



U.S. DEPARTMENT OF COMMERCE

FISCAL YEAR

2019

AGENCY FINANCIAL REPORT



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

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this report, please contact the Department's
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U.S. Department of Commerce
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Washington, DC 20230*



U.S. DEPARTMENT OF COMMERCE

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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.

ORGANIZATION

The Department is composed of 11 bureaus and Departmental Management.

- Bureau of Industry and Security (BIS)
- Economic Development Administration (EDA)
- Under Secretary for Economic Affairs
 - 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)
- Departmental Management (DM)

STRATEGIC GOALS

- Strategic Goal 1: Accelerate American Leadership
- Strategic Goal 2: Enhance Job Creation
- Strategic Goal 3: Strengthen U.S. Economic and National Security
- Strategic Goal 4: Fulfill Constitutional Requirements and Support Economic Activity
- Strategic Goal 5: Deliver Customer-Centric Service 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, 2019, the Department had approximately 52 thousand employees.

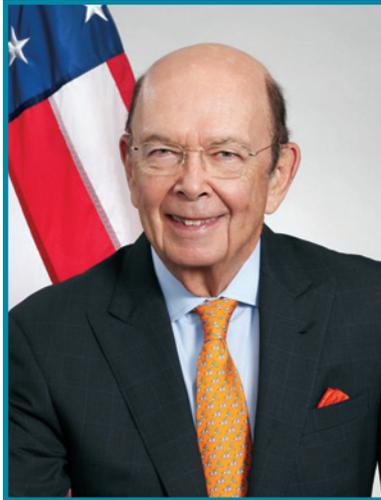
INTERNET

The Department's internet address is www.commerce.gov.

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MESSAGE FROM SECRETARY ROSS



I am pleased to present the fiscal year (FY) 2019 *Agency Financial Report* (AFR) for the Department of Commerce. The AFR is an overview of how we manage our resources and provides some highlight of our accomplishments and plans.

The mission of the Department of Commerce is to create the conditions for economic growth and opportunity. In February of 2018 we published our Strategic Plan for carrying out that mission. The Strategic Plan for FY 2018–2022 structures our work into five priority areas: American Economic Leadership; Job Creation; Strong Economic and National Security; Fulfilling Constitutional and Economic Requirements for Data; and Service Excellence. We have been implementing the plan for two years and much has been accomplished. We will build on our momentum to accelerate progress in FY 2020.

To that end, we continue to commit considerable resources to enforcement of U.S. trade laws, fighting for trade that is fair and reciprocal, and securing U.S. technology and infrastructure from manipulation or exploitation by those who would do us harm. The Department works tirelessly to protect life and property and is expanding this mission from weather prediction and disaster response to the realm of cybersecurity.

The Department's efforts extend to U.S. leadership in the commercialization of space and preeminence in technological innovation, including in quantum computing. We are working Administration-wide to reduce regulations that make it harder to grow and innovate, and we are working to make it easier for businesses to build upon and commercialize research funded with federal dollars. The Department also works to ensure efficient and sustainable management of our Nation's precious marine resources.

Among the largest and most important missions before the Department is the Decennial Census, which will be completed using 21st century technology applicable to federal data gathering, storage, and dissemination going forward.

The enclosed report creates transparency on the sources and uses of the taxpayer funds that support these efforts. The American public deserves no less.

I am pleased to report that our financial management systems have been found to be in substantial compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996, applicable financial systems requirements, federal accounting standards, and the U.S. Standard General Ledger, all at the transaction level. 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.

For the twenty-first year in a row, the independent auditors tasked with reviewing our financial statements have provided an unmodified opinion. However, the Department received three significant deficiencies related to the following items: additional improvements needed in information technology general controls, further improvement needed in controls over accounting for internal use software, and controls over accounting for prepaid expenses.

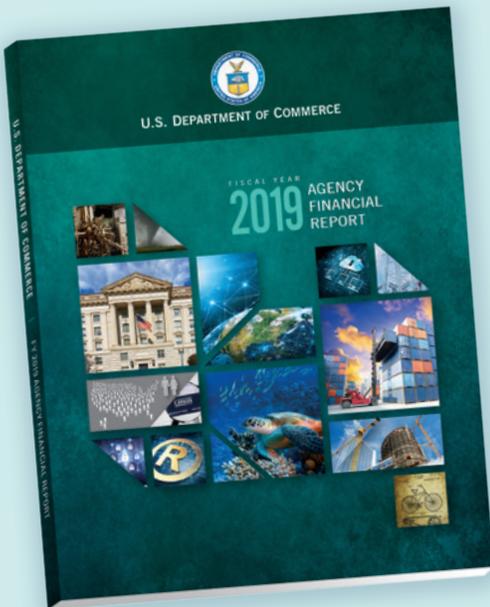
The Federal Managers' Financial Integrity Act of 1982 (FMFIA) and OMB Circular A-123 provide the framework within which Departmental and operating unit managers may determine whether adequate internal controls are in place and operating as they should. We rely on a wide range of studies conducted by 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 2019, the Department is able to provide an unmodified statement of assurance that its internal controls and financial management systems meet the objectives of FMFIA. Additional detailed performance information and results will be released in the Annual Performance Report in February 2020.

I am proud of the work that employees of the Department of Commerce have achieved and look forward to seeing the accomplishments of the future.



Wilbur Ross
Secretary of Commerce
November 15, 2019

HOW TO USE THIS REPORT



This Agency Financial Report (AFR) for the fiscal year ended September 30 (FY) 2019 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 2021 Congressional Budget in conjunction with performance plan information as the "FY 2021 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) (Unaudited)

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, information on management controls and the Department's financial management, analysis of FY 2019 financial condition and results, and a summary of stewardship information.

