets are maintained by the NOAA Central Library (Library). As evidenced by a search of international catalogs, 35 to 50 percent of the Library's collection is unique. Historically, 40 percent of the items catalogued are not found anywhere else. Many older books cannot be replaced. The works include 17th century works of Francis Bacon and Robert Boyle, 18th century works of Daniel Bernouilli, Daniel Defoe, and Pierre Bougher, and 19th and 20th century works of Benjamin Franklin and George Washington Carver. The Library has an extensive collection of historical Coast and Geodetic Survey materials (from 1807) and Weather Bureau materials (from the 1830s), including foreign and historical meteorological data, information on instruments, and metadata.

NOAA's collection-type heritage assets include items in the Thunder Bay Sanctuary Research Collection (Collection). In 2004, the Thunder Bay National Marine Sanctuary (jointly managed by NOAA and the state of Michigan to protect and interpret a nationally significant collection of shipwrecks and other maritime heritage resources) established an agreement with the Alpena County George N. Fletcher Public Library to jointly manage this Collection. Amassed over a period of more than 40 years by historian C. Patrick Labadie, the Collection includes information about such diverse subjects as Great Lakes ports and waterways, docks, cargoes, ships, shipbuilders, owners and fleets, machinery and rigging, notable maritime personalities, and shipwrecks. Special features of the Collection are extensive collections of (1) data cards listing most of the ships on the Great Lakes before year 1900, a roster of some 15 thousand vessels complete with descriptive data and highlights of the ships' careers and their ultimate losses; and (2) ship photograph negatives of 19th and 20th century Great Lakes ships. Heritage assets also include copies of vessel ownership documents, contemporary ship photographs, books, and other items documenting the Great Lakes history.

NOAA's collection-type heritage assets also include items in the National Climatic Data Center Library. Heritage assets include (1) books, manuals, and slides; (2) thermometers, gauges, and radiosondes; and (3) laboratory equipment.

Historical artifacts are designated collection-type heritage assets if they help illustrate the social, educational, and cultural heritage of NOAA and its predecessor agencies (Coast and Geodetic Survey, U.S. Fish Commission, the Weather Bureau, the Institutes for Environmental Research, the Environmental Science Services Administration, etc.). These include, but are not limited to, bells, gyrocompasses, brass citations, flags, pennants, chronometers, ship seals, clocks, compasses, fittings, miscellaneous ship fragments, lithographic plates, barometers, rain gauges, and any items that represent the uniqueness of the mission of NOAA and its predecessor agencies.

The Florida Keys National Marine Sanctuary (FKNMS) collection-type heritage assets include 252 artifacts from shipwreck and wrecking events occurring in the Florida Keys over a 500-year period. The FKNMS 2,900 square nautical mile boundary is an abundant mixture of natural and cultural resources—coral reefs, sea grasses, and hundreds of species of marine life, as well as historical resources that include prehistoric cultures, maritime history covering European Colonial, American, and modern to WWII shipping, and historic navigational aids. The unique characteristics of the islands, latitude, and proximity to the Gulf of Mexico, Bahama Channel, and subsequent currents such as the Straits of Florida, create qualities of flora and fauna that are unique to the Nation. FKNMS contains some of the Nation's most unique resources. Ship disasters resulting from hurricanes for which eight vessels in 1622 and 13 vessels in 1733 were wrecked on the seafloor in the Florida Keys. There are 58 National Register listings in Monroe County, Florida that distinguish 14 shipwrecks and five lighthouses.

NOAA's Logistics Office continually conducts inventories of its collection-type heritage assets. Many items that were once classified as an individual collection are now included in existing collections. Other items are now deemed as not meeting the heritage asset criteria.

NIST:

NIST currently maintains collection-type heritage assets under its Museum and History Program, which collects, preserves, and exhibits artifacts, such as scientific instruments, equipment, objects, and records of significance to NIST and predecessor agencies. This program provides institutional memory and demonstrates the contributions of NIST to the development of standards measurement, technology, and science. The Information Services Office (ISO) maintains the historical archives and rare book collection, and oversees the oral history program. The historical archives and rare book collection contain titles that are considered "classics" of historical scientific interest, books by prominent scientists, and books by NIST authors or about NIST work. Titles are recommended for inclusion by ISO staff and customers. Materials are not specifically purchased for the collection nor are funds specifically allocated for the collection. Photos and manuscripts include images of NIST staff, facilities, and artifacts that demonstrate NIST history and accomplishments.

NIST's Museum and History Program has policies in place for acquisitions and loans. Objects are either on display or in storage and are not used by visitors. Archives, including the historical book collection, are used according to established research library policies and procedures. When considering artifacts for accession, the following criteria are considered:

- Direct connection to NIST program activity;
- Direct connection to a NIST prominent person;
- Physical size; and
- Safety considerations.

Archive material is not loaned. Artifacts are rarely loaned, but can be loaned within established policies and procedures for educational purposes, scholarly research, and limited public exhibition to qualified institutions. The loan policy packet for these artifacts includes an introduction to the NIST Loan Program, Borrower Checklist, Artifact Loan Request, NIST Loan Policy, Insurance Requirements, Facilities Report, Outgoing Loan Agreement, Condition Report Form, and Outgoing Loan Process.

ISO promotes the history of NIST through a program that collects, organizes, and preserves records of enduring value and encourages and supports their use by researchers. The policies and procedures cover such topics as submitting reference inquiries, regulations for use of the archives collection, scope of archives collection, criteria for accepting archival material, providing physical and bibliographic access, preservation, and reviewing the collection.

Census Bureau:

Collection-type heritage assets maintained by the Census Bureau are items considered unique for their historical, cultural, educational, technological, methodological, or artistic importance. They help illustrate the social, educational, and cultural heritage of the Census Bureau. Some items because of their age or obvious historical significance are inherently historical artifacts.

The Census Bureau has developed a Project Charter that outlines policies and procedures for the acquisition and removal of Census Bureau's heritage assets. The Census Bureau Heritage Assets Committee decides if an item meets the criteria for a heritage asset based on the uniqueness, historical age, and/or if the item helps to illustrate the Census Bureau's historic contributions to the Nation's growth. If the item is deemed a heritage asset, the applicable property management office will ensure the heritage asset is catalogued and stored in a safe, secure environment, allowing for appropriate preservation and conservation.

All necessary actions will be taken to reduce deterioration of heritage assets due to environmental conditions, and to limit damage, loss, and misuse of heritage assets. The Committee meets on a regular basis to determine if any heritage assets should be removed from the approved list, or if a newly arrived item should be classified as a heritage asset. Once a determination has been made to no longer classify an item as a heritage asset, the Census Bureau will follow any applicable established policies and procedures for surplus property.

The following table summarizes the Department's Collection-type Heritage Assets activity and balances.

Collection-type Heritage Assets:

(In Actual Quantities)

Category	Description of Assets	Quantity of Items Held September 30, 2014	FY 2015 Additions	FY 2015 Withdrawals	Quantity of Items Held September 30, 2015
NOAA Central Library:					
Circulating Collection	Books, journals, and other publications	1	N/A[1]	N/A[1]	1
Rare Book Room Collection	Books and publications	1	N/A[1]	N/A[1]	1
Collection of Photographs and Motion Pictures	Photographs and motion pictures	1	N/A[1]	N/A[1]	1
Other	Artifacts, documents, and other items	56	–	–	56
NOAA National Ocean Service–Thunder Bay Sanctuary Research Collection	Data cards, photograph negatives, document copies, photographs, books, and other items	106,254	–	–	106,254
NOAA National Climatic Data Center Library	Artifacts, books, documents, and other items	225	–	–	225
NOAA Others	Artifacts, artwork, books, films, instruments, maps, and records	3,421	53	47	3,427
NIST Artifacts and Scientific Measures	National Bureau of Standards[2]/ NIST scientific instruments, equipment, and objects	1,123	123	30	1,216
NIST Historical Books and Manuscripts	Books/manuscripts of historical scientific interest by prominent scientists	61	–	–	61
Census Bureau Artwork and Gifts	Artifacts, artwork, books, films, instruments, and records	159	–	–	159
Census Bureau Collectable Assets	Publications, books, manuscripts, photographs, and maps	33	–	–	33
Total		**111,335**	**176**	**77**	**111,434**

1 *N/A - Not applicable; this category is reported as one collection.*

2 *National Bureau of Standards is the former name of NIST.*

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

(UNAUDITED)

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

A Deferred Maintenance and Repairs

Deferred Maintenance and Repairs (DM&R) are maintenance and repairs that were not performed when they should have been, that were scheduled and not performed, or that were delayed for a future period. Maintenance and Repairs are activities directed towards keeping Property, Plant, and Equipment (PP&E) in acceptable operating condition. These activities include preventive maintenance, 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 and Repairs exclude 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 DM&R relate to PP&E of both the National Oceanic and Atmospheric Administration (NOAA) and the National Institute of Standards and Technology (NIST). These two entities represent 95 percent of the Department's General PP&E, Net balance as of September 30, 2015.

NOAA:

NOAA measures DM&R using Condition Assessment Surveys, which are periodic visual (i.e., physical) inspections of applicable PP&E to determine their current condition and estimated cost to correct any deficiencies, and by collecting information from its line offices. NOAA completed a condition survey of the entire applicable inventory of its real property in FY 2011. NOAA, effective FY 2012, schedules its surveys for real property on a cyclical basis, with each appropriate asset being surveyed every five years. Exceptions to the five-year cycle would be where factors indicate that a greater frequency of review is prudent for reasons such as age and/or poor condition. NOAA collects DM&R information for capitalized personal property on an annual basis.

NOAA performs Condition Assessment Surveys as necessary to measure and report DM&R for, at a minimum, NOAA-owned buildings (including those fully depreciated), non-capitalized heritage assets, and capital leases that NOAA has executed and where NOAA has the financial responsibility for operations and maintenance of the asset. DM&R will only be reported for individual real property items with estimates greater than $50 thousand. DM&R on capitalized personal property is reported with an estimated project cost of $25 thousand or more. For financial reporting purposes, NOAA does not report on DM&R of structures, non-heritage non-capitalized buildings, non-capitalized personal property, or stewardship land as these categories represent less than 10 percent of the acquisition value of NOAA's PP&E and are considered not significant to DM&R reporting.

NOAA prioritizes maintenance and repair projects to sustain its PP&E in good operating condition, including maintaining warranties. DM&R is impacted by funding shortfalls. As such, NOAA selects projects that will remedy life safety deficiencies and minimize risk of mission failure, as PP&E enables the accomplishment of the mission. DM&R projects will not be addressed without a funding initiative. NOAA generally does not perform investment analyses in selecting projects.

Acceptable condition standards are established for real property by using building codes and/or industry standards for benchmarking and cost estimating. These standards are used to evaluate site and building conditions, which include the review of building systems such as civil, structure, architectural, life safety, mechanical, plumbing, elevators, electric, and others.

NOAA has not significantly changed its policies or factors that are subject to DM&R reporting requirements. During FY 2015, however, NOAA reevaluated its heritage assets items related to DM&R, resulting in a significant decrease in the amounts of DM&R for heritage assets, as most items did not meet the criteria for DM&R reporting.

The following table shows NOAA's DM&R as of September 30, 2015 and 2014:

(In Thousands)

Asset Category	Deferred Maintenance and Repairs as of September 30, 2015	Deferred Maintenance and Repairs as of September 30, 2014
Buildings	$ 76,000	$ 74,518
Heritage Assets:		
Documentary Artifacts	–	11,900
Pictures	–	1,000
Multi-use Heritage	92	90
Other	–	162
Ships	26,876	22,996
Total	**$ 102,968**	**$ 110,666**

NIST:

NIST performs facility Condition Assessment Surveys for capitalized NIST-owned buildings and facilities (including those fully depreciated). NIST does not make a distinction between active or inactive assets for reporting DM&R.

DM&R relates to capitalized, non-capitalized, and fully depreciated real property. DM&R is reported for individual items with estimates greater than $5 thousand. Items estimated to cost less than $5 thousand are shared with the facility managers for correction as emergency/service calls or minor work orders. Examples of the types of items that fall below the $5 thousand threshold include minor repairs to interior finishes and doors, caulk replacement, minor pipe and valve leaks, and minor mechanical and electrical repairs.

NIST prioritizes maintenance and repair projects to sustain its PP&E in good operating condition, including maintaining warranties. DM&R is impacted by funding shortfalls. As such, NIST selects projects that will remedy life safety deficiencies and minimize risk of mission failure as PP&E enables the accomplishment of the mission.

Individual maintenance and repair projects are prioritized using a risk matrix procedure which determines the severity of the risk-rank (i.e., minimal, low, medium, serious, or critical). Based on the type of project (maintenance and repair, code compliance and safety, or capacity) and the distress type, the appropriate risk matrix is used and a risk-rank assigned. Ranking can be adjusted to take into account current projects underway, prioritization of future candidate projects, and budgetary funding outlook.

Acceptable facility condition standards are established by using building codes and/or industry standards for benchmarking and cost estimating. These standards are used to evaluate site and interior conditions, life safety, mechanical and plumbing systems, elevator and conveying systems, electrical systems, structural systems, building envelope closure systems, etc.

Facility condition index (FCI) values are calculated for each NIST facility. The ratio of the cost of correcting all facility deficiencies in a building divided by the cost of replacing the building is expressed on a 100 percentage point scale. The FCI index is 100 minus this ratio of cost expressed. This is somewhat similar to a system described by the Building Research Board of the National Research Council. Generally, a facility with an index above 95 is considered excellent, between 95 and 90 is good, between 90 and 85 is fair, and below 85 is considered poor.

NIST DM&R increased from $297.0 million as of September 30, 2014 to $346.8 million as of September 30, 2015, an increase of $49.8 million. The increase is in large part due to an increase in DM&R of $32.0 million as a result of enhanced facility condition assessments performed for Building 1, a nearly 60-year-old, 23 thousand square foot building, and Building 3, a nearly 25 thousand square foot building. The enhancements included taking a more in-depth look at the deficiencies identified in the base-year assessment. Adding to the increase was approximately $25.0 million in new mechanical and electrical deficiencies due to the system age.

The following table shows NIST's DM&R as of September 30, 2015 and 2014:

(In Thousands)

Assets Category	Deferred Maintenance and Repairs as of September 30, 2015	Deferred Maintenance and Repairs as of September 30, 2014
Buildings	$ 319,591	$ 267,867
Site Utilities and Infrastructure	27,169	29,107
Total	**$ 346,760**	**$ 296,974**

B Combining Schedule of Budgetary Resources by Major Budget Account

The following table illustrates the Department's FY 2015 budgetary resources by major budget account.

United States Department of Commerce Combining Schedule of Budgetary Resources by Major Budget Account For the Year Ended September 30, 2015 *(In Thousands)*

	Combined Total	Census Bureau Periodic Censuses and Programs	NIST Scientific and Technical Research and Services	NOAA Operations, Research, and Facilities	NOAA Procurement, Acquisition, and Construction	NTIA Digital Television Transition and Public Safety Fund	NTIA Network Construction Fund	NTIA Public Safety Trust Fund	USPTO Salaries and Expenses	Other Budget Accounts
BUDGETARY RESOURCES:										
Unobligated Balance, Brought Forward, October 1	$ 12,834,436	$ 157,935	$ 33,749	$ 308,151	$ 138,994	8,796,569	$ 384	$ 1,792,419	$ 502,721	$ 1,103,514
Actual Recoveries of Prior-years Unpaid Obligations	335,052	20,234	5,388	58,364	12,789	3	–	1,515	15,469	221,290
Actual Nonexpenditure Transfers of Unobligated Balance, Net	1,672	–	–	(5)	–	–	–	–	148,236	(146,559)
Borrowing Authority Withdrawn	(28,490)	–	–	–	–	–	–	–	–	(28,490)
Other Changes in Unobligated Balance, Net	(146,510)	(75,504)	(147)	(25,376)	(6,715)	–	–	–	–	(38,768)
Unobligated Balance From Prior-years Budget Authority, Net	**12,996,160**	**102,665**	**38,990**	**341,134**	**145,068**	**8,796,572**	**384**	**1,793,934**	**666,426**	**1,110,987**
Appropriations	13,981,745	835,849	681,450	3,394,460	2,393,850	–	–	4,994,889	–	1,681,247
Borrowing Authority	65,860	–	–	–	–	–	–	–	–	65,860
Spending Authority From Offsetting Collections	11,372,274	387	53	231,909	3,366	1,536	6,396,613	940	3,014,013	1,723,457
TOTAL BUDGETARY RESOURCES	**$ 38,416,039**	**$ 938,901**	**$ 720,493**	**$ 3,967,503**	**$ 2,542,284**	**8,798,108**	**$ 6,396,997**	**$ 6,789,763**	**$ 3,680,439**	**$ 4,581,551**
STATUS OF BUDGETARY RESOURCES:										
Obligations Incurred	$ 20,805,228	$ 828,373	$ 697,474	$ 3,602,972	$ 2,283,567	–	$ 75,002	$ 6,632,505	$ 3,176,085	$ 3,509,250
Unobligated Balance, End of Year										
Apportioned	8,041,086	18,099	19,308	215,378	37,889	–	6,321,995	154,986	504,285	769,146
Exempt From Apportionment	2,486	–	–	–	–	–	–	–	–	2,486
Unapportioned	9,567,239	92,429	3,711	149,153	220,828	8,798,108	–	2,272	69	300,669
Total Unobligated Balance, End of Year	**17,610,811**	**110,528**	**23,019**	**364,531**	**258,717**	**8,798,108**	**6,321,995**	**157,258**	**504,354**	**1,072,301**
TOTAL STATUS OF BUDGETARY RESOURCES	**$ 38,416,039**	**$ 938,901**	**$ 720,493**	**$ 3,967,503**	**$ 2,542,284**	**8,798,108**	**$ 6,396,997**	**$ 6,789,763**	**$ 3,680,439**	**$ 4,581,551**
CHANGE IN UNPAID OBLIGATED BALANCE, NET:										
Unpaid Obligations:										
Unpaid Obligations, Brought Forward, October 1	$ 6,860,273	$ 142,317	$ 220,210	$ 1,994,971	$ 1,084,685	25,583	$ 9	$ 28,467	$ 549,941	$ 2,814,090
Obligations Incurred	20,805,228	828,373	697,474	3,602,972	2,283,567	–	75,002	6,632,505	3,176,085	3,509,250
Outlays, Gross	(20,469,821)	(756,735)	(675,544)	(3,573,157)	(2,046,164)	(7,768)	(40,293)	(6,647,261)	(3,039,216)	(3,683,683)
Actual Recoveries of Prior-years Unpaid Obligations	(335,052)	(20,234)	(5,388)	(58,364)	(12,789)	(3)	–	(1,515)	(15,469)	(221,290)
UNPAID OBLIGATIONS, END OF YEAR	**$ 6,860,628**	**$ 193,721**	**$ 236,752**	**$ 1,966,422**	**$ 1,309,299**	**17,812**	**$ 34,718**	**$ 12,196**	**$ 671,341**	**$ 2,418,367**
Uncollected Customer Payments:										
Uncollected Customer Payments, Brought Forward, October 1	$ (449,130)	$ –	$ –	$ (339,781)	$ –	–	$ –	$ (328)	$ (120)	$ (108,901)
Change in Uncollected Customer Payments	(115,828)	–	–	(679)	–	–	–	270	63	(115,482)
UNCOLLECTED CUSTOMER PAYMENTS, END OF YEAR	**$ (564,958)**	**$ –**	**$ –**	**$ (340,460)**	**$ –**	**–**	**$ –**	**$ (58)**	**$ (57)**	**$ (224,383)**
Unpaid Obligated Balance, Net, Brought Forward, October 1	**$ 6,411,143**	**$ 142,317**	**$ 220,210**	**$ 1,655,190**	**$ 1,084,685**	**25,583**	**$ 9**	**$ 28,139**	**$ 549,821**	**$ 2,705,189**
Unpaid Obligated Balance, Net, End of Year	**$ 6,295,670**	**$ 193,721**	**$ 236,752**	**$ 1,625,962**	**$ 1,309,299**	**17,812**	**$ 34,718**	**$ 12,138**	**$ 671,284**	**$ 2,193,984**
BUDGET AUTHORITY, NET:										
Budget Authority, Gross	$ 25,419,879	$ 836,236	$ 681,503	$ 3,626,369	$ 2,397,216	1,536	$ 6,396,613	$ 4,995,829	$ 3,014,013	$ 3,470,564
Actual Offsetting Collections	(11,486,474)	(387)	(53)	(231,230)	(3,366)	(1,536)	(6,396,613)	(1,210)	(3,016,076)	(1,836,003)
Change in Uncollected Customer Payments	(115,828)	–	–	(679)	–	–	–	270	63	(115,482)
BUDGET AUTHORITY, NET	**$ 13,817,577**	**$ 835,849**	**$ 681,450**	**$ 3,394,460**	**$ 2,393,850**	**–**	**$ –**	**$ 4,994,889**	**$ (2,000)**	**$ 1,519,079**
OUTLAYS, NET:										
Outlays, Gross	$ 20,469,821	$ 756,735	$ 675,544	$ 3,573,157	$ 2,046,164	7,768	$ 40,293	$ 6,647,261	$ 3,039,216	$ 3,683,683
Actual Offsetting Collections	(11,486,474)	(387)	(53)	(231,230)	(3,366)	(1,536)	(6,396,613)	(1,210)	(3,016,076)	(1,836,003)
Outlays, Net	8,983,347	756,348	675,491	3,341,927	2,042,798	6,232	(6,356,320)	6,646,051	23,140	1,847,680
Distributed Offsetting (Receipts)/Outlays, Net	(36,089)	–	–	–	–	–	–	–	–	(36,089)
AGENCY OUTLAYS, NET	**$ 8,947,258**	**$ 756,348**	**$ 675,491**	**$ 3,341,927**	**$ 2,042,798**	**6,232**	**$ (6,356,320)**	**$ 6,646,051**	**$ 23,140**	**$ 1,811,591**

FINANCIAL SECTION

Required Supplementary Stewardship Information

(UNAUDITED)

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION
(Unaudited)

Stewardship Investments

Stewardship investments are substantial investments made by the federal government for the benefit of the Nation, but are not physical assets owned by the federal government. Though treated as expenses when incurred to determine the Department's 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 the long-term benefit of the Nation.

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 Economic Development Administration (EDA) and the National Oceanic and Atmospheric Administration (NOAA) have significant investments in non-federal physical property.

EDA's and NOAA's investments in non-federal physical property for FY 2011 through FY 2015 were as follows:

(In Millions)

Program	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	Total
EDA:						
Public Works	$ 101.0	$ 114.0	$ 120.5	$ 160.7	$ 224.4	$ 720.6
Economic Adjustment Assistance	32.5	42.3	66.8	49.5	47.6	238.7
Global Climate Change Mitigation Incentive Fund	–	10.6	14.9	12.8	6.8	45.1
Disaster Recovery	8.8	98.7	146.2	111.0	85.1	449.8
EDA Subtotal	**142.3**	**265.6**	**348.4**	**334.0**	**363.9**	**1,454.2**
NOAA:						
National Estuarine Research Reserves	0.7	1.1	2.4	3.9	5.5	13.6
Coastal and Estuarine Land Conservation Program	0.2	0.5	5.7	8.8	6.9	22.1
NOAA Subtotal	**0.9**	**1.6**	**8.1**	**12.7**	**12.4**	**35.7**
Total	**$ 143.2**	**$ 267.2**	**$ 356.5**	**$ 346.7**	**$ 376.3**	**$ 1,489.9**

EDA:

EDA's investments in non-federal physical property require matching funds by state and local governments of 20 to 50 percent. Disaster Recovery grants do not require matching funds and can be up to 100 percent of the investment costs.

Public Works: The Public Works program promotes long-term 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.

Economic Adjustment Assistance: The Economic Adjustment Assistance program provides flexible investments for communities facing sudden or severe economic distress to diversify and stabilize their economies. Factors that seriously threaten the economic survival of communities include plant closures, military base closures or realignments, defense laboratory or contractor downsizings, natural resource depletion, out-migration, under-employment, and the impacts of foreign trade.

Global Climate Change Mitigation Incentive Fund (GCCMIF): The last fiscal year of funding for the GCCMIF program was FY 2011. The funding for this program is fully expensed. EDA is not anticipating future grants from this funding source. GCCMIF program financed projects that fostered economic development by advancing the green economy in distressed communities and developed and used products and services that contributed to economic growth and alleviated economic distress by respecting and revitalizing the environment. GCCMIF program supported projects that created jobs through, and increase private capital investment in, efforts to limit the Nation's dependence on fossil fuels, enhance energy efficiency, curb greenhouse gas emissions, and protect natural systems.

Disaster Recovery: EDA supports the repair of infrastructure and economic development-related facilities damaged by floods and other natural disasters. Funding for Disaster Recovery is generally through supplemental appropriations from Congress for recovery efforts to save, sustain, and preserve private enterprise and job creation in economically distressed communities. FY 2012 was the last year EDA received funding for Disaster Recovery. The program is nearly fully expensed. EDA expensed $8.8 million in construction-related grants for disaster recovery in the fourth quarter of FY 2015.

NOAA:

National Estuarine Research Reserves (NERR): NERR system consists of 28 estuarine reserves protected by federal, state, and local partnerships that work to preserve and protect the Nation's estuaries. NERR system helps to fulfill NOAA's stewardship mission to sustain healthy coasts by improving the Nation's understanding and stewardship of estuaries. Estuarine reserves are the areas where freshwater from rivers meet the ocean. These areas are known as bays, swamps, sloughs, and sounds. These important coastal habitats are used as spawning grounds and nurseries for the Nation's commercial fish and shellfish. Estuaries filter much of the polluted runoff from rivers and streams that would otherwise contaminate oceans. The reserves were created with the passage of the Coastal Zone Management Act of 1972, and, as of September 30, 2015, encompassed approximately 1.4 million acres of estuarine waters, wetlands, and uplands. The most recent reserve, Lake Superior, WI, was designated on October 26, 2010. NERRs are state-operated and managed in cooperation with NOAA. NOAA's investments in non-federal physical property are for the acquisition of lands and development or construction of facilities, auxiliary structures, and public access routes for any NERR site.

Coastal and Estuarine Land Conservation Program: This program was established under the Commerce, Justice, and State Appropriations Act of 2002, "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." The investments in non-federal physical property include matching grants awarded to state and local governments for land acquisition in coastal and estuarine areas. Since FY 2002, matching grants have been directed to 200 such projects.

Coastal Zone Management Fund: The Coastal Zone Management Program is authorized by the Coastal Zone Management Act of 1972, and administered at the federal level by NOAA's Office of Ocean and Coastal Resource Management. NOAA's financing supports various coastal states in their redevelopment of deteriorating and urbanized waterfronts and ports, as well as providing for public access to beaches and coastal areas. The state and local governments receive funding for these investments through NOAA grant expenditures, for the purpose of preservation or restoration of coastal resources and habitats. There is currently not in place a mechanism for the state and local governments to determine and report to NOAA the amount of monies they expend for the investments in non-federal physical property. The Department, accordingly, cannot report the amount of investments in non-federal physical property for the Coastal Zone Management Fund.

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 investments in human capital are by NOAA.

The following table summarizes NOAA's investments in human capital for FY 2011 through FY 2015:

(In Millions)

Program	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	Total
National Sea Grant College Program	$ 0.7	$ 0.8	$ 0.7	$ 0.7	$ 0.8	$ 3.7
National Estuarine Research Reserve Program	1.5	1.3	1.4	1.5	1.5	7.2
Educational Partnership Program	14.3	14.3	13.0	12.5	14.3	68.4
Ernest F. Hollings Undergraduate Scholarship Program	5.5	6.2	5.0	4.9	4.5	26.1
Southeast Fisheries Science Center's Recruiting Training Research Program	0.3	0.5	0.5	0.5	0.5	2.3
Northeast Fisheries Science Center Partnership Education Program (PEP)	0.1	0.2	0.2	0.2	0.2	0.9
Total	**$ 22.4**	**$ 23.3**	**$ 20.8**	**$ 20.3**	**$ 21.8**	**$ 108.6**

National Sea Grant College Program: Sea Grant is a nationwide network, administered through NOAA, of 32 university-based programs that work with coastal communities. With the adoption in 1966 of the National Sea Grant College Act, Congress established an academic/industry/government partnership that would enhance the Nation's education, economy, and environment into the 21st century. The program supports activities designed to increase public awareness of coastal, ocean, and Great Lakes issues; to provide information to improve management decisions in coastal, ocean, and Great Lakes policy; and to train graduate students in marine and Great Lakes science. The Knauss Fellowship Program offers qualified masters and doctoral students the opportunity to spend a year working on marine and Great Lakes policy issues with the Executive and Legislative branches of the federal government. The program currently has 51 fellowships awarded: 12 fellowships funded by the National Sea Grant College Program, and 39 fellowships funded by other NOAA offices and other federal agencies. There is also a Graduate Fellowship Program for Ph.D. candidates in the specialized areas of population dynamics and marine resource economics. The Graduate Fellowship Program currently has 17 fellowships awarded. An additional call for proposals has been issued, and the number of fellows will change slightly throughout the year as some fellowships end and others begin. Participants in this program can receive up to three years of funding.