FINANCIAL SECTION

This section contains details of the Department's finances in FY 2019. A message from the Department's Chief Financial Officer (CFO) (unaudited) is followed by the independent auditors' report, audited financial statements and notes, required supplementary information (unaudited), and required supplementary stewardship information (unaudited).

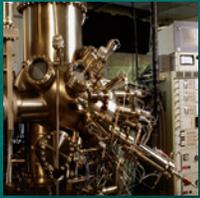
OTHER INFORMATION (Unaudited)

This section provides the Office of Inspector General's (OIG) summary on top management and performance challenges, a summary of financial statement audit and management assurances, payment integrity information, a fraud reduction report, a real property "Reduce the Footprint" report, a schedule of civil monetary penalties' adjustments for inflation, a summary of undisbursed balances in expired grant accounts, a glossary of acronyms, and acknowledgements.



MANAGEMENT DISCUSSION AND ANALYSIS

(Unaudited)

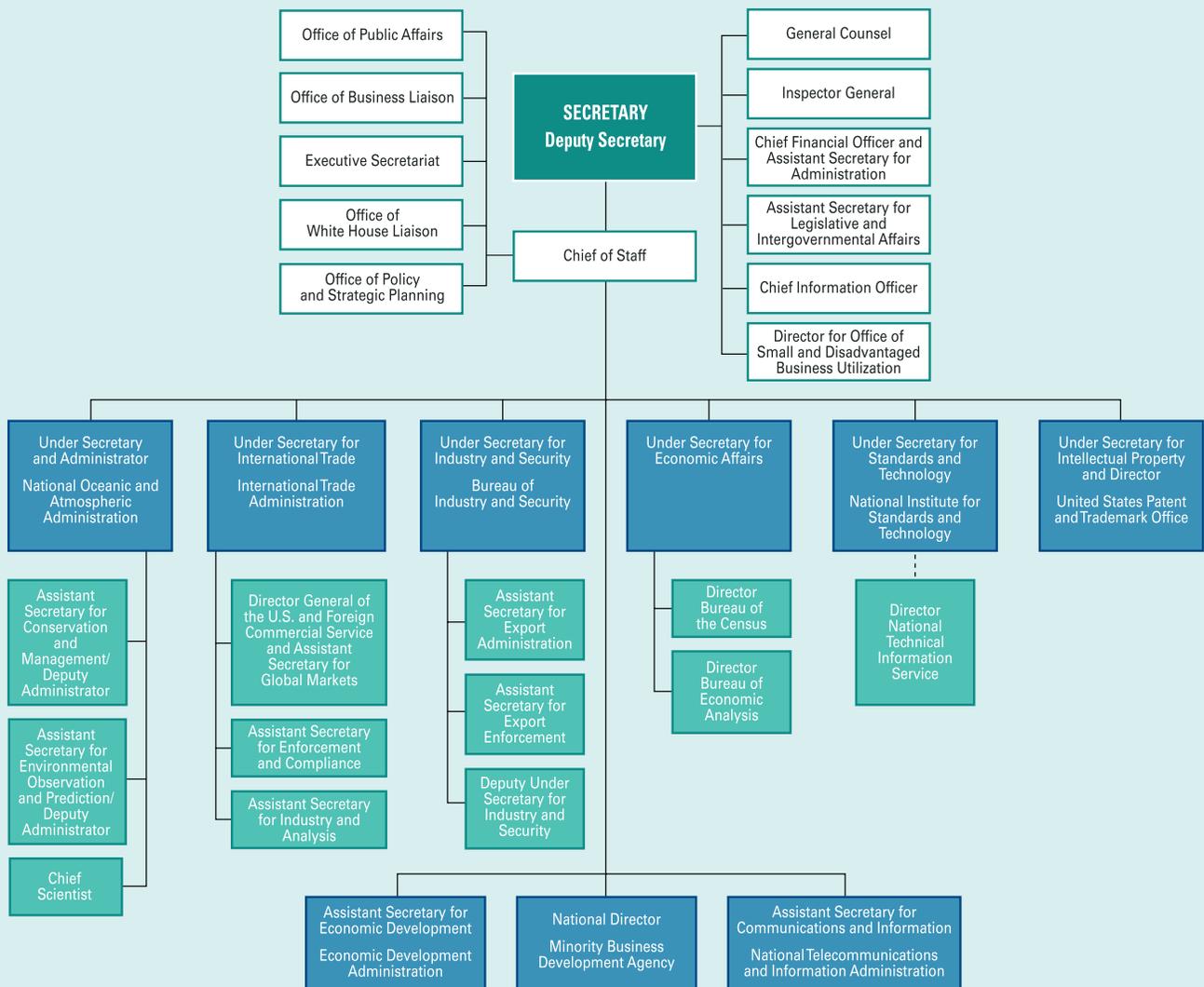


MISSION AND ORGANIZATION

MISSION

TO CREATE THE CONDITIONS FOR ECONOMIC GROWTH AND OPPORTUNITY.

U.S. DEPARTMENT OF COMMERCE



THE DEPARTMENT OF COMMERCE PROCESS FOR STRATEGIC PLANNING AND PERFORMANCE REPORTING

BACKGROUND ON STRATEGIC PLANNING AND REQUIRED MONITORING

The Government Performance and Results Act (GPRA) and the Modernization Act of 2010 (GPRAMA) requires that federal agencies produce a new strategic plan by the first Monday in February following the year in which the term of the President begins. In February 2018, the Secretary of Commerce issued a 2018–2022 Strategic Plan in accordance with GPRAMA and the rules and timetable established by the Office of Management and Budget (OMB).

Prior to FY 2018, agency strategic plans were developed and published on different schedules. “Synchronizing” plans promoted coordination and collaboration among federal agencies. Further, OMB facilitated a multi-agency view by regularly bringing agency representatives together to discuss their plans as they evolved.

The Department’s Strategic Plan was developed by a team of representatives from the 11 bureaus in collaboration with the Office of the Secretary. The Secretary and his Office of Strategic Planning and Policy made final decisions on the plan’s structure, content, and emphasis.

In the spring of 2019, the Department conducted the OMB-required Annual Strategic Review (ASR) of progress implementing the Strategic Plan. The ASR report was delivered to OMB in May. Subsequently, Agency leadership met with OMB principals to review progress.

During the summer of 2019, the Department developed a draft Annual Performance Plan and Report (APPR). The draft was sent to OMB in September with the budget proposal. It provides details on strategic objective milestones that have been achieved and sets performance metric targets for the next two fiscal years. The final APPR, which is sent to Congress with the President’s budget, also reports all performance metric results for the fiscal year that ended in the previous September. The published APPR is posted on www.performance.gov for public review.

This Agency Financial Report, issued in November, includes some data on FY 2019 accomplishments. However, in November results for many of the FY 2019 performance indicators are not yet available. A full description of accomplishments and full year indicator results are in the APPR.

COMMERCE SPECIFIC PLAN MONITORING

The Department’s Chief Operating Officer, the Deputy Secretary, has established a series of meetings with the leads for select strategic objectives in the Department’s Strategic Plan. The meetings are used to review data on related performance indicators and progress on milestones.

Bureau-level metric review processes vary in approach and schedule but are systematic. Data on mission support initiatives (Human Resources, Acquisition, Financial Management, etc.) are tracked on an online dashboard and reviewed at quarterly meetings with the Chief Financial Officer/Assistant Secretary for Administration (CFO/ASA). The various “CXO” Councils (Human Resources, Information Technology, Acquisition, CFO) also review dashboards of metrics.

AGENCY PRIORITY GOALS

The GPRAMA requires agencies to establish Agency Priority Goals (APG). APGs set two-year targets for initiatives that are significant and would benefit from a well-orchestrated sprint. Most major departments have three to five APGs that are selected by top leadership and approved by OMB, an extension of the White House. Available data on the FY 2018/2019 APGs are in the Performance Summary section of this report. Quarterly performance indicator data on APGs and Cross-APGs (address multi-agency priorities) are posted to www.performance.gov.

The Office of the Secretary began the process of developing APGs for FY 2020/2021 in January of 2019. The proposed APGs were submitted to OMB for their review in September of 2019.

ORGANIZATION OF THE DEPARTMENT OF COMMERCE STRATEGIC PLAN

The FY 2018 – FY 2022 Department of Commerce Strategic Plan is organized by goal areas, strategic objectives, strategies, and performance indicators. This structure is standard for federal agencies and is established in guidance from OMB. The goal areas are major elements of the Department's mission, i.e., Accelerate American Leadership, Enhance Job Creation, Strengthen U.S. Economic and National Security, Fulfill Constitutional Requirements and Support Economic Activity, and Deliver Customer-Centric Service Excellence. Strategic objectives (two to five per goal area) state specific important outcomes the Department aims to achieve, e.g., "Reduce and Streamline Regulations." Strategies are the approaches that will be used to achieve a strategic objective, e.g., "Streamline permitting processes." Performance indicators are measures of success, e.g., "cost savings from deregulatory action."

The chart on the following page summarizes the strategic goals and objectives established in the FY 2018 – FY 2022 Strategic Plan. The complete plan can be viewed online at <https://www.commerce.gov/about/strategic-plan>.

SUMMARY OF STRATEGIC GOALS AND OBJECTIVES

Strategic Goal	Strategic Objectives
Goal 1 – Accelerate American Leadership	1.1 – Expand Commercial Space Activities 1.2 – Advance Innovation 1.3 – Strengthen Intellectual Property Protection
Goal 2 – Enhance Job Creation	2.1 – Increase Aquaculture Production 2.2 – Reduce and Streamline Regulations 2.3 – Strengthen Domestic Commerce and the U.S. Industrial Base 2.4 – Increase U.S. Exports 2.5 – Increase Inward Investment Into the United States
Goal 3 – Strengthen U.S. Economic and National Security	3.1 – Enforce the Nation’s Trade Laws and Security Laws 3.2 – Enhance the Nation’s Cybersecurity 3.3 – Reduce Extreme Weather Impacts 3.4 – Deploy Public Safety Broadband
Goal 4 – Fulfill Constitutional Requirements and Support Economic Activity	4.1 – Conduct a Complete and Accurate Decennial Census 4.2 – Provide Accurate Data to Support Economic Activity
Goal 5 – Deliver Customer-Centric Service Excellence	5.1 – Engage Commerce Employees 5.2 – Accelerate Information Technology Modernization 5.3 – Consolidate Functions for Cost Savings

FY 2019 PERFORMANCE SUMMARY

OVERVIEW

The performance indicators below are organized by the goal areas of the FY 2018 – FY 2022 Department Strategic Plan. The measures presented are a subset of the 150 measures that are tracked by the Department and bureaus. The indicators presented in this report were selected based on significance, the availability of FY 2019 data, and whether they are understandable to the general public. Full year data on FY 2019 were not available for many measures by the publication deadline for this report.

The Department's full set of performance metrics, trends, and final full year results can be found in the *Annual Performance Plan and Report* and the *Annual Budget Submission to Congress* posted for the public in February on www.performance.gov and <http://www.osec.doc.gov/bmi/budget>. All performance indicator results for FY 2019 should be assessed in light of the fact that most federal agencies were shut down for 35 days during the fiscal year.

Note that "NA" on a graph means: the measure was not tracked that year; the measure was calculated differently in that year; or the program/initiative is new.