National Estuarine Research Reserve Program: This program supports activities designed to increase public awareness of estuary issues, provide information to improve management decisions in estuarine areas, and train graduate students in estuarine science. The National Estuarine Research Reserve System's Graduate Research Fellowship Program offers qualified masters and doctoral students the opportunity to address scientific questions of local, regional, and national significance. The result is high-quality research focused on improving coastal management issues. The Graduate Research Fellowship Program ended in FY 2014. As a result, there were no fellowships awarded in FY 2015.

Educational Partnership Program: The NOAA **Educational Partnership Program (EPP)** with **Minority Serving Institutions (MSI)** provides financial assistance through competitive processes to minority serving institutions that support research and training of students in NOAA-related sciences (EPP Cooperative Science Centers). The program's goal is to increase the number of trained and graduated students, from underrepresented communities in science and technology, directly related to NOAA's mission. EPP/MSI also seeks to increase collaborative research efforts between NOAA scientists and researchers at minority serving academic institutions through the EPP Cooperative Science Centers. In FY 2015, EPP Cooperative Science Center awarded a total of 70 degrees to students.

Ernest F. Hollings Undergraduate Scholarship Program: This program was established in 2005 to (1) increase undergraduate training in oceanic and atmospheric science, research, technology, and education, and foster multidisciplinary training opportunities; (2) increase public understanding and support for stewardship of the ocean and atmosphere and improve environmental literacy; (3) recruit and prepare students for public service careers with NOAA and other agencies at the federal, state, and local levels of government; and (4) recruit and prepare students for careers as teachers and educators in oceanic and atmospheric science and to improve scientific and environmental education in the U.S. In FY 2015, the program added 150 students.

Southeast Fisheries Science Center's (SEFSC) Recruiting Training Research Program: This is a joint program between NOAA's National Marine Fisheries Service (NMFS) and the University of Florida. The objectives of the program are the following: (1) to recruit top undergraduate and graduate students into the field of fisheries population dynamics and careers with NMFS; (2) to train graduate students; and (3) to conduct population dynamics and stock assessment research in support of the NMFS mission. The program also offers graduate courses and workshops in computer programming, simulation modeling, and fish population dynamics. In FY 2015, 15 outstanding undergraduate students from across the country participated in a week-long undergraduate workshop. In addition, 5 graduate students conducted SEFSC-related research as part of the program.

Northeast Fisheries Science Center Partnership Education Program (PEP): This program of NOAA's NMFS leads a consortium of six science institutions in Woods Hole, MA, offering a 10-week summer program that combines undergraduate course work with research in marine and environmental science. Launched in 2009, PEP is an ongoing diversity program designed to recruit talent from minority groups that are under-represented in marine and environmental sciences. PEP recruitment targets college students with priority given to entering juniors and seniors majoring in the natural sciences who have had some course work in marine and/or environmental science. The program includes a credit course taught in Woods Hole by research scientists from Woods Hole science institutions, student research projects, and presentation of research results in a one-day seminar. In FY 2015, 16 students participated in the 10-week summer program.

Investments in Research and Development (R&D):

Investments in R&D are expenses that are included in the Department's Net Cost of Operations. The investments are divided into three categories: (1) basic research, the systematic study to gain knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications toward processes or products in mind; (2) applied research, the systematic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met; and (3) development, the systematic use of the knowledge and understanding gained from research for the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes. The investments are made with the expectation of maintaining or increasing national economic productive capacity, or yielding other future economic or societal benefits. Based on a review of the Department's programs, the only significant investments in R&D are by the National Institute of Standards and Technology (NIST) and NOAA.

NIST:

The following table summarizes NIST's R&D investments for FY 2011 through FY 2015:

(In Millions)

	FY 2015								
Program	**Basic**	**Applied**	**Development**	**Total**	**FY 2014**	**FY 2013**	**FY 2012**	**FY 2011**	**Total**
NIST Laboratories Program	$ 256.0	$ 449.1	$ 12.1	$ 717.2	$ 657.5	$ 603.6	$ 590.7	$ 582.5	$ 3,151.5
Technology Innovation Program, Advanced Technology Program, and Advanced Manufacturing Technology Consortia	3.5	1.6	0.1	5.2	7.2	21.2	39.4	44.2	117.2
Total	**$ 259.5**	**$ 450.7**	**$ 12.2**	**$ 722.4**	**$ 664.7**	**$ 624.8**	**$ 630.1**	**$ 626.7**	**$ 3,268.7**

NIST Laboratories Program:

For more than 100 years, NIST has maintained the national standards of measurement, a role that the U.S. Constitution assigns to the federal government. Today, NIST Laboratories address increasingly complex measurement challenges. NIST develops measurements focusing on the very small (e.g., nanotechnology devices), the very large (e.g., skyscrapers), the physical (e.g., methods for characterizing strands of DNA for forensic testing), and the virtual (e.g., methods for testing electronic health record systems).

- NIST Laboratories work at the frontiers of measurement science to ensure that the Nation's system of measurements is firmly grounded on a sound scientific and technical foundation.
- NIST Laboratories work to assure that the Nation's realization of the basic and derived measurement units is consistent with the realization in other nations. NIST Laboratories engage in a number of international activities to support trade and global science, and to promote the international acceptance of the Nation's measurement standards.
- NIST Laboratories provide industry and academia with unique user facilities that support innovation in materials science, nanotechnology, and other emerging technology areas through the NIST Center for Neutron Research, which provides world-class neutron measurement capabilities to the Nation's research community, and through the NIST Center for Nanoscale Science and Technology, which supports nanotechnology development from discovery to production.
- NIST Laboratories also support the development of standards and specifications that define technical and performance requirements for goods and services. These standards—also known as documentary standards—are often developed collaboratively with the private sector through an open, consensus-based process. NIST scientists and engineers lend their expertise to these efforts in order to promote standards that are based on sound science, and to ensure that the standards are supported by effective measurements and testing methods for conformity. In addition, NIST is designated under the National Technology Transfer Advancement Act as the coordinator for all federal agencies using documentary standards that are developed by private sector consensus bodies to carry out their policy objectives.

Technology Innovation Program (TIP):

The FY 2015 enacted appropriations provided no funding for TIP and the program is currently undergoing a closeout process through FY 2016. NIST uses unobligated balances (carryover funding), and funding from prior-year deobligations, to close out the program and to perform NIST's responsibilities.

Advanced Manufacturing Technology Consortia (AMTech):

In FY 2015, AMTech received $8.1 million from enacted appropriations. Industry consortia are known to be extremely effective in identifying technology needs and roadblocks, yet often need a catalyst to enable consortium formation. The AMTech grants program enables industry-led consortia to identify and prioritize directed late basic to early applied research projects supporting long-term industrial research needs. AMTech creates the incentive for multiple industry stakeholders to share financial and scientific resources, together with state and local government interests, as well as technical innovators at universities and government laboratories. The program provides funding to industry-led consortia for the development of detailed roadmaps of long-term research challenges. Further, the program aims to seed industry-led consortia establishment by awarding project grants to support the research needed to help them achieve future desired technology developments. The AMTech program supports the Administration's priorities to invest in advanced manufacturing to foster innovation, create high-quality jobs, and enhance global competitiveness. By supporting consortia, the AMTech program will address multiple components of the innovation cycle, from discovery and pre-competitive technology development, to accelerate the pace of innovation through various industry sectors.

NOAA:

NOAA's R&D investments by program from FY 2011 through FY 2015 were as follows:

(In Millions)

	FY 2015								
Program	**Basic**	**Applied**	**Development**	**Total**	**FY 2014**	**FY 2013**	**FY 2012**	**FY 2011**	**Total**
Environmental and Climate	$ –	$ 251.5	$ 46.9	$ 298.4	$ 294.1	$ 326.3	$ 392.8	$ 395.3	$ 1,706.9
Fisheries	–	48.0	2.3	50.3	43.4	51.2	64.9	65.7	$ 275.5
Marine Operations and Maintenance and Aircraft Services	–	17.8	11.4	29.2	29.7	32.4	33.3	34.3	$ 158.9
Weather Service	–	15.7	27.0	42.7	29.3	28.6	36.4	54.7	$ 191.7
Other	–	24.5	5.5	30.0	63.5	74.8	90.6	98.0	356.9
Total	**$ –**	**$ 357.5**	**$ 93.1**	**$ 450.6**	**$ 460.0**	**$ 513.3**	**$ 618.0**	**$ 648.0**	**$ 2,689.9**

NOAA conducts a substantial program of environmental R&D in support of its mission, much of which is performed to improve the United States' understanding of and ability to predict environmental phenomena, and is intended to provide a solid scientific basis for environmental policy-making in government. The scope of research includes:

- Improving predictions and warnings associated with the weather, on timescales ranging from minutes to weeks;
- Improving predictions of climate, on timescales ranging from months to centuries; and
- Improving understanding of natural relationships to better predict and manage renewable marine resources and coastal and ocean ecosystems.

Here is a brief description of the major R&D programs of NOAA:

Environmental and Climate: The Office of Oceanic and Atmospheric Research is NOAA's primary research and development office. This office conducts research in three major areas: climate research; weather and air quality research; and ocean, coastal, and Great Lakes research. NOAA's research laboratories, Climate Program Office, and research partners conduct wide-ranging research into complex climate systems, including the exploration and investigation of ocean habitats and resources. NOAA's research organizations conduct applied research on the upper and lower atmosphere, as well as the space environment.

Fisheries: NOAA's NMFS is responsible for the conservation and management of living marine resources and their habitat within the Nation's Exclusive Economic Zone. NMFS manages these resources through science-based conservation and management to ensure their continuation as functioning components of productive ecosystems, while also affording economic opportunities and enhancing the quality of life for the American public. Fishery stocks and protected species are surveyed; catch, by catch, incidental take, economic and social data are collected; and research is conducted to better understand the variables affecting the abundance and variety of marine fishes and protected species, their habitat, and the benefits they provide to society. Protection of endangered species, restoration of coastland estuarine fishery habitats, and enforcement of fishery regulations are primary NOAA activities. The research and management of living marine resources is conducted in partnership with states, tribes, universities, other countries, international organizations, and a broad range of stakeholders who benefit from the use and existence of living marine resources and their habitats.

Marine Operations and Maintenance and Aircraft Services: These efforts support NOAA's programs requiring operating days and flight hours to collect data at sea and in the air. NOAA's Marine and Aviation Operations manage a wide variety of specialized aircraft and ships to complete NOAA's environmental and scientific missions. The aircraft collect the environmental and geographic data essential to NOAA hurricane and other weather and atmospheric research, conduct aerial surveys for hydrologic research to help predict flooding potential from snowmelt, and provide support to NOAA's fishery research and marine mammal assessment programs. NOAA's ship fleet provides oceanographic and atmospheric research and fisheries research vessels to support NOAA's strategic plan elements and mission.

Weather Service: NOAA's National Weather Service conducts applied research and development, building upon research conducted by NOAA laboratories and the academic community. Applied meteorological and hydrological research is integral to providing more timely and accurate weather, water, and climate services to the public.

Other Programs: As a national lead for coastal stewardship, NOAA's National Ocean Service promotes wide-ranging research activities to create the strong science foundation required to advance the sustainable use of precious coastal systems. Understanding of the coastal environment is enhanced through coastal ocean activities that support science and resource management programs. NOAA's National Environmental Satellite Data and Information Service, through its Office of Research and Applications, conducts atmospheric, climatological, and oceanic research into the use of satellite data for monitoring environmental characteristics and their changes. It also provides guidance for the development and evolution of spacecraft and sensors to meet future needs.

Other Information

SCHEDULE OF SPENDING (Unaudited)

The *Combining Schedule of Spending by Major Budget Account* (*SOS*) presents an overview of how and where the Department is spending (i.e., obligating) money for the fiscal year, on a budgetary basis, the same basis as the *Combined Statement of Budgetary Resources* (*SBR*). The schedule includes amounts agreed to be spent during the fiscal year, how the money was spent, and who did the money go to. *Total Resources* reported on *SOS* agrees to *Total Budgetary Resources* reported on *SBR*; *Less: Amounts Available but Not Agreed to be Spent* reported on *SOS* agrees to the total of *Unobligated Balance, End of Year, Apportioned* and *Unobligated Balance, End of Year, Exempt from Apportionment* reported on *SBR*; *Less: Amounts Not Available to be Spent* reported on *SOS* agrees to *Unobligated Balance, End of Year, Unapportioned* reported on *SBR*; and *Total Amounts Agreed to be Spent* reported on *SOS* agrees to *Obligations Incurred* reported on *SBR*.