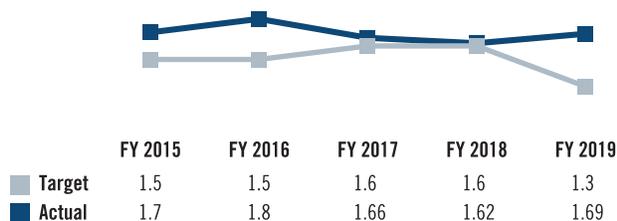
Measures that are an Agency Priority Goal (APG) will be identified with a gray star. ★

Strategic Goal 1 – Accelerate American Leadership

The United States leads the world in research, invention, and innovation. To strengthen our leadership, the Department is supporting the growth of commercial space activities, investing in foundational research, and protecting intellectual property to ensure creators can be rewarded for their inventions.

The following are some of the data the Department uses to assess its contribution to U.S. competitiveness.

Citation Impact of NIST Publications



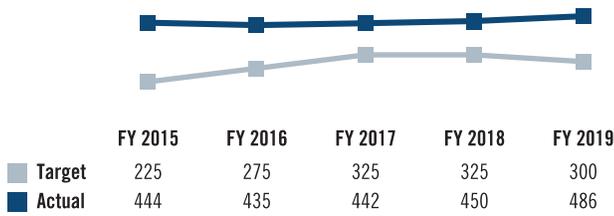
The National Institute of Standards and Technology (NIST) produces between 1,800 and 2,000 publications per year. This indicator demonstrates the average number of citations per publication, normalized for journal and discipline. The results show that NIST was able to consistently exceed its target, indicating that NIST produces useful and relevant scientific and technical publications. The target was kept flat for FY 2017 and FY 2018 with a reduction in FY 2019 reflecting budget levels.

International Adoption of NIST Quantum SI Standards



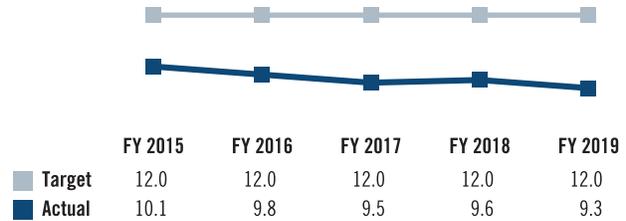
In May 2019, the redefinition of International System of Units (SI) took effect. NIST is playing a leading role in the transition from a classical to a quantum system of measurement. NIST is exploring the foundational limits of Quantum SI by integrating efforts in fundamental research, applied research, and dissemination of the SI units. The impact of this redefinition is improved scalability for measurement, more effective control of processes, and ultimately improved innovation.

Number of Businesses Using NIST Research Facilities



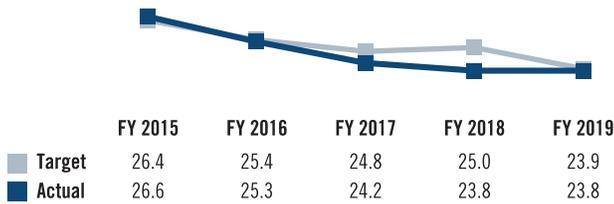
NIST promotes U.S. industrial leadership by partnering with industry and making their unique research facilities available to research and development staff from businesses. Access to these facilities and partnerships helps push U.S. business to the “bleeding edge” of innovation.

**Accelerate Trademark Processing –
Trademark Average Total Pendency (Months)**



Marketing matters. USPTO quickly brands U.S. products so they benefit from their reputation for quality. The trend line shows incremental reduction in the time it takes to process a trademark.

**Accelerate Patent Processing –
Patent Average Total Pendency (Months) (APG) ★**



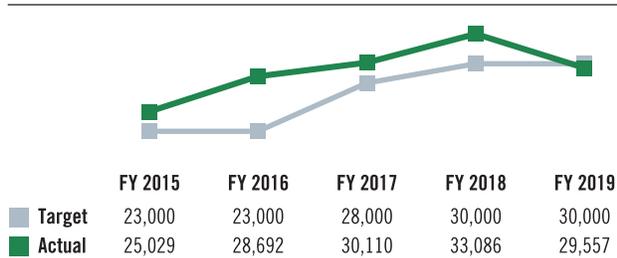
Accelerating patent processing helps businesses plan and bring innovation to market faster. The faster new ideas are commercialized, the better for the U.S. economy. A U.S. Patent and Trademark Office (USPTO) APG target was Average Total Pendency less than 24 months before September 30, 2019. The target was met.

Strategic Goal 2 – Enhance Job Creation

Job creation is fundamental to the mission of the Department. American workers thrive in an environment that fosters production and export of competitive products and services, utilization of secure digital technology, and streamlined regulations. The Department helps to create these conditions and American jobs through programs that promote U.S. exports and foreign direct investment (FDI). Goods and services exported supported 10.7 million well-paying U.S. jobs in 2016. In 2015, majority-owned U.S. affiliates of foreign companies directly employed 6.8 million Americans. The Department is also systematically reviewing regulations to reduce unnecessary burdens on businesses and provides technical assistance to help communities take advantage of digital markets.

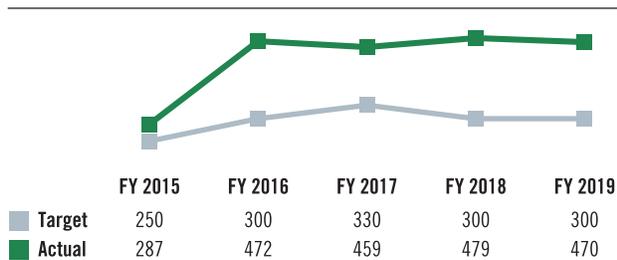
The following are a few of the performance indicators used to monitor the progress of Departmental programs designed to enhance job creation.

Number of U.S Exporters Assisted



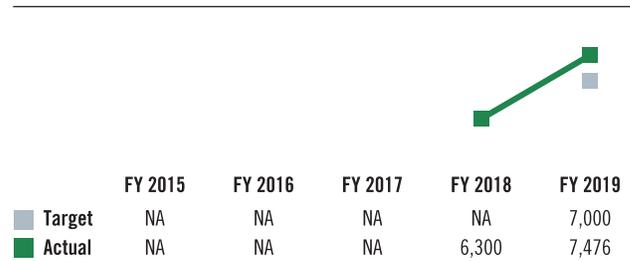
The fastest growing markets are international markets. The International Trade Administration (ITA) helps U.S. businesses enter and navigate foreign markets. ITA provides market information and technical assistance to American businesses and is expanding its reach through the internet and online tools.

Number of Commercial Diplomacy/Advocacy Written Impact Narratives (WINS)



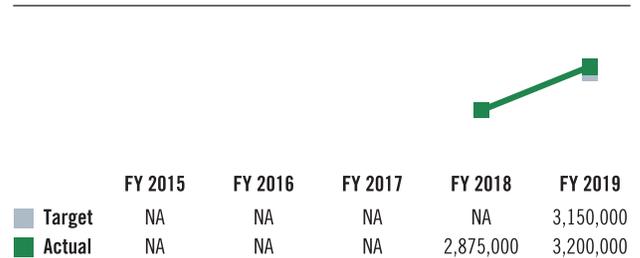
ITA routinely interacts with foreign governments to address trade problems and unfair trade practices impacting U.S. business interests and to level the playing field for U.S. companies competing for procurement opportunities overseas. ITA's commercial diplomacy/advocacy efforts unlock tens of billions of dollars of U.S. exports every year.

Project Impact on the Number of Hospitals, K-12 Schools, and Students in Areas where NTIA is Providing Broadband Project Support – Community Anchor Institutions*

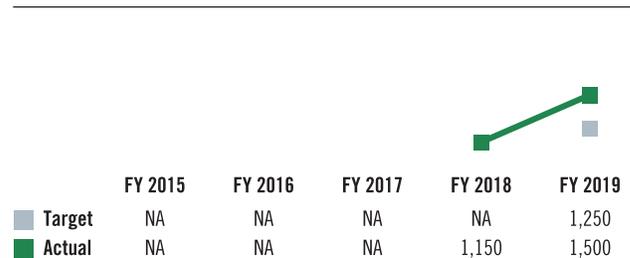


* Community Anchor Institutions, e.g., libraries

Project Impact on the Number of Hospitals, K-12 Schools, and Students in Areas where NTIA is Providing Broadband Project Support – K-12 Schools

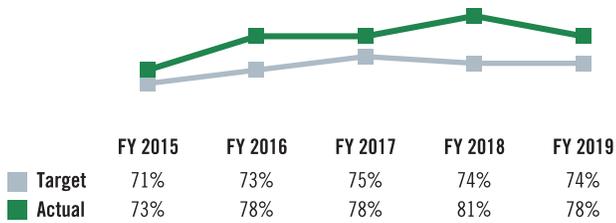


Project Impact on the Number of Hospitals, K-12 Schools, and Students in Areas where NTIA is Providing Broadband Project Support – Hospitals



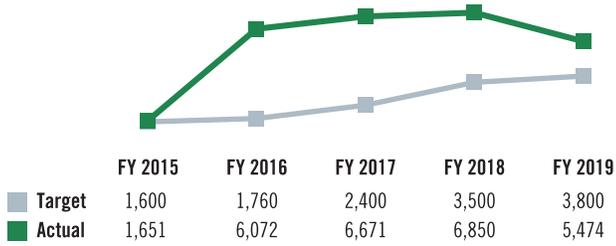
By providing broadband technical assistance and support, the National Telecommunications and Information Administration (NTIA) creates the foundation for state and local governments to attract broadband infrastructure investments. Broadband infrastructure leads to new jobs, better service delivery, and the creation of innovative technologies benefitting hospitals, schools, and communities.

Percentage of U.S. Exporter Clients That Achieved Their Export Objectives



ITA's client survey results show that since FY 2016, over 75 percent of ITA's clients accomplished their export objectives.

Number of Investment Clients Assisted



Foreign investment in the United States also supports American jobs. The SelectUSA program facilitates foreign investment by guiding foreign investors as they research U.S. locations and navigate federal, state, and local laws and regulations. As the program matures, SelectUSA has been able to exceed their target for clients assisted.

Number of Fishermen, Seafood Processors, and Aquaculture Industry Personnel Who Modify Their Practices Using Knowledge Gained in Fisheries Sustainability and Seafood Safety



Ninety percent of U.S. seafood is imported; aquaculture has great potential to change that number and increase domestic seafood production and related jobs. The National Oceanic and Atmospheric Administration (NOAA) is helping realize that potential by sharing research and best practices. Actual and target levels reflect annual funding.

Strategic Goal 3 – Strengthen U.S. Economic and National Security

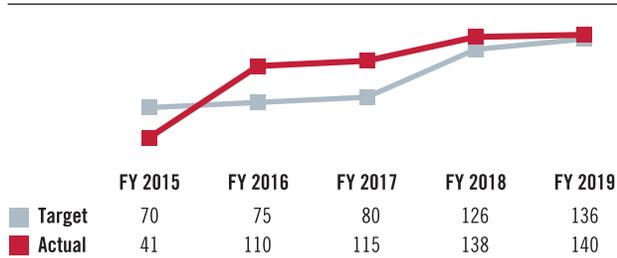
Economic security is national security. America is safer and more prosperous when our trading partners offer reciprocal trade environments, and when effective export controls and cybersecurity standards are enforced. Today, our Nation's economic prosperity and security are challenged by competitors and adversaries that engage in illegal trade practices, steal intellectual property, and engage in cybercrime.