The *Combining Schedules of Spending by Major Budget Account* for FY 2015 and FY 2014 are as follows:

United States Department of Commerce Combining Schedule of Spending by Major Budget Account
For the Year Ended September 30, 2015 *(In Thousands)*

	Combined Total	Census Bureau Periodic Censuses and Programs	NIST Scientific and Technical Research and Services	NOAA Operations, Research, and Facilities	NOAA Procurement, Acquisition, and Construction	NTIA Digital Television Transition and Public Safety Fund	NTIA Network Construction Fund	NTIA Public Safety Trust Fund	USPTO Salaries and Expenses	Other Budget Accounts
WHAT MONEY IS AVAILABLE TO SPEND?										
Total Resources	$ 38,416,039	$ 938,901	$ 720,493	$ 3,967,503	$ 2,542,284	$ 8,798,108	$ 6,396,997	$ 6,789,763	$ 3,680,439	$ 4,581,551
Less: Amounts Available but Not Agreed to be Spent	(8,043,572)	(18,099)	(19,308)	(215,378)	(37,889)	–	(6,321,995)	(154,986)	(504,285)	(771,632)
Less: Amounts Not Available to be Spent	(9,567,239)	(92,429)	(3,711)	(149,153)	(220,828)	(8,798,108)	–	(2,272)	(69)	(300,669)
TOTAL AMOUNTS AGREED TO BE SPENT	**$ 20,805,228**	**$ 828,373**	**$ 697,474**	**$ 3,602,972**	**$ 2,283,567**	**$ –**	**$ 75,002**	**$ 6,632,505**	**$ 3,176,085**	**$ 3,509,250**
HOW WAS THE MONEY SPENT?										
Contracts	$ 6,480,053	$ 249,650	$ 378,126	$ 1,282,501	$ 2,189,799	$ –	$ 62,767	$ 4,657	$ 1,151,420	$ 1,161,133
Grants	1,424,937	–	160,633	671,155	43,141	–	–	–	–	550,008
Loans and Guarantees	84,207	–	–	–	–	–	–	–	–	84,207
Non-financial Assistance Direct Payments	5,637,326	269,417	158,659	1,647,331	50,512	–	12,210	4,670	2,021,803	1,472,724
Other	7,178,705	309,306	56	1,985	115	–	25	6,623,178	2,862	241,178
TOTAL AMOUNTS AGREED TO BE SPENT	**$ 20,805,228**	**$ 828,373**	**$ 697,474**	**$ 3,602,972**	**$ 2,283,567**	**$ –**	**$ 75,002**	**$ 6,632,505**	**$ 3,176,085**	**$ 3,509,250**
WHO DID THE MONEY GO TO?										
Federal Government	$ 11,127,034	$ 404,992	$ 281,793	$ 642,036	$ 1,625,987	$ –	$ 37,174	$ 6,507,661	$ 215,858	$ 1,411,533
Non-federal	9,678,194	423,381	415,681	2,960,936	657,580	–	37,828	124,844	2,960,227	2,097,717
TOTAL AMOUNTS AGREED TO BE SPENT	**$ 20,805,228**	**$ 828,373**	**$ 697,474**	**$ 3,602,972**	**$ 2,283,567**	**$ –**	**$ 75,002**	**$ 6,632,505**	**$ 3,176,085**	**$ 3,509,250**

United States Department of Commerce Combining Schedule of Spending by Major Budget Account (Reclassified)
For the Year Ended September 30, 2014 *(In Thousands)*

	Combined Total	Census Bureau Periodic Censuses and Programs	ITA Operations and Administration	NIST Scientific and Technical Research and Services	NOAA Operations, Research, and Facilities	NOAA Procurement, Acquisition, and Construction	NTIA Digital Television Transition and Public Safety Fund	NTIA Public Safety Trust Fund	USPTO Salaries and Expenses	Other Budget Accounts
WHAT MONEY IS AVAILABLE TO SPEND?										
Total Resources	$ 26,198,392	$ 846,192	$ 529,220	$ 685,331	$ 3,884,195	$ 2,189,275	$ 8,799,069	$ 1,839,311	$ 3,500,178	$ 3,925,621
Less: Amounts Available but Not Agreed to be Spent	(3,453,331)	(8,851)	(32,833)	(30,862)	(216,203)	(123,205)	–	(1,792,415)	(502,721)	(746,241)
Less: Amounts Not Available to be Spent	(9,381,105)	(149,084)	(13,978)	(2,886)	(91,948)	(15,789)	(8,796,569)	(4)	–	(310,847)
TOTAL AMOUNTS AGREED TO BE SPENT	**$ 13,363,956**	**$ 688,257**	**$ 482,409**	**$ 651,583**	**$ 3,576,044**	**$ 2,050,281**	**$ 2,500**	**$ 46,892**	**$ 2,997,457**	**$ 2,868,533**
HOW WAS THE MONEY SPENT?										
Contracts	$ 5,989,613	$ 153,063	$ 110,117	$ 361,396	$ 1,263,005	$ 1,967,577	$ 2,500	$ 34,977	$ 1,115,497	$ 981,481
Grants	1,314,878	–	2,574	101,684	686,664	35,188	–	–	–	488,768
Loans and Guarantees	114,484	–	–	–	–	–	–	–	–	114,484
Non-financial Assistance Direct Payments	5,424,341	241,332	286,380	188,452	1,625,653	46,322	–	8,400	1,880,188	1,147,614
Other	520,640	293,862	83,338	51	722	1,194	–	3,515	1,772	136,186
TOTAL AMOUNTS AGREED TO BE SPENT	**$ 13,363,956**	**$ 688,257**	**$ 482,409**	**$ 651,583**	**$ 3,576,044**	**$ 2,050,281**	**$ 2,500**	**$ 46,892**	**$ 2,997,457**	**$ 2,868,533**
WHO DID THE MONEY GO TO?										
Federal Government	$ 3,863,582	$ 375,936	$ 53,217	$ 270,320	$ 596,754	$ 1,494,161	$ 2,500	$ 19,310	$ 226,502	$ 824,882
Non-federal	9,500,374	312,321	429,192	381,263	2,979,290	556,120	–	27,582	2,770,955	2,043,651
TOTAL AMOUNTS AGREED TO BE SPENT	**$ 13,363,956**	**$ 688,257**	**$ 482,409**	**$ 651,583**	**$ 3,576,044**	**$ 2,050,281**	**$ 2,500**	**$ 46,892**	**$ 2,997,457**	**$ 2,868,533**

OIG SUMMARY ON TOP MANAGEMENT CHALLENGES

UNITED STATES DEPARTMENT OF COMMERCE
Office of Inspector General
Washington, D.C. 20230

Summary of the Top Management Challenges Facing the Department of Commerce

The Reports Consolidation Act of 2000 requires federal inspectors general to identify the top management challenges facing their departments. OIG's *Top Management Challenges Facing the Department of Commerce* report for fiscal year (FY) 2016 is aligned with the Department's FYs 2014–2018 Strategic Plan and identifies challenges that must be addressed to attain each of the plan's strategic goals. The full report can be found at www.oig.doc.gov.

1. TRADE AND INVESTMENT: Expand the U.S. economy through increased exports and inward foreign investment that lead to more and better American jobs.

International Trade Administration (ITA) consolidation. ITA must resolve challenges such as developing revised performance plans and providing appropriate training for affected employees, developing an employee engagement plan, and assessing the level of resources throughout ITA headquarters.

Bureau of Industry and Security (BIS) export licensing functions. BIS had originally planned to decommission its legacy export licensing system, Export Control Automated Support System (ECASS), and by 2012 migrate to the Defense Technology Security Agency's (DTSA's) USXPORTS. Migration to USXPORTS was required under the president's export control reform initiative. However, after project delays, in 2014 BIS determined that USXPORTS, in its current state of development, will not meet its operational needs. As a result, BIS implemented license processing capabilities in its existing systems, and thus was able to decommission ECASS. BIS and DTSA have entered into an agreement to enhance USXPORTS to allow other export control agencies to access BIS data in USXPORTS. BIS now needs to assess the costs versus the benefits of this approach, as opposed to its original plan to fully migrate to USXPORTS.

Departmental and bureau grants oversight. The Department and its bureaus with grant programs must incorporate the Office of Management and Budget's (OMB's) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards—which went into effect during the first quarter of FY 2015—mandating how grants are awarded, administered, and audited.

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2. INNOVATION: Foster a more innovative U.S. economy—one that is better at inventing, improving, and commercializing products and technologies that lead to higher productivity and competitiveness.
U.S. Patent and Trademark Office (USPTO) patent examinations. Last year, USPTO temporarily redirected its resources to reduce its backlog of requests for continued examination (RCEs). While USPTO has made progress in reducing the RCE backlog and pendency of unexamined patent applications, it still faces challenges in reducing the patent application backlog and improving patent examination quality.
Patent Trial and Appeal Board (PTAB) timeliness and quality. Since September 2012, PTAB has been increasing the size of its staff to address both the appeals inventory and new proceedings under the America Invents Act. Despite the high rates of increase in PTAB personnel and spending on patent trials and appeals, USPTO is still facing challenges in reducing the ex parte appeal backlog and pendency.
First Responder Network Authority (FirstNet) network implementation. FirstNet— tasked with implementing a nationwide interoperable public safety broadband network—is making progress in establishing an organizational structure and performing consultation and outreach. However, challenges remain concerning the adequacy of funding; statutory requirements for consulting; internal control; and staffing and other organizational issues.
3. ENVIRONMENT: Ensure communities and businesses have the necessary information, products, and services to prepare for and prosper in a changing environment.
National Oceanic and Atmospheric Administration (NOAA) satellite acquisitions. Acquisition and development delays could lead to gaps in NOAA's satellite coverage, potentially degrading its ability to produce actionable environmental information. The Joint Polar Satellite System (JPSS) program's challenge is to keep the JPSS-1 satellite development on track to meet its launch commitment—while taking steps to implement a newly-proposed Polar Follow-On program. The Department must also ensure that the Geostationary Operational Environmental Satellite-R Series (GOES-R) program continues to meet requirements and manage development challenges. The launch of the first GOES-R satellite has been delayed to October 2016, increasing the potential for the GOES fleet to be without ensured coverage should an operational satellite fail.
NOAA observational data processing. NOAA may need to defer or even eliminate planned operational capabilities as it completes complex integration testing for the GOES-R and JPSS-1 missions in order to launch both satellites as soon as possible and mitigate potential data gaps. Post-launch test activities, as well as validation of data flows and products, will need to be closely monitored to ensure timely processing for user availability.

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NOAA National Marine Fisheries Service (Fisheries) data. To increase efficiency and oversight, NOAA Fisheries has considered using emerging electronic technologies, such as video monitoring, to increase coverage and reduce human observer costs, as well as contribute to a more cost-effective and sustainable collection of fishing data. However, NOAA Fisheries has not yet developed a nationwide strategic plan and continues to have each region developing its own plan, with current objectives detailed across multiple policy documents.

4. DATA: Improve government, business, and community decisions and knowledge by transforming Department data capabilities and supporting a data-enabled economy.

2020 Census quality and cost. The Bureau continues to face challenges in achieving cost savings goals while fully utilizing resources needed to achieve design decision and research and testing goals. Moreover, the Bureau still needs to develop a defined schedule for achieving key milestones in order to complete the operational development and systems testing phase and begin readiness testing and execution by FY 2019.

Other Census Bureau challenges. One of the Bureau's key challenges in preparation for the 2020 Census has been to effectively record, collect, and use financial data to guide programmatic decisions. Another decennial challenge has been developing, testing, and implementing a cost-effective, secure 2020 Census IT infrastructure.

Departmental compliance with the Digital Accountability and Transparency Act of 2014 (DATA Act). The DATA Act requires federal agencies to make available detailed information on their spending and use of federal funds and reporting it by specific categories, such as how much funding an agency receives from Congress and how much agencies spend on specific projects and awards. Due to the Department's legacy information systems, providing reliable and consistent agency program information and meeting the goals of the DATA Act will be a significant challenge.

5. OPERATIONAL EXCELLENCE: Deliver better services, solutions, and outcomes that benefit the American people.

The Department's financial systems. For each of the past 3 years, the independent auditor of the Department's annual financial statements reported general IT controls as a Department-wide significant deficiency. Despite the Department's ongoing efforts to implement corrective actions, the independent auditor found that weaknesses still exist and require management's attention. In addition, the lack of centralized and integrated financial management systems to replace Commerce Business Solutions creates challenges for the Department—including the ability to effectively report financial data and monitor financial activity across its operating units.

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Department-wide IT security issues. Addressing persistent IT security issues poses challenges for the Department. These include implementing basic security measures required by National Institute of Standards and Technology's (NIST's) risk management framework; remediating critical and high-risk vulnerabilities as it implements its enterprise cybersecurity monitoring and operations initiative; improving the quality and thoroughness of system security control assessments; and continuing to strengthen its incident detection and response capabilities through its Enterprise Security Oversight Center initiative.

Departmental contracts, acquisition workforce, and procurement data. A government-wide initiative calls for federal agencies to reduce spending on high-risk contract types, such as time-and-materials and labor-hour, cost reimbursement, and noncompetitive contracts. The Department still faces challenges in contract oversight and administration of these contracts. Also, during FY 2014, the Department enhanced its acquisition workforce recruitment efforts by attending college and job fairs, exploring recruitment incentives, and using special hiring authorities. Despite this aggressive recruitment effort, the Department still fell short of its staffing goal due to attritions and retirements. Finally, the Department needs to improve its process for entering accurate and reliable data into the Federal Procurement Data System-Next Generation. This will help provide a comprehensive view into the details of contract spending and increasing the transparency and accountability of the Department for how it spends taxpayer dollars.

Department-wide culture of accountability. One major challenge arises from OIG hotline complaints: detecting and preventing time and attendance abuse, which OIG has investigated at several Departmental operating units. Another challenge involves ensuring that OIG independence and access is more strongly supported. To achieve this, the Department's senior leadership must create a culture that supports OIG's oversight function by encouraging all employees to cooperate with OIG audits, inspections, and investigations.

UNITED STATES DEPARTMENT OF COMMERCE
The Secretary of Commerce
Washington, D.C. 20230

SEP 1 7 2015

MEMORANDUM FOR: David Smith
Acting Inspector General

FROM: Penny Pritzker
Secretary of Commerce

SUBJECT: OIG Report "Top Management Challenges Facing the Department of Commerce in Fiscal Year 2016'

Thank you for the Office of Inspector General's work in assessing the top management and performance challenges facing the Department in the coming fiscal year. We appreciate OIG's work on this effort and value the insights and recommendations your office has delivered.

The Department continues to make solid progress on the five key priorities in our strategic plan. OIG's work will help the Department to be responsive and agile in adapting to the fast-changing needs of the U.S private sector in the 21st century.

We remain committed to focusing resources on overcoming challenges as we work to achieve the vision laid out in our strategic framework.

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Presented below is a summary of financial statement audit and management assurances for FY 2015. Table 1 relates to the Department's FY 2015 financial statement audit, which resulted in an unmodified opinion with no material weakness. Table 2 presents the number of material weaknesses reported by the Department under Section 2 of the Federal Managers' Financial Integrity Act (FMFIA)—either with regard to internal controls over operations or financial reporting, and Section 4, which relates to internal controls over financial management systems; as well as the Department's compliance with the Federal Financial Management Improvement Act (FFMIA).

Table 1. Summary of Financial Statement Audit

- **Audit Opinion:** Unmodified
- **Restatement:** No

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Table 2. Summary of Management Assurances

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA § 2)						
Statement of Assurance:	Unqualified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Total Material Weaknesses	0	0	0	0	0	0
EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS (FMFIA § 2)						
Statement of Assurance:	Unqualified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Total Material Weaknesses	0	0	0	0	0	0
CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS (FMFIA § 4)						
Statement of Assurance:	Systems conform with financial management system requirements					
Non-Conformances	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Total Non-Conformances	0	0	0	0	0	0

COMPLIANCE WITH FFMIA		
	Agency	**Auditor**
1. System Requirements	No lack of substantial compliance noted	No lack of substantial compliance noted
2. Accounting Standards	No lack of substantial compliance noted	No lack of substantial compliance noted
3. U.S. Standard General Ledger at Transaction Level	No lack of substantial compliance noted	No lack of substantial compliance noted

IMPROPER PAYMENTS INFORMATION ACT (IPIA) OF 2002, AS AMENDED, REPORTING DETAILS

IPIA of 2002, as amended by the Improper Payments Elimination and Recovery Act (IPERA) of 2010 and the Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012, requires agencies to periodically review all programs and activities and identify those that may be susceptible to significant improper payments, take multiple actions when programs and activities are identified as susceptible to significant improper payments, and annually report information on their improper payments monitoring and minimization efforts. The Office of Management and Budget's (OMB) Circular A-123, *Management's Responsibility for Internal Control, Appendix C, Requirements for Effective Measurement and Remediation of Improper Payments*, provides guidance to agencies to comply with IPIA, as amended, and for agency improper payments efforts. The Department has not itself identified any programs or activities susceptible to significant improper payments.

On January 29, 2013, the President signed into law the Disaster Relief Appropriations Act (Act), which provides a total of $50.5 billion government-wide in aid for Hurricane Sandy disaster victims and their communities. The National Oceanic and Atmospheric Administration (NOAA) received $326 million of funds under the Act for Hurricane Sandy recovery and other disaster-related activities. Pursuant to OMB Memorandum M-13-07, *Accountability for Funds Provided by the Disaster Relief Appropriations Act* (March 12, 2013), the Department in March 2013 submitted its final plan for accountability, internal controls, and other requirements, for funds provided to NOAA that are deemed by OMB as susceptible to significant improper payments for the purposes of requirements under IPIA of 2002, as amended, and is required to calculate and report an annual improper payments estimate. The Department submitted to OMB in June 2015 a sampling methodology plan for FY 2014 disbursements made under the Act by NOAA. In June 2015, testing of FY 2014 disbursements was completed by an independent contractor. See section II., *Statistical Sampling*, for a brief discussion of the statistical sampling process performed, and see section III., *Improper Payments Reporting for Funds Received by NOAA under Disaster Relief Appropriations Act*, for the statistical sampling results of the FY 2014 disbursements testing.

The Department recognizes the importance of maintaining adequate internal controls to ensure proper payments, and the Department's commitment to continuous improvement in the overall disbursement management process remains high. Each of the Department's payment offices has implemented policies and procedures to detect and prevent improper payments. For FY 2016 and beyond, the Department will continue its efforts to ensure the integrity of its disbursements.

I. Improper Payments Risk Assessments. All agencies must assess the improper payments risk level for each program that is not already reporting an improper payments estimate at least once every three years. (See OMB Circular A-123, Appendix C for additional guidance related to risk assessments). All programs that are assessed for risk in a given year should be listed in this section. In addition, clearly identify the risk-susceptible programs (i.e., programs that are susceptible to significant improper payments based on statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.A.9., Step 2.) identified by the agency risk assessments performed in the fiscal year or required by OMB to be included (OMB may determine, on a case-by-case basis, that certain programs that do not meet the statutory threshold requirements may still be subject to the annual reporting requirements). For the newly identified risk-susceptible programs, indicate the fiscal year in which a rate and amount will be reported (per OMB Circular A-123, Appendix C, Part I.A.9., Step 2. footnote 8 this should be the fiscal year following the

year in which the risk assessment was conducted). Agencies should briefly describe all of the risk assessment(s) performed in the fiscal year (the risk factors examined should be included in the description). Highlight any changes to the risk assessment methodology or results that occurred since the last Agency Financial Report or Performance and Accountability Report.

The Department annually conducts an assessment of the effectiveness of internal control over financial reporting, in compliance with OMB Circular A-123. Furthermore, every three years, the assessment includes a review of internal controls over disbursement processes, including Department-wide sample testing of disbursements for improper payments and for appropriate internal control attributes. The most recent review performed indicated that internal controls over disbursement processes were sound.

Each of the Department's bureaus/reporting entities periodically completes or updates, over a one to three-year period (depending on the size of the entity), improper payments risk assessments covering all of its programs/activities as required by OMB Circular A-123, Appendix C. These improper payments risk assessments of the entity's programs/activities also incorporate improper payments risk assessments every three years of the control, procurement, and grants management environments. The program/activity improper payments risk assessments performed in 2015 address the nine minimum improper payments risk factors set forth in OMB Circular A-123, Appendix C that should be addressed, which are: whether the program or activity reviewed is new to the agency; the complexity of the program or activity reviewed, particularly with respect to determining correct payment amounts; the volume of payments made annually; whether payments or payment eligibility decisions are made outside of the agency, for example, by a state or local government, or a regional federal office; recent major changes in program funding, authorities, practices, or procedures; the level, experience, and quality of training for personnel responsible for making program eligibility determinations or certifying that payments are accurate; the inherent risks of improper payments due to the nature of agency programs or operations; significant deficiencies in the audit reports of the agency including, but not limited to, the agency Inspector General or the U.S. General Accountability Office audit report findings, or other relevant management findings; and results from prior improper payment work.

An October 2014 update to OMB Circular A-123, Appendix C expanded the definition of improper payments to include payments to employees; and, accordingly, in FY 2015, the programs/activities improper payments risk assessments performed in FY 2015 additionally addressed payments to employees to the extent they were not already addressed.

The following table presents a summary of the Department's program/activity improper payments risk assessments performed in 2015; none of these improper payments risk assessments performed in 2015 (or in prior years) revealed any programs or activities considered susceptible to significant improper payments.

SUMMARY OF PROGRAMS/ACTIVITIES FOR WHICH IMPROPER PAYMENTS RISK ASSESSMENTS WERE PERFORMED IN 2015

Program/Activity	FY 2015 Improper Payments Below Statutory Thresholds?	Considered Susceptible to Significant Improper Payments?
Economic Development Administration		
Global Climate Change Mitigation Fund	Yes	No
Research and Evaluation	Yes	No
Technical Assistance	Yes	No
Trade Adjustment	Yes	No
International Trade Administration		
Executive Direction and Administration	Yes	No
Enforcement and Compliance	Yes	No
National Institute of Standards and Technology		
Grants and Other Cooperative Agreements Payments	Yes	No
Payments to Employees	Yes	No
Non-federal Memorandums of Understanding Payments	Yes	No
Customer Refund Payments	Yes	No
Miscellaneous Payments	Yes	No
National Oceanic and Atmospheric Administration		
Grants and Other Cooperative Agreements Payments	Yes	No
Payroll	Yes	No
National Telecommunications and Information Administration		
Selected Programs/Activities included in the Digital Television Transition and Public Safety Fund	Yes	No
Telecommunications and Information Policy Development and Management, Spectrum Management	Yes	No
Public Telecommunications Facilities Program	Yes	No
Information Infrastructure Grants Program (also known as Technology Opportunities Program)	Yes	No
First Responder Network Authority (FirstNet)	Yes	No
Non-FirstNet Activities included in Public Safety Trust Fund and in Network Construction Fund	Yes	No

II. Statistical Sampling. Any agency that has programs or activities that are susceptible to significant improper payments based on statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.A.9., Step 1. and are reporting an improper payments rate under section III. below shall briefly describe the statistical sampling process conducted to estimate the improper payments rate for each program identified as being susceptible to significant improper payments. Agencies that were granted OMB approval to use an alternative sampling and estimation methodology must also include the justification for using the alternative methodology (i.e., explain why the agency was not able to follow the requirements in OMB Circular A-123, Appendix C, Part I.A.9., Step 2.). In addition, briefly highlight any changes to any sampling and estimation plans that have occurred since the last Agency Financial Report or Performance and Accountability Report. If an agency would like to provide more detailed information about its risk assessment or statistical sampling process, please post this information on the agency website and provide a link to this website in the report (e.g., "Additional information about the Department of ABC's statistical sampling process can be found at *www.abc.gov/improperpayments/statisticalsampling*").

As previously discussed, an independent contractor performed statistical sampling of FY 2014 NOAA disbursements of funds received under the Disaster Relief Appropriations Act, in order to yield a statistically valid improper payments estimate, as required by OMB Circular A-123, Appendix C. The independent contractor obtained the population of FY 2014 disbursements, excluding disbursements within the federal government, and determined a pilot (that later could be expanded if necessary) single-stage stratified random sample using the absolute value of the disbursement amount to define the stratum dollar ranges. Stratified samples are highly efficient designs that allow confidence and precision levels to be reached with smaller samples when compared to simple random sampling. A single certainty or take-all stratum was defined for disbursement amounts that were large relative to the rest of the population, to help ensure that large amounts would be covered in the sample review, as well as to help improve the precision of the statistical estimates at the time of estimation. The remaining disbursements were stratified into similar groups, or strata, based upon absolute disbursement amounts. The non-certainty stratum dollar ranges were initially determined to approximately equalize the population size multiplied by the estimated standard error within each stratum and then were slightly modified to improve efficiency. The independent contractor tested each sample item selected for improper payments—see section III., *Improper Payments Reporting for Funds Received by NOAA under Disaster Relief Appropriations Act*, for a discussion of the statistical sampling results of the FY 2014 disbursements testing—and determined that the pilot sample did not need to be expanded.

III. Improper Payments Reporting for Funds Received by NOAA under Disaster Relief Appropriations Act.

The table that follows is required for each agency that has programs and activities reporting under OMB Circular A-123 Appendix C, Part I.A.9., Step 2. or Part I.A.14., or for programs that OMB has automatically deemed susceptible to significant improper payments (please see footnote 8 under Part I.A.9., Step 2. for reporting timing expectations) regardless of whether the program or activity has improper payments exceeding the statutory thresholds listed in OMB Circular A-123 Appendix C Part I.A.9., Step 1. Where no measurement is provided, the agency should indicate the date by which a measurement is expected and add a note to explain why there was no measurement. If the current year is the baseline measurement year, and there is no previous year information to report, indicate by either note or by "N/A" in the Prior Year column. If any of the dollar amount(s) included in the estimate correspond to newly established measurement components in addition to previously established measurement components, separate the two amounts to the extent possible. Agencies are expected to report on current year activity, and if not feasible, then prior year activity is acceptable if approved by OMB. (Agencies should clearly indicate [such as with a note] when the current year is different from the fiscal year covered by the Agency Financial Report/Performance and Accountability Report. Agencies should include future year outlay and improper payments estimates for Current

Year +1, +2 and +3 (future year outlay estimates should match the outlay estimates for those years as reported in the most recent President's Budget). Activity for improper payments reporting in the table is defined as the time frame of the payments tested. Reduction targets for out years must be lower than current year improper payments percentages as is implied by the word 'reduction,' unless otherwise approved by OMB. If an agency establishes a reduction target that does not decrease (e.g., a target that is constant or increasing), the reason(s) for establishing such a target must be clearly explained in a footnote to the table (a constant reduction target at zero percent does not require a footnote).

As previously discussed, an independent contractor performed statistical sampling of FY 2014 NOAA disbursements of funds received under the Disaster Relief Appropriations Act, in order to yield a statistically valid improper payments estimate as required by OMB Circular A-123, Appendix C. The independent contractor determined that all sample items tested for improper payments, which amounted to $21.2 million, were found to be properly disbursed; and, as a result, determined that the estimated amount improperly disbursed is zero. As no improper payments were found, the resulting precision of the estimate is zero percent (less than the required 2.5 percent), with 90 percent confidence.

The following table is reported with regard to the funds received by NOAA under the Act.

IMPROPER PAYMENTS (IP) REDUCTION OUTLOOK FOR FUNDS RECEIVED BY NOAA UNDER THE DISASTER RELIEF APPROPRIATIONS ACT
(Dollars in Millions)

Activity	FY 2014 Outlays, Gross	FY 2014 IP Percent	FY 2014 IP	FY 2014 Over-payments	FY 2014 Under-payments	FY 2015 Outlays, Gross	Estimated FY 2015 IP Percent	Estimated FY 2015 IP	FY 2015 Over-payments	FY 2015 Under-payments
Funds Received by NOAA under Disaster Relief Appropriations Act	$80.77	0.00%	$ –	$ –	$ –	$113.12	0.00%	$ –	$ –	$ –

(continued)

Activity	Estimated FY 2016 Outlays, Gross	Estimated FY 2016 IP Percent	Estimated FY 2016 IP	Estimated FY 2017 Outlays, Gross	Estimated FY 2017 IP Percent	Estimated FY 2017 IP	Estimated FY 2018 Outlays, Gross	Estimated FY 2018 IP Percent	Estimated FY 2018 IP
Funds Received by NOAA under Disaster Relief Appropriations Act	$52.26	0.00%	$ –	$29.96	0.00%	$ –	$4.23	0.00%	$ –

High-Priority Programs: For high-priority programs, agencies shall provide a basic summary discussing the supplemental measures, the frequency of each supplemental measurement (i.e., how often will the area be measured and reported on PaymentAccuracy.gov), the measurement baseline, a discussion of how information from this measurement will help the program reduce improper payments, and the actual (or planned) targets, including any reasons for meeting, exceeding, or failing to meet the supplemental targets.

The Department does not have any programs/activities that OMB has determined to be a "high-priority" program with regard to improper payments under Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in Federal Programs* (November 23, 2009).

IV. Improper Payment Root Cause Categories. The table that follows is required for each agency that has programs and activities reporting under OMB Circular A-123, Appendix C, Part I.A.9., Step 2. or Part I.A.14. regardless of whether the program or activity has improper payments exceeding the statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.A.9., Step 1. The matrix cells shall be filled out with a separate program column for each program that has been deemed susceptible to significant improper payments and is reporting an improper payments estimate. In the matrix, columns A and B include two categories based on the type of improper payments (i.e., overpayments and underpayments), and rows 1 through 13 include 13 categories for the causes of the improper payments. Each program shall distribute its estimate of improper payments (which is based on dollars, as opposed to number of occurrences or percentages) across the cells in columns A and B in the matrix for each program—with the understanding, of course, that not every cell will apply to every program. Agencies may create sub-categories under the categories provided by OMB in the matrix template above if an agency is able to break any of the provided categories down into more detail. Please see OMB Circular A-123, Appendix C, Part I.C.1. for more detailed information related to completing the matrix above.

There were no improper payments reported for FY 2014 for NOAA disbursements of funds received under the Disaster Relief Appropriations Act, as displayed in the table in section III. above.

V. Corrective Actions. For all programs and activities as determined under OMB Circular A-123, Appendix C, Part I.A.9., Step 2. with improper payments exceeding the statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.A.9.,Step 1., agencies shall identify the reasons their programs and activities are susceptible to significant improper payments and put in place a corrective action plan to reduce them. The agency shall describe the corrective action plans for:

a. **Reducing the estimated improper payments rate and amount for each type of root cause identified in the table categories matrix reported in section IV. This discussion must include the corrective action(s), taken or planned, most likely to significantly reduce future improper payments due to each type of error an agency identifies, the planned or actual completion date of these actions, and the results of the actions taken to address these root causes. If efforts are ongoing, it is appropriate to include that information in this section, and to highlight current efforts, including key milestones.**
b. **High-priority Programs: IPERIA requires agencies to tailor their corrective actions for high-priority programs. Therefore, any agency that has any programs identified as high-priority shall explain how it has specifically tailored its corrective actions for high-priority programs to better reflect the unique processes, procedures, and risks involved in each specific high-priority program. IPERIA also requires each agency that has any programs identified as high-priority to report: any action the agency has taken—or plans to take—to recover improper payments; and any action the agency intends to take to prevent future improper payments.**

The Department does not have any programs/activities that have improper payments exceeding the statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.A.9., Step 1., which are defined as gross annual improper payments (i.e., the total amount of overpayments and underpayments) in the program exceeding (1) both 1.5 percent of program outlays and $10 million of all program or activity payments made during the fiscal year reported; or (2) $100 million (regardless of the improper payments percentage of total program outlays).