Weather events also challenge economic security. The United States has sustained 254 weather disasters since 1980 where overall damages/costs reached or exceeded \$1 billion (including Consumer Price Index adjustment to 2019). The total cost of these 254 events exceeded \$1.7 trillion. In 2019 (as of October 8), there were 10 events in the United States with losses exceeding \$1 billion each.

Department bureaus operate on multiple fronts to protect Americans and the U.S. economy. The Department enforces compliance with trade laws, provides cybersecurity tools to thwart cybercrime, shares accurate weather information, and is deploying a first-responder broadband network that will protect lives and property.

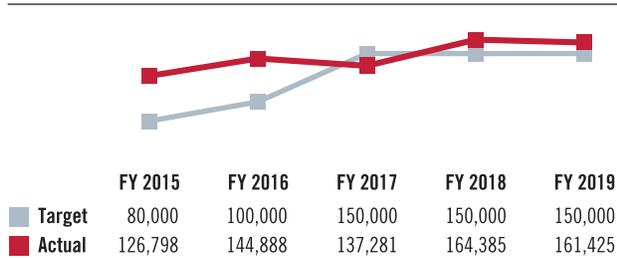
The Department measures its contribution to economic and personal safety; the following are a sample of those measures.

Trade Barriers Removed, Reduced, or Prevented (Annual) (APG) ★



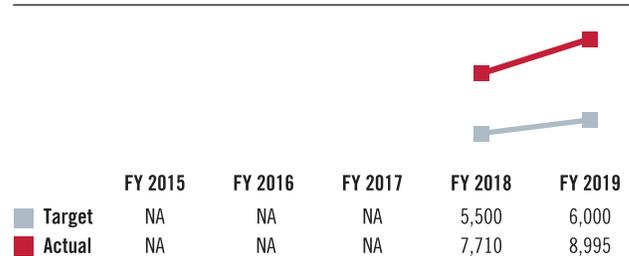
ITA safeguards and enhances the competitive strength of U.S. industries against unfair trade through the enforcement of U.S. antidumping duty and countervailing duty trade laws and trade agreements negotiated on behalf of U.S. industries. ITA carries on an active dialogue with businesses to identify these barriers and build strategies to remove them. When a barrier is removed an entire industry benefits, not just one business. Removing trade barriers was a FY 2018/2019 APG and the target for the goal has been exceeded.

Number of Export Transactions Completed Under the New Authority of Commerce Export Licenses and License Exceptions



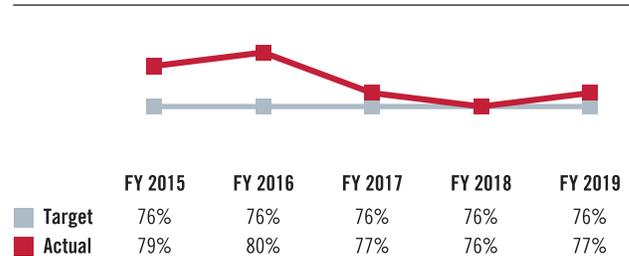
It is in the national interest to regulate the export of products that can be used as weapons or as part of weapons. The Bureau of Industry and Security (BIS) plays a critical and expanding role in that regulation, as evidenced by the trend data.

Number of Companies and Organizations Exposed to NCCoE Produced Cybersecurity Practice Guides and Other Products



New cybersecurity standards will be ineffective if they are not disseminated and adopted. The performance indicator above measures the deployment of practical cybersecurity solutions to the public. The targets for FY 2018 and FY 2019 have been exceeded.

Severe Weather Warnings for Flash Floods – Percentage of Accuracy

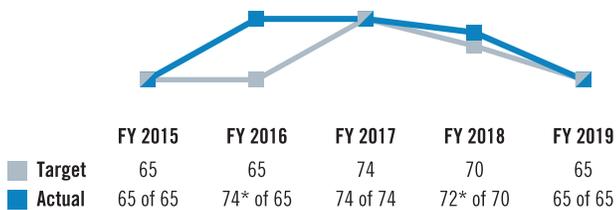


In FY 2019, flooding had a devastating impact on several communities. The impact can be reduced, particularly the impact on personal safety, with accurate forecasts, a NOAA priority. NOAA has been developing new capabilities to support local emergency managers during extreme weather events. Their FY 2018/2019 APG was "By September 30, 2019, NOAA National Weather Service will improve decision support services by demonstrating a new flood inundation mapping capability serving 25 million people (i.e., 8 percent of the U.S. continental population) residing in flood-vulnerable freshwater basins and delivering an enhanced excessive rainfall outlook product that extends the lead time of high risk predictions from two to three days." All the milestones and targets in the **APG** ★ have been accomplished.

Strategic Goal 4 – Fulfill Constitutional Requirements and Support Economic Activity

“We the People” is America’s source of strength. As mandated in Article 1, Section 2 of the U.S. Constitution, every 10 years, the Department of Commerce conducts a nationwide count of every person living in the United States. Data from the 2020 Census will be used to allocate seats in the U.S. House of Representatives among the states. The demographic and housing data from the 2020 Census will also help the federal, state, local, and tribal governments make better decisions about how they spend taxpayer money. These datasets, along with other data and statistics developed by the Department, support research by the private sector and academic institutions, and inform critical business decisions across all sectors of the economy.