While the Department does not have a current need for corrective actions plans for improper payments for risk-susceptible programs/activities, the Department has continuous processes in place and actively works with each of the Department's payment offices to identify and implement additional procedures to prevent and detect improper payments. In FY 2015, the Department continued with the bureaus' quarterly reporting of improper payments, and payment recaptures data, to the Department's Deputy Chief Financial Officer (CFO) and Director for Financial Management, along with identifying the nature of larger improper payments and identifying any necessary control enhancements. The Department has additionally reviewed all financial statement audit findings/comments and results of any other payment reviews for indications of breaches of disbursement controls. None of these audit findings/comments or reviews have uncovered any significant problems with the internal controls that surround disbursements.

VI. Internal Control over Payments. The table that follows is required for each agency that has programs and activities as determined under OMB Circular A-123, Appendix C, Part I.A.9.,Step 2. with improper payments exceeding the statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.A.9., Step 1. Agencies shall briefly summarize the status of internal control over payments using: (1) a single narrative explaining efforts undertaken to provide reasonable assurance that internal controls over payments are in place and operating effectively; and (2) a table illustrated below. The primary purpose of the summary is to provide a thoughtful analysis linking agency efforts in establishing internal controls and reducing improper payments rates. Agencies do not need to create a separate narrative for each program they are addressing in this section; rather, the agency may report using one narrative that encompasses the information for all of the programs reporting under the requirements of this section. Agencies should leverage existing internal control plans and at a minimum should address the internal control standards provided in OMB Circular A-123, Appendix C, Part II.C.2. An illustrative example for the table is provided below. The programs listed at the top of each column would be the programs susceptible to significant improper payments, under OMB Circular A-123, Appendix C, Part I.A.9., Step 1. that are currently reporting improper payments.

The Department does not have any programs/activities that have improper payments exceeding the statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.A.9., Step 1., which are defined as gross annual improper payments (i.e., the total amount of overpayments and underpayments) in the program exceeding (1) both 1.5 percent of program outlays and $10 million of all program or activity payments made during the fiscal year reported; or (2) $100 million (regardless of the improper payments percentage of total program outlays).

The Department annually conducts an assessment of the effectiveness of internal control over financial reporting, in compliance with OMB Circular A-123. Furthermore, every three years, the assessment includes a review of internal controls over disbursement processes, including Department-wide sample testing of disbursements for improper payments and for appropriate internal control attributes. The most recent review performed indicated that internal controls over disbursement processes were sound.

As described in section II., *Improper Payments Risk Assessments*, none of the improper payments risk assessments performed in 2015 or in prior years have revealed programs or activities considered susceptible to significant improper payments.

VII. Accountability. For all programs and activities as determined under OMB Circular A-123, Appendix C, Part I.A.9., Step 2. with improper payments exceeding the statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.A.9., Step 1., agencies shall describe the steps the agency has taken and plans to take (including timeline) to ensure that agency managers, accountable officers (including the agency head), programs, and states and localities (where appropriate) are held accountable for reducing and recapturing improper payments. Specifically, they should be held accountable for meeting applicable improper payments reduction targets and establishing and maintaining sufficient internal controls (including an appropriate control environment) that effectively prevents improper payments from being made and promptly detects and recaptures any improper payments that are made.

The Department does not have any programs/activities that have improper payments exceeding the statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.A.9., Step 1., which are defined as gross annual improper payments (i.e., the total amount of overpayments and underpayments) in the program exceeding (1) both 1.5 percent of program outlays and $10 million of all program or activity payments made during the fiscal year reported; or (2) $100 million (regardless of the improper payments percentage of total program outlays).

The Department recognizes the importance of maintaining adequate internal controls to ensure proper payments, and its commitment to continuous improvement in disbursement management processes remains very strong. The Department's CFO and Assistant Secretary for Administration has responsibility for establishing policies and procedures for assessing Departmental and program risks of improper payments, taking actions to reduce improper payments, and reporting the results of the actions to Departmental Management (DM) for oversight and other actions as deemed appropriate. The CFO and Assistant Secretary for Administration has designated the Deputy CFO and Director for Financial Management to oversee initiatives related to reducing improper payments within the Department, and to work closely with the bureau CFOs in this area.

In FY 2015, the Department continued its reporting procedures that required quarterly reporting to the Department by its bureaus on any improper payments, identifying the nature and magnitude of any improper payments along with any necessary control enhancements to prevent further occurrences of the types of improper payments identified. The Department's analysis of the data collected from the bureaus shows that Department-wide improper payments were at or below two-tenths of one percent in FY 2015 and FY 2014. The bureau CFOs are accountable for internal controls over improper payments; and, for monitoring, minimizing, and recapturing improper payments, and implementing corrective actions as appropriate.

For FY 2016 and beyond, the Department will continue its efforts to ensure the integrity of its disbursements.

VIII. Agency Information Systems and Other Infrastructure.

a. **For all programs and activities as determined under OMB Circular A-123, Appendix C, Part I.A.9., Step 2., with improper payments exceeding the statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.A.9., Step 1., agencies shall describe whether the agency has the internal controls, human capital, and information systems and other infrastructure it needs to reduce improper payments to the levels the agency has targeted.**

b. **If the agency does not have such internal controls, human capital, and information systems and other infrastructure, describe the resources the agency requested in its most recent budget submission to Congress to establish and maintain the necessary internal controls, human capital, and information systems and other infrastructure.**

The Department does not have any programs/activities that have improper payments exceeding the statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.A.9., Step 1., which are defined as gross annual improper payments (i.e., the total amount of overpayments and underpayments) in the program exceeding (1) both 1.5 percent of program outlays and $10 million of all program or activity payments made during the fiscal year reported; or (2) $100 million (regardless of the improper payments percentage of total program outlays).

The Department has ensured that sound internal controls, manual, as well as financial systems, relating to payments are in place throughout the Department, and has reviewed all financial statement audit findings/comments and results of any other payment reviews for indications of breaches of disbursement controls. None of these audit findings/comments or reviews have uncovered any significant problems with the internal controls that surround disbursements.

IX. Barriers. For all programs and activities as determined under OMB Circular A-123, Appendix C, Part I.A.9., Step 2. with improper payments exceeding the statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.A.9., Step 1., agencies shall describe any statutory or regulatory barriers, which may limit the agency's corrective actions in reducing improper payments and actions taken by the agency to mitigate the barriers' effects.

The Department does not have any programs/activities that have improper payments exceeding the statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.A.9., Step 1., which are defined as gross annual improper payments (i.e., the total amount of overpayments and underpayments) in the program exceeding (1) both 1.5 percent of program outlays and $10 million of all program or activity payments made during the fiscal year reported; or (2) $100 million (regardless of the improper payments percentage of total program outlays).

The Department has not identified any significant barriers that limit actions to reduce improper payments.

X. Overpayments Identified in FY 2015 and FY 2015 Recaptures of Overpayments.

a. Payment Recapture Audits Narrative. See OMB Circular A-123, Appendix C, Part I.D. for more information about payment recapture audits. All programs and activities that expend $1 million or more annually—including grants, benefits, loans, and contracts programs—shall be considered for payment recapture audits. An agency shall discuss payment recapture audit efforts, if applicable. The discussion should describe:

i. The agency's payment recapture audit program;

ii. The actions and methods used by the agency to recoup overpayments;

iii. A justification of any overpayments that have been determined not to be collectable;

iv. Any actions the agency has taken during the current fiscal year or intends to take in future fiscal years to recapture and/or prevent improper payments;

v. A list of all agency recapture audit contract programs; and

vi. Any conditions giving rise to improper payments and how those conditions are being resolved (e.g., the business process changes and internal controls instituted and/or strengthened to prevent further occurrences).

b. Programs Excluded from the Payment Recapture Audit Program. If the agency has excluded any programs or activities from review under its payment recapture audit program (including any programs or activities where the agency has determined a payment recapture audit program is not cost-effective), the agency must:

- **List all of the programs and activities where it has been determined conducting a payment recapture audit program would not be cost-effective (whether determination occurred in the current year or in a prior year);**
- **Indicate when OMB was notified (month and year) that it was not cost effective to conduct a payment recapture audit and the program would be excluded from a payment recapture audit program; and**
- **Provide the justification and a summary of the analysis that is used to determine that conducting a payment recapture audit program for the program or activity was not cost effective (i.e., a discussion of the analysis conducted to determine that a payment recapture audit program would not be cost-effective).**

In conformity with IPIA, as amended, the Department has been performing, since 2005, annual payment recapture audits of closed contracts/obligations for many of the Department's bureaus/reporting entities on a rotational basis. In recent years, these payment recapture audits have been performed by an independent contractor; however, in the past, these payment recapture audits have also been conducted by the Department's Office of Financial Management. Effective 2012, the scope of payment recapture audits of contracts/obligations was expanded to additionally include contracts/obligations for which the period of performance ended and last payment was made, however for which the closeout process has not yet been completed.

Annual payment recapture auditing is additionally performed by an independent contractor, effective 2011, for Department-wide grants and other cooperative agreements (i.e., financial assistance). Per OMB Circular A-123, Appendix C, intragovernmental transactions are not required to be reviewed.

In May 2011, the Department completed an evaluation of possible additional categories of disbursements for which payment recapture auditing could be performed, if cost-effective, as discussed below, held a meeting with OMB to discuss the Department's evaluation, and provided the written summary of the evaluation to OMB.

The Department's evaluation of payroll disbursements in May 2011 determined that it would likely not be cost-effective to perform payment recapture auditing for payroll disbursements. Payroll-administration services are primarily provided to the Department by the U.S. Department of Agriculture's National Finance Center (NFC). Based on the Department's review of available risk assessments and audits/reviews, at that time, the Department's payroll processes were rated at a low risk and only had a few minor audit and review findings. Further, no significant payroll improper payments had been identified by the bureaus. The latest audit report at that time regarding the adequacy of the internal controls of NFC as a servicing organization revealed no significant issues. The Department will reevaluate, in 2016, whether payment recapture auditing should be performed, if considered cost-effective, for payroll and other payments to employees. The results of the upcoming 2016 internal control review of the Department's disbursement processes, which includes transaction sample testing, will assist in this evaluation.

With regard to loan disbursements, NOAA is currently the only bureau with loan disbursements. As part of NOAA's internally-conducted reviews and testing processes, NOAA loan disbursements are significantly tested every three years for both internal controls and improper payments, and the disbursement testing for improper payments is considered to be essentially equivalent to a payment recapture audit. Regarding the NOAA Corps Retirement System and the NOAA Corps Health Benefits benefit programs, these programs are cross-serviced for disbursements by the U.S. Department of Defense; and, therefore, are not subject to payment recapture auditing by the Department.

For payment recapture audits, the auditor analyzes the reasons why any payment errors occurred, and develops, presents, and documents any recommendations for cost-effective controls to prevent improper payments in the future and/or to enhance the applicable bureau processes.

Payment recapture audits of contracts/obligations were completed in February 2015 by an independent contractor for DM/Salaries and Expenses (S&E), DM/Working Capital Fund, the Economic Development Administration (EDA/S&E), the Economics and Statistics Administration/Bureau of Economic Analysis (ESA/BEA), and the International Trade Administration (ITA). Contracts/obligations greater than $100 thousand which were closed out, or for which the period of performance ended and last payment was made but for which the closeout process had not yet been completed after April 1, 2013 and through March 31, 2014, were reviewed. Intragovernmental transactions and payments to employees were excluded from review as discussed above. Travel payments, bankcards/purchase cards, government bills of lading, and gifts and bequests were also excluded from review. The Department determined that, for these categories of transactions, the Department's costs for the payment recapture audit activities would likely exceed the benefits of payment recapture audits. As part of the payment recapture audits, vendor inquiries were performed for a sample of vendors to determine if the reporting entities had any open credits or debts with those vendors. Of the $7.5 million reviewed for improper payments, $4 thousand of overpayments were identified for payment recapture, and no underpayments were identified.

A payment recapture audit of Department-wide grants and other cooperative agreements was completed in February 2015 by an independent contractor. The applicable bureaus/entities were: EDA, ITA, Minority Business Development Agency (MBDA), National Institute of Standards and Technology (NIST), NOAA, and National Telecommunications and Information

Administration (NTIA). The audit consisted of two different populations: (a) sustained disallowed costs of $10 thousand or more for grants and other cooperative agreements per Single Audit Act audit reports, grant/cooperative agreement-specific audits, and Office of Inspector General (OIG) audits or reviews, issued between April 1, 2013 and through March 31, 2014; and (b) grants and other cooperative agreements for which the period of performance expired during the timeframe of January 1, 2013 through December 31, 2013, and greater than $100 thousand, and which were not subjected to any of the types of audits or reviews indicated in item (a) above. Of the $1.93 billion million reviewed for improper payments, no overpayments or underpayments were identified.

The contractor also completed in February 2015 a review of the statuses of sustained disallowed costs of $10 thousand or more, issued between April 1, 2013 and through March 31, 2014. Sustained disallowed costs could result, for example, from Single Audit Act audit reports related to grants/cooperative agreements, OIG audits or reviews, post-payment reviews, closeout reviews, grant/cooperative agreement-specific audits or reviews, and contracts/obligations-specific audits or reviews. The statuses of the sustained disallowed costs provided by the contractor are utilized by the Department for its comprehensive improper payments, and recaptures efforts, including reporting, monitoring, recapturing, and corrective actions; the statuses are further followed up on by the Department as appropriate.

Of the cumulative $163 thousand that was identified for recapture in payment recapture audits completed to date, $96 thousand has been recaptured to date, $63 thousand was subsequently determined by the Department to be proper payments, and $4 thousand has not yet been recaptured.

c. Payment Recapture Audit Reporting. Complete the table below and include each program or activity that expends $1 million or more annually and either conducts a payment recapture audit or recaptures payments outside of a payment recapture audit (if any of this information is not available indicate by either note or by “N/A” in the relevant column or cell). Agencies may include a footnote to list the programs or activities that do not have a recovery audit program in place. Programs or activities where the agency has determined a payment recapture audit program is not cost effective should still be listed in the table below if they have overpayments recaptured outside of a payment recapture audit (see the Overpayments Recaptured Outside of Payment Recapture Audits section below for more information). Note that these will be payments that were identified and/or recaptured in the current reporting year; however, the actual payment itself may have been made in a prior reporting year or in the current reporting year.

d. Overpayments Recaptured Outside of Payment Recapture Audits. As applicable, agencies should also report on improper payments identified and recaptured through sources other than payment recapture audits. For example, agencies could report on improper payments identified through: statistical samples conducted under IPIA of 2002; agency post-payment reviews or audits; OIG reviews; Single Audit reports; self-reported overpayments; or reports from the public. Agencies should use the *Overpayments Recaptured Outside of Payment Recapture Audits* section of the table to report this information. Note that these will be payments that were identified and/or recaptured in the current reporting year; however, the actual payment itself may have been made in a prior reporting year or in the current reporting year.

Beyond the Department’s payment recapture audits program, the Department has extensive improper payments monitoring, minimization, recapturing, and corrective actions efforts in place, including the identification of improper payments through bureau post-payment reviews, OIG audits or reviews, Single Audit Act audits of grants/cooperative agreements, other grants/cooperative agreements audits, contract closeout reviews, grants/cooperative agreements closeout reviews, other audits or reviews, and Department-wide sample testing of disbursements under internal controls testing.

The following table summarizes (1) the results of payment recapture audits completed in 2015; and (2) the Department's FY 2015 overpayments identified, and overpayments verified as recaptured, through sources other than payment recapture audits. For Overpayments Identified Outside of Payment Recapture Auditing reporting, the Overpayments Recaptured column includes both (a) recaptures of overpayments during FY 2015 of overpayments reported in FY 2015; and (b) recaptures of overpayments that were previously identified in prior fiscal years.

OVERPAYMENTS IDENTIFIED IN FY 2015 AND FY 2015 RECAPTURES OF OVERPAYMENTS

(In Millions)

Bureau/ Reporting Entity	Overpayments Identified in FY 2015 from Payment Recapture Audits									Overpayments Identified in FY 2015 outside of Payment Recapture Audits	
	Contracts			Grants			Total				
	Amounts Reviewed	Overpayments Identified	Overpayments Recaptured	Amounts Reviewed	Overpayments Identified	Overpayments Recaptured	Amounts Reviewed	Overpayments Identified	Overpayments Recaptured	Overpayments Identified	Overpayments Recaptured[1]
BIS	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	$ 0.074	$ 0.071
Census Bureau	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.358	0.169
Census Bureau – Unsupported Costs Finding by OIG	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6.384	–
DM/S&E	$ 2.056	$ –	N/A	N/A	N/A	N/A	$ 2.056	$ –	N/A	0.012	0.007
DM/WCF	1.586	–	N/A	N/A	N/A	N/A	1.586	–	N/A	–	0.004
EDA	0.724	0.004	$ –	$ 57.928	$ –	N/A	58.652	0.004	$ –	1.059	1.016
ESA/BEA	0.721	–	N/A	N/A	N/A	N/A	0.721	–	N/A	–	–
ITA	2.452	–	N/A	1.684	–	N/A	4.136	–	N/A	0.019	–
MBDA	N/A	N/A	N/A	0.300	–	N/A	0.300	–	N/A	–	–
NIST	N/A	N/A	N/A	146.538	–	N/A	146.538	–	N/A	2.663	3.622
NIST – Unsupported Costs Finding by OIG	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3.536	–
NOAA	N/A	N/A	N/A	565.100	–	N/A	565.100	–	N/A	1.748	1.782
NOAA – Unsupported Costs Finding by OIG	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	14.880	–
NTIA	N/A	N/A	N/A	1,161.828	–	N/A	1,161.828	–	N/A	0.173	0.135
NTIS	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.009	–
OIG	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.020	0.018
USPTO	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.333	0.066
Total	$ 7.539	$ 0.004	$ –	$ 1,933.378	$ –	$ –	$ 1,940.917	$ 0.004	$ –	$ 32.268	$ 6.890

N/A – Not applicable

[1] Includes both (a) recaptures of overpayments during FY 2015 of overpayments that were reported in FY 2015; and (b) recaptures of overpayments that were previously reported in prior fiscal years.

The Department's OIG issued on December 3, 2014 the following report, which includes a finding of unsupported costs for the U.S. Patent and Trademark Office (USPTO), for which the Department's Office of Financial Management has not yet concluded its process of determining if the OIG finding of unsupported costs should be included in the Department's improper payments reporting, in full or in part: *U.S. Patent and Trademark Office, The U.S. Patent and Trademark Office's Awarding and Administering of Time-and-Materials and Labor-Hour Contracts Needs Improvement* (OIG-15-012-A). The Department's Office of Financial Management and USPTO have held discussions with regard to the above noted OIG finding and will continue these discussions along with conducting any other necessary procedures, with the objective of arriving at a determination in 2016 as to whether the OIG finding of unsupported costs should be included in the Department's next improper payments reporting for FY 2016, in full or in part.

e. Payment Recapture Audit Program Targets. If an agency has a payment recapture audit program in place, then the agency is required to establish annual targets to drive their annual performance. The targets shall be based on the rate of recovery. Agencies are expected to report current year amounts and rates, as well as recapture rate targets for two years (Current Year +1 and Current Year +2). Agencies are encouraged to set targets that show an increase in recapture rate over time. (Agencies should clearly indicate [such as with a footnote] when the current year is different from the fiscal year covered by the Agency Financial Report/ Performance and Accountability Report).

The Department's target payment recapture rate is 100 percent of improper payments identified for recapture in payment recapture audits. Since 2005, the Department has recaptured $96 thousand of the $163 thousand of improper payments identified for payment recapture; $63 thousand that was identified in previous payment recapture audits for recapture was subsequently determined by the Department to be proper payments, and $4 thousand has not yet been recaptured as described in subsection f.

f. In addition, agencies shall report the following information on their Overpayments Recaptured through Payment Recapture Audits in a table, if applicable:

i. A summary of how amounts recaptured through payment recapture audits in the current year have been disposed of (if any of this information is not available indicate by either note or by "N/A" in the relevant column or cell). Agencies may also include a short narrative to accompany the table if desired.

The Department has not yet recaptured the $4 thousand of overpayments identified for recapture in the payment recapture audit of contracts/obligations of EDA/S&E completed in February 2015.

ii. An aging schedule of the amount of overpayments identified through the payment recapture audit program that are outstanding (i.e., overpayments that have been identified but not recaptured) shall be displayed in a table. Typically, the aging of an overpayment begins at the time the overpayment is detected—please indicate with a note whenever that is not the case.

AGING OF OUTSTANDING OVERPAYMENTS IDENTIFIED IN PAYMENT RECAPTURE AUDIT
(In Millions)

Bureau/ Reporting Entity	Type of Payment	Amount Outstanding (0–6 Months)	Amount Outstanding (6 Months–1 Year)	Amount Outstanding (Over 1 Year)	Amount Determined to Not be Collectible
EDA	Contract	$ –	$ 0.004	$ –	$ –

XI. Additional Comments. Discuss any additional comments, if any, on overall agency efforts, specific programs, best practices, or common challenges identified, as a result of IPIA, IPERA, and/or IPERIA implementations.

The Department's Disbursement Best Practices. The following are some examples of internal control procedures used by the Department's payment offices:

- Limited/controlled access to vendor files—access to basic vendor information (e.g., name, address, and business size) is available to financial system users; access to banking information, however, is strictly limited by system security to certain Office of Finance staff.
- Controlled access to financial system accounts payable screens—authority to create, edit, approve, process, and amend payment records is limited to certain Office of Finance financial system users. Also, authority to add or revise records in the vendor database is limited to separate Office of Finance financial system users.
- Segregation of duties for financial system data entry and review prior to transmitting disbursement files to the U.S. Department of the Treasury (Treasury)—data entry duties are assigned to technicians in the Office of Finance who do not have authority to review and process payments. Authority to approve and process payments is assigned to accountants in the Office of Finance. Both data entry and approval/processing of payments are separate functions from transmitting disbursement files to Treasury.
- Financial system edit reports highlight potential items that may result in improper payments (e.g., invoice amount and accrual amount are not the same). There is a daily Invoice Workload Report that displays open amounts (not closed by a payment) on all invoices. This report is reviewed and action is taken to resolve partially open invoices. Furthermore, system settings prevent a payment in excess of the amount of the invoice.
- Daily pre-payment audit of invoices for accuracy, and corrective actions prior to disbursement, are in place, thereby preventing improper payments from occurring.
- Financial system edit checks if the vendor's name on the payment does not agree with that on the obligation, or if the payment amount is greater than the obligation or accrual amount.
- The monthly vendor statement for purchase cards is interfaced into the financial system, thereby reducing data entry error.
- An accountant or supervisor reviews individual payments before releasing for payment to help ensure that the correct banking information or payment addresses are used, and that the correct amount will be paid.
- Monthly post-payment random sample audits are performed for detection purposes.
- Contracts include a clause requiring the contractor to notify the contracting officer if the government overpays when making an invoice payment or a contract financing payment.

XII. Agency Reduction of Improper Payments with the Do Not Pay Initiative. IPERIA requires pre-payment and pre-award reviews by each agency to determine program or award eligibility and to prevent improper payments before the release of any Federal funds. The procedures must ensure that a thorough review on eligibility occurs with relevant information of available databases.

IPERIA also requires OMB to submit to the Congress an annual report, "which may be included as part of another report submitted to Congress by the Director, regarding the operation of the Do Not Pay Initiative, which shall: (A) include an evaluation of whether the Do Not Pay Initiative has reduced improper payments or improper awards; and (B) provide the frequency of corrections or identification of incorrect information." To support this requirement, all agencies shall provide a brief narrative discussing the agency's actions attributable to the Do Not Pay Initiative and respective databases on an annual basis, regardless of the agency's susceptibility to improper payments. This narrative shall include an evaluation of whether the Do Not Pay Initiative has reduced improper payments or improper awards; identify the frequency of corrections or identification of incorrect information; and include completion of the table that follows. Include a table reflecting the dollar amounts and the number of payments reviewed for improper payments between October 1 through September 30, 20XX. Agencies should complete the table, in numbers and dollars, with payment reviews for all databases, and include a footnote listing the databases used for payment screening (whether included in IPERIA or not). The Do Not Pay Business Center will provide summary information to OMB on behalf of their customer agencies.

Pursuant to OMB Memorandum M-12-11 dated April 12, 2012, *Reducing Improper Payments through the "Do Not Pay List,"* the Department in December 2012 submitted a final plan to OMB for its use of the Do Not Pay Portal for pre-payment eligibility reviews. Furthermore, the Department at that time completed evaluations of the use of the Do Not Pay solution for pre-award eligibility reviews for contracts and grants. The evaluations were to determine if the benefits from the portal checking of available databases and/or the Data Analytics Services merit the additional procedures. The Department determined existing pre-award eligibility review processes and databases checked are adequate for preventing improper contract and grant awards. The Department determined, however, that Treasury's Debt Check database may be a beneficial tool for use in pre-award evaluations of grant applications. Currently, the Department is in the process of implementing the use of the Do Not Pay portal for pre-award checking to Treasury's Debt Check database for grants applications.

The Department's payment offices, between January and June 2013, implemented the Department's OMB-approved plan to perform weekly, or daily (the Census Bureau), pre-payment eligibility reviews to the following Do Not Pay portal databases for the Department's domestic, non-classified, non-employee-related, non-intragovernmental disbursements: (a) Social Security Administration's Death Master File (DMF); (b) the U.S. General Services Administration's System for Award Management (SAM) Exclusion Records; and (c) SAM Entity Registration Records (excluding the Census Bureau).

The pre-payment checking performed by the Department excludes pre-payment eligibility reviews of grantees under Treasury's Automated Standard Application for Payments (ASAP), as Treasury performs continuous monitoring to the Do Not Pay portal of ASAP grantees. Bureau payment and acquisition offices, as appropriate, follow up on vendors initially matched to the Do Not Pay portal databases checked to, and perform further research as necessary to follow through and resolve the issues identified by the Do Not Pay portal matches. In most cases, the initial matches are subsequently determined by the Department to be false matches. Other Departmental offices are also consulted as appropriate.

Furthermore, the Department's payment offices receive, from the Do Not Pay portal, monthly reports listing any match results of payments made to the following databases: (a) DMF; and (b) SAM Exclusion Records. Payment offices research and follow up on matches, as appropriate, and submit to the Do Not Pay portal monthly Adjudication Reports summarizing the results of their efforts.

Since the inception of the payment offices' Do Not Pay portal pre-payment eligibility reviews and reviews of the Do Not Pay portal post-payment match reports, the Department has not had any significant true matches to DMF and SAM Exclusion Records. While the Department's use of the Do Not Pay portal since inception has not yet identified or led to the prevention of any significant improper payments, the Department supports the use of the Do Not Pay portal as a sound financial management practice to prevent improper payments.

The following table shows the dollar amounts and the number of payments reviewed for improper payments in FY 2015, per the payment offices' monthly Adjudication Reports submitted to the Do Not Pay portal.

RESULTS FOR FY 2015 OF THE DO NOT PAY INITIATIVE IN PREVENTING IMPROPER PAYMENTS
(Dollars in Millions; Numbers in Actual Amounts)

Department-wide	Number of Payments Reviewed for Possible Improper Payments	Dollars of Payments Reviewed for Possible Improper Payments	Number of Payments Stopped	Dollars of Payments Stopped	Number of Payments Reviewed and Determined Proper	Dollars of Payments Reviewed and Determined Accurate
Reviews with DMF	248,499	$ 3,749.62	–	$ –	248,499	$ 3,749.62
Reviews with SAM Exclusion Records	248,499	$ 3,749.62	–	$ –	248,499	$ 3,749.62

FREEZE THE FOOTPRINT

Chief Financial Officers (CFO) Act departments and agencies shall not increase the total square footage of their domestic office and warehouse inventory compared to the FY 2012 baseline, unless increased footage is offset through consolidation, co-location, or disposal of space from the inventory of that agency, per section 3 of the Office of Management and Budget (OMB) Memorandum 12-12, *Promoting Efficient Spending to Support Agency Operations*, and OMB Management Procedures Memorandum 2013-02, the Freeze the Footprint policy implementation guidance.

FREEZE THE FOOTPRINT BASELINE COMPARISONS

(In Millions)	FY 2012 Baseline	FY 2014	+/- Change
Square Footage	11.837	11.554	(0.283)

OPERATING COSTS OF OWNED AND DIRECT LEASE BUILDINGS SUBJECT TO FREEZE THE FOOTPRINT

(In Millions)	FY 2012 Reported Cost	FY 2014	+/- Change
Operation and Maintenance Costs	$39.503	$39.526	($3.088)

The Department of Commerce's FY 2012 baseline is 11.84 million square feet of office and warehouse space. The FY 2014 area was 11.55 million square feet. The two percent reduction to the baseline is a slight rise from the FY 2013 area of 11.84 million square feet reflecting growth exceeding offset area. Through FY 2020, the Department is predicting that the offset area will increase in level below the baseline to as much as six percent.