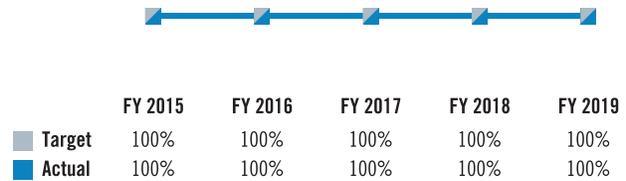
Bureau of Economic Analysis Timeliness: Reliability of Delivery of Economic Statistics (the number of scheduled releases issued on time)



* The actual exceeds the target when additional statistics are released that were not in the original plan.

Timely, accurate data are essential to sound economic decision-making. Therefore, the Bureau of Economic Analysis’s (BEA) culture focuses on producing statistics that are definitive and on schedule. Each fall, BEA publishes the schedule for the release of its economic data for the following year and then monitors the need for revisions and compliance with milestones. In FY 2019, the schedule was revised because of the December/January federal government shutdown. All the milestones in the new schedule were met; BEA continues to have an outstanding and longstanding record of releasing dependable economic data on time.

Census Bureau – Number of Principal Economic Indicators Released on Time



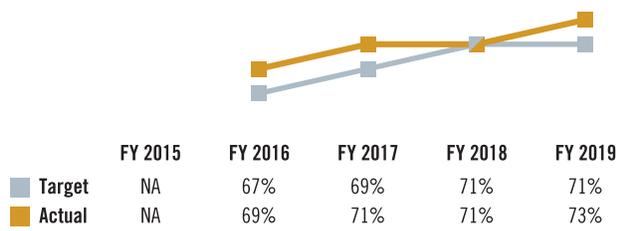
The Census Bureau also enjoys a strong track record for timely release of economic indicators. They met all their target dates in the revised FY 2019 schedule for the release of indicators.

Their most important forthcoming release is the data from the 2020 Decennial. Therefore, the Census Bureau’s FY 2018/2019 APG was “to conduct a complete and accurate 2020 Decennial Census U.S. population count by conducting the 2018 End-to-End Test and analyzing and incorporating the results, initiating In-Field Address Canvassing by September 30, 2019 and designing for optimal self-response with the nationwide target of 60.5 percent in 2020.” All of the critical milestones for the goal have been achieved. **(APG) ★**

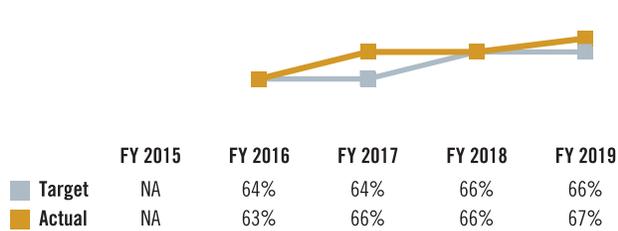
Strategic Goal 5 – Deliver Customer-Centric Service Excellence

The Department cannot meet its performance targets in Strategic Goals 1 through 4 without quality, timely human resources, information technology (IT), and acquisition services. Success also requires a workforce that is passionate about delivering value to the American public. The President’s Management Agenda directs federal agencies to increase the cost-effectiveness of services and improve human capital management. The Department is responding with strategies to improve service and efficiency using technology, and engaging employees by better aligning their time and efforts to the Department’s priorities.

Employee Engagement Index – Viewpoint Survey



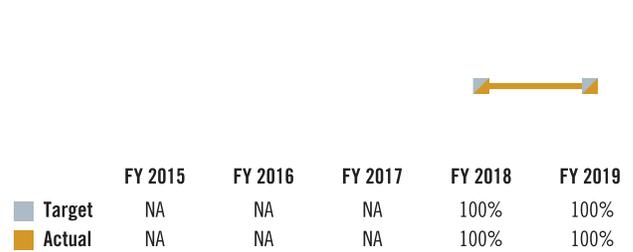
Inclusion Quotient – Viewpoint Survey



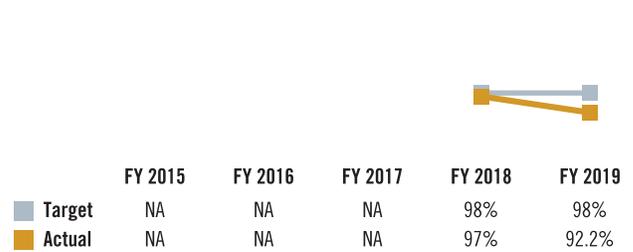
The Department remains above the government average for both the Employee Engagement Index and the Inclusion Quotient. The Employee Engagement Index measures the conditions that lead to engaged employee and are in three subcategories: Leaders Lead, Supervisors, and Intrinsic Work Experience. The Inclusion Quotient is built on the concept that individual behaviors, repeated over time, form habits that create an inclusive work environment. The Inclusion Quotient consists of 20 questions grouped into five habits of inclusion: Fair, Open, Cooperative, Supportive, and Empowering.

Based on the results of the Federal Employee Viewpoint Survey, Commerce remains one of the best places to work in the federal government.

Request-to-Award Acquisition Transactions Completed in 120 Days or Less

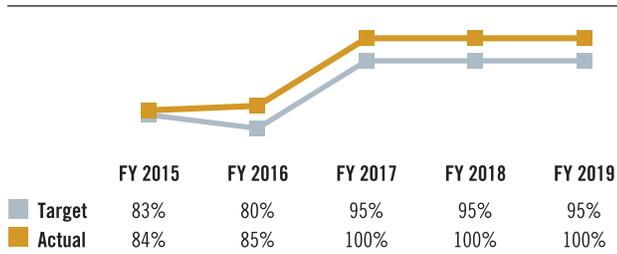


Normal Priority Personnel Actions Requests Completed On Time



Incrementally, mission support services, formerly provided by bureaus, are being consolidated in the Department’s Enterprise Services (ES). Services are transitioned to ES when savings and efficiencies can be demonstrated. The acquisition and contracting activities of the new unit are maturing and achieving their performance targets. Select Human Resources functions are in the process of being moved incrementally. In FY 2019, ES began managing records on time and attendance, and benefits services.

**Cybersecurity Cross-Agency Priority (CAP) Goal
Average for Department of Commerce**



Efforts to modernize IT services and increase Commerce cybersecurity cannot easily be summarized in non-technical terms. The CAP Cybersecurity Score is a good composite view of efforts to prevent data security issues. Continuous Monitoring of Security Risks is in place, as is a "Trusted Internet Connection." In addition to these security measures, plans are on track for over a score of modernization efforts including a Grants Enterprise Management System; a new Business Administrative System; Statistical Production Modernization; and Census Enterprise Data Collection.

LOOKING FORWARD

The Department of Commerce is committed to creating the conditions for economic growth and opportunity. The strategies for meeting that commitment are in the Strategic Plan for FY 2018–2022. It is a living plan that is modified as assessments provide lessons learned. However, based on the second year executing the plan, the structure and approach are working well. The basic infrastructure for increased emphasis on Commercial Space, Aquaculture, and removing trade barriers is in place and the focus is on increasing impact. The Decennial Census has been a focus at all levels of the organization in FY 2019; that focus will be pervasive and intense in FY 2020 as the April event approaches. Other challenges mentioned in Inspector General reports will be central to our management plan. Environmental Satellites, the Nationwide Public Safety Broadband Network, and Cybersecurity are inherently challenging and complex and will receive commensurate resources and disciplined program management.

The President's Management Agenda will continue to provide a framework for efforts to improve Information Technology (IT) Modernization; achieve Data Availability, Accountability and Transparency; and create a workforce for the 21st Century. In response to the President's agenda, there are increased efforts to replace legacy IT systems; employ data to assist businesses; and direct staff time and talents to the work that has the most value. New tools and datasets available on the Census and Bureau of Economic Analysis websites support both the goal of empowering businesses with data and reducing the resources needed to provide and use the data. Expanding web-enabled services will be a priority in the coming years.

Implementation of the Evidence Act of 2018 will be a priority. The required multi-year Learning Agenda and Annual Evaluation Plan will guide research, evaluation, and stakeholder consultation needed to build evidence on what policies and practices create the best "conditions for economic growth and opportunity." Data governance will be more structured to maximize the utility of Department data to both the public and private sector while maintaining privacy protections.

BALANCING RISK AND OPPORTUNITY

Departmental managers and leaders will continue to handle complex and risky mission and mission support activities, such as preparing for and responding to natural disasters, and managing secure IT systems. While it is not possible to eliminate all uncertainties in these types of projects, Department strategies for managing risk will continue to mature.

Enterprise Risk Management (ERM) orchestrates those strategies. The ERM program creates a forum to openly identify and discuss risks and develop mitigation plans. There are cascading roles of leadership and responsibility for ERM across the Department and its bureaus including a governance structure. The chartered Department Management Council focuses on managing the Department's top risks and challenges.

Governance and oversight processes produce: the Agency Risk Profile, Government Accountability Office (GAO) High-Risk List, and the Mission Critical Programs and Activities List. Aligned action plans heavily influence the allocation of leadership time and attention.

FY 2018 brought new federal emphasis on program management. In FY 2019 and continuing in FY 2020/2021, that tool will be used with increasing sophistication to execute Department initiatives on time, on budget, and on scope.

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 2019, 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 Enterprise Risk Management and 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, 2019 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 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 reporting as of June 30, 2019 was operating effectively and no material weaknesses were found in the design or operation of the internal control over reporting. Furthermore, no material weaknesses related to internal control over 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 the Federal Financial Management Improvement Act (FFMIA) of 1996.



Thomas F. Gilman
Chief Financial Officer
and Assistant Secretary for Administration
November 15, 2019



Wilbur Ross
Secretary of Commerce
November 15, 2019

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 Agency 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 2019, 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, based on annual assessments, any material weaknesses that have been identified in connection with their internal and administrative controls. Based on their FY 2019 evaluations, the Department's 11 bureaus signed, certified, and submitted their Statements of Assurance and can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

The efficiency of the Department's operations is continually evaluated using information obtained from reviews conducted by the Government Accountability Office (GAO) and the Office of Inspector General (OIG), evaluations conducted by other federal agencies such as the Office of Personnel Management, and other specifically requested studies. The diverse reviews that took place during FY 2019 that were key to the organization provide assurance that Department systems and management controls comply with standards established under FMFIA.

The revised Appendix A to OMB Circular A-123, *Management of Reporting and Data Integrity Risk*, expands assurance for internal controls over reporting beyond finance. In preparing the Department's statement of assurance, attention was given to activities related to the Digital Accountability and Transparency Act of 2014 (DATA Act), OIG Top Management Challenges, GAO High Risk List, performance reporting, strategic plans and performance metrics, real property and asset management, and human resource reporting. Controls related to risks in the Department's Risk Profile were also considered.

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 2019, the financial systems in the Department are compliant with federal financial management systems requirements, applicable federal accounting standards, and the U.S. Standard General Ledger (USSGL) at the transaction level.

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 USSGL at the transaction level. In FY 2019, the Department remained in compliance with FFMIA.

BIENNIAL REVIEW OF FEES

OMB Circular A-25 Revised, *User Charges* (July 8, 1993), 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 the exception of the International Trade Administration (ITA), the Department is in compliance with the requirement to adjust its fees to meet the OMB Circular A-25 Revised requirement of full-cost recovery for user charges.

OMB has granted ITA an exception to the full cost recovery provisions of OMB Circular A-25 Revised for the user fees that ITA charges to small and medium enterprises until September 30, 2019. As ITA continues to review and update its fee structure, it is working toward improving data collection capabilities with regard to sensitivity analysis and revenue projections, with the goal