Operating costs have maintained a slight increase since the FY 2012 baseline. Operating costs savings are constrained by the slow progress in reducing the amount of underutilized owned and direct lease office buildings by the National Oceanic and Atmospheric Administration and the National Institute of Standards and Technology.

CIVIL MONETARY PENALTIES' ADJUSTMENTS FOR INFLATION

The Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Debt Collection Improvement Act of 1996, requires agencies to adjust their civil monetary penalties for inflation at least every four years to maintain their deterrent effect. A civil monetary penalty is defined as any penalty, fine, or other sanction that is for a specific monetary amount as provided by federal law, or has a maximum amount provided for by federal law; and is assessed or enforced by an agency pursuant to federal law; and is assessed or enforced pursuant to an administrative proceeding or a civil action in the federal courts. Any resulting increases in a Departmental civil monetary penalty due to an inflation adjustment only applies to the violations that occur subsequent to the date of the publication in the Federal Register of the increased amount of the civil monetary penalty. The first inflation adjustment of any civil monetary penalty shall not exceed 10 percent of such penalty. The Department published its last adjustments for inflation in the Federal Register on December 7, 2012.

Civil Monetary Penalty Name	Authority	Date of Previous Adjustment	Date of Current Adjustment	Current Penalty Amount
Department of Commerce				
Violation	31U.S.C. 3802(a)(1)(D), Program Fraud Civil Remedies Act of 1986	N/A	December 7, 2012	Minimum $5,000 Maximum $5,500
Violation	31 U.S.C. 3729(a)(1)(G), False Claims Act	N/A	December 7, 2012	Minimum $5,000 Maximum $11,000
Bureau of Industry and Security				
Violation	15 U.S.C. 5408(b)(1), Fastener Quality Act	December 11, 2008	December 7, 2012	$32,500
Inspection Violation	22 U.S.C. 6761(a)(1)(A), Chemical Weapons Convention Implementation Act	December 11, 2008	December 7, 2012	$25,000
Record Keeping Violation	22 U.S.C. 6761(a)(l)(B), Chemical Weapons Convention Implementation Act	December 11, 2008	December 7, 2012	$5,000
Violation	50 U.S.C. 1705(a), International Emergency Economic Powers Act (2007)	December 11, 2008	December 7, 2012	$250,000
Violation	22 U.S.C. 8142(a), United States Additional Protocol Implementation Act (2006)	December 11, 2008	December 7, 2012	Minimum $25,000 Maximum $27,500

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Civil Monetary Penalty Name	Authority	Date of Previous Adjustment	Date of Current Adjustment	Current Penalty Amount
Census Bureau				
Delinquency on Delayed Filing of Export Documentation	13 U.S.C. 304, Collection of Foreign Trade Statistics	December 11, 2008	December 7, 2012	Per Day $1,000 Per Violation $10,000
Violation	13 U.S.C. 305(b), Collection of Foreign Trade Statistics	December 11, 2008	December 7, 2012	$10,000
Economics and Statistics Administration				
Failure to Furnish Information	22 U.S.C. 3105(a), International Investment and Trade in Services Act	December 11, 2008	December 7, 2012	Minimum $2,500 Maximum $32,500
International Trade Administration				
Violation	19 U.S.C. 81s, Foreign Trade Zone	December 11, 2008	December 7, 2012	$1,100
Violation	19 U.S.C. 1677f(f)(4), U.S.-Canada FTA Protective Order	December 11, 2008	December 7, 2012	$130,000
National Oceanic and Atmospheric Administration				
Violation	51 U.S.C. 60123(a)(3), Land Remote Sensing Policy Act of 2010	N/A	December 7, 2012	$10,000
Violation	51 U.S.C. 60148(c), Land Remote Sensing Policy Act of 2010	N/A	December 7, 2012	$10,000
Violation	16 U.S.C. 773f(a), Northern Pacific Halibut Act of 1982 (2007)	December 11, 2008	December 7, 2012	$200,000
Violation	16 U.S.C. 783, Sponge Act (1914)	December 11, 2008	December 7, 2012	$650
Violations	16 U.S.C. 957, Tuna Conventions Act of 1950 (1962)	December 11, 2008	December 7, 2012	Violation/Subsection (a) $32,500 Subsequent Violation/ Subsection (a) $70,000 Violation/Subsection (b) $1,100 Subsequent Violation/ Subsection (b) $6,500 Violation/Subsection (c) $140,000
Violation	16 U.S.C. 971e(e), Atlantic Tunas Convention Act of 1975 (1995)	December 11, 2008	December 7, 2012	$140,000

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N/A – Not applicable

Civil Monetary Penalty Name	Authority	Date of Previous Adjustment	Date of Current Adjustment	Current Penalty Amount
National Oceanic and Atmospheric Administration *(continued)*				
Violations	16 U.S.C. 972f(b), Eastern Pacific Tuna Licensing Act of 1984	December 11, 2008	December 7, 2012	Violation/Subsections (a)(1)–(3) $32,500 Subsequent Violation/Subsections (a)(1)–(3) $65,000 Violation/Subsections (a)(4)–(5) $6,500 Subsequent Violation/Subsections (a)(4)–(5) $6,500 Violation/Subsection (a)(6) $140,000
Violation	16 U.S.C. 973f(a), South Pacific Tuna Act of 1988	December 11, 2008	December 7, 2012	$350,000
Violation	16 U.S.C. 1174(b), Fur Seal Act Amendments of 1983	December 11, 2008	December 7, 2012	$11,000
Violation	16 U.S.C. 1375(a) (1), Marine Mammal Protection Act of 1972 (1981)	December 11, 2008	December 7, 2012	$11,000
Violation	16 U.S.C. 1385(e), Dolphin Protection Consumer Information Act (1990)	December 11, 2008	December 7, 2012	$130,000
Violation	16 U.S.C. 1437(d)(1), National Marine Sanctuaries Act (1992)	December 11, 2008	December 7, 2012	$140,000
Violations	16 U.S.C. 1540(a)(1), Endangered Species Act of 1973	December 11, 2008	December 7, 2012	Knowing Violation of Section 1538 (1988) $32,500 Other Knowing Violation (1988) $13,200 Otherwise Violation (1978) $650
Violation	16 U.S.C. 1858(a), Magnuson-Stevens Fishery Conservation and Management Act (1990)	December 11, 2008	December 7, 2012	$140,000
Violations	16 U.S.C. 2437(a)(1), Antarctic Marine Living Resources Convention Act of 1984	December 11, 2008	December 7, 2012	Violation $6,500 Knowing Violation $11,000
Violations	16 U.S.C. 2465(a), Antarctic Protection Act of 1990	December 11, 2008	December 7, 2012	Violation $6,500 Knowing Violation $11,000
Violations	16 U.S.C. 3373(a), Lacey Act Amendments of 1981	December 11, 2008	December 7, 2012	Sale and Purchase Violation $11,000 Marking Violation $275 False Labeling Violation $11,000 Other than Marking Violation $11,000

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Civil Monetary Penalty Name	Authority	Date of Previous Adjustment	Date of Current Adjustment	Current Penalty Amount
National Oceanic and Atmospheric Administration *(continued)*				
Violation	16 U.S.C. 3606(b)(1), Atlantic Salmon Convention Act of 1982 (1990)	December 11, 2008	December 7, 2012	$140,000
Violation	16 U.S.C. 3637(b), Pacific Salmon Treaty Act of 1985 (1990)	December 11, 2008	December 7, 2012	$140,000
Violation	16 U.S.C. 4016(b)(1)(B), Fish and Seafood Promotion Act of 1986	December 11, 2008	December 7, 2012	Minimum $500 Maximum $6,500
Violation	16 U.S.C. 5010(a)(1), North Pacific Anadromous Stocks Act of 1992	December 11, 2008	December 7, 2012	$130,000
Violation	16 U.S.C. 5103(b)(2), Atlantic Coastal Fisheries Cooperative Management Act (1993)	December 11, 2008	December 7, 2012	$140,000
Violation	16 U.S.C. 5154(c)(1), Atlantic Striped Bass Conservation Act (1990)	December 11, 2008	December 7, 2012	$140,000
Violation	16 U.S.C. 5507(a)(1), High Seas Fishing Compliance Act of 1995	December 11, 2008	December 7, 2012	$130,000
Violation	16 U.S.C. 5606(b), Northwest Atlantic Fisheries Convention Act of 1995	December 11, 2008	December 7, 2012	$140,000
Violation	16 U.S.C. 6905(c), Western and Central Pacific Fisheries Convention Implementation Act (2007)	December 11, 2008	December 7, 2012	$140,000
Violation	16 U.S.C. 7009(c), Pacific Whiting Act of 2006 (2007)	December 11, 2008	December 7, 2012	$140,000
Violations	22 U.S.C. 1978(e), Fishermen's Protective Act of 1967 (1971)	December 11, 2008	December 7, 2012	Violation $11,000 Subsequent Violation $32,500
Violation	30 U.S.C. 1462(a), Deep Seabed Hard Mineral Resources Act (1980)	December 11, 2008	December 7, 2012	$32,500
Violation	42 U.S.C. 9152(c)(1), Ocean Thermal Energy Conversion Act of 1980	December 11, 2008	December 7, 2012	$32,500

GLOSSARY OF ACRONYMS

Abbreviation	Title
A **AFR**	Agency Financial Report
AmTech	Advanced Manufacturing Technical Consortia (NIST)
APG	Agency Priority Goal
ARRA	American Recovery and Reinvestment Act of 2009
ASAP	Automated Standard Application for Payments (Treasury)
B **BAS**	Business Application Solutions
BEA	Bureau of Economic Analysis
BIS	Bureau of Industry and Security
C **CAP**	Cross-Agency Priority Goal
CBS	Commerce Business Systems
CEIP	Coastal Energy Impact Program (a NOAA direct loan program)
CFO	Chief Financial Officer
CFO/ASA	Chief Financial Officer and Assistant Secretary for Administration (DM)
CIRT	Computer Incident Response Team
COOP	Continuity of Operations Programs
COTS	Commercial off-the-shelf [software]
CSRS	Civil Service Retirement System (OPM)
D **DATA Act**	Digital Accountability and Transparency Act
DM	Departmental Management
DMF	Death Master File (Social Security Administration)

Abbreviation	Title
DM&R	Deferred Maintenance and Repairs
DOC	U.S. Department of Commerce
DOL	U.S. Department of Labor
E	
EDA	Economic Development Administration
ELGP-Steel	Emergency Steel Loan Guarantee Program
EMT	Executive Management Team
EPP	Educational Partnership Program (NOAA)
ESA	Economics and Statistics Administration
ESOC	Enterprise Security Oversight Center
F	
FCC	Federal Communications Commission
FCI	Facility Condition Index
FCCS	Federal Claims Collection Standards
FECA	Federal Employees Compensation Act
FEGLI	Federal Employees Group Life Insurance Program (OPM)
FEHB	Federal Employees Health Benefit Program (OPM)
FERS	Federal Employees Retirement System (OPM)
FFMIA	Federal Financial Management Improvement Act of 1996
FirstNet	First Responder Network Authority (an independent authority within NTIA)
FISMA	Federal Information Security Management Act
FKNMS	Florida Keys National Marine Sanctuary
FMFIA	Federal Managers' Financial Integrity Act of 1982
FPDS	Federal Procurement Data System
FRPMS	Federal Real Property Management System
FRPP	Federal Real Property Profile

Abbreviation	Title
FVOG	Fishing Vessel Obligation Guarantee Program (a NOAA loan guarantee program)
FWC	Future Workers' Compensation
FY	Fiscal Year ended September 30
G	
G&B	Gifts and Bequests (a fund that is part of DM)
GAAP	Generally Accepted Accounting Principles
GAO	U.S. Government Accountability Office
GCCMIF	Global Climate Change Migration Incentive Fund
GMD	Grants Management Division of OAM (DM)
GOES – R	Geostationary Operational Environmental Satellites – R (NOAA)
GSA	U.S. General Services Administration
H	
HC	Human Capital
HCF	Human Capital Framework
HCHB	Herbert C. Hoover Building
I	
IFQ	Individual Fishing Quota Direct Loans (a NOAA direct loan program)
IP	Intellectual Property
IPERA	Improper Payments Elimination and Recovery Act of 2010
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA	Improper Payments Information Act of 2002
ISO	Information Services Office
IT	Information Technology
ITA	International Trade Administration
IV&V	Independent Verification and Validation

Abbreviation	Title
J **JPSS**	Joint Polar Satellite System (NOAA)
M **MBDA**	Minority Business Development Agency
MD&A	Management's Discussion and Analysis
MRB	Milestone Review Board
MSI	Minority Serving Institutions
N **NERR**	National Estuarine Research Reserves
NFC	National Finance Center (U.S. Department of Agriculture)
NIST	National Institute of Standards and Technology
NMFS	National Marine Fisheries Service (NOAA)
NOAA	National Oceanic and Atmospheric Administration
NTIA	National Telecommunications and Information Administration
NTIS	National Technical Information Service
O **OAM**	Office of Acquisition Management (DM)
OCIO	Office of the Chief Information Officer (DM)
OFFP	Office of Federal Procurement Policy (OMB)
OIG	Office of Inspector General (DM)
OMB	Office of Management and Budget
OPM	U.S. Office of Personnel Management
OS	Office of the Secretary
P **PEP**	Partnership Education Program (NOAA)
PP&E	Property, Plant, and Equipment
R **R&D**	Research and Development

	Abbreviation	Title
S	**SAM**	System for Award Management (GSA)
	S&E	Salaries and Expenses
	SBR	Combined Statements of Budgetary Resources
	SCNP	Consolidated Statements of Changes in Net Position
	SEFSC	Southeast Fisheries Science Center (NOAA)
	SPRI	Strategic Plan Review and Implementation
	STC	Standard Terms and Conditions
T	**TIP**	Technology Innovation Program (NIST)
	Treasury	U.S. Department of the Treasury
	TSP	Thrift Savings Plan
U	**USPTO**	U.S. Patent and Trademark Office
W	**WCF**	Working Capital Fund (a fund that is part of DM)
	WIPO	World Intellectual Property Organization

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CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING

In May 2015, the U.S. Department of Commerce received the *Certificate of Excellence in Accountability Reporting* (CEAR) from the Association of Government Accountants (AGA) for its Fiscal Year 2014 Agency Financial Report. The CEAR Program was established by the AGA, in conjunction with the Chief Financial Officers Council and the U.S. Office of Management and Budget, to improve the effectiveness of financial and program accountability reporting.

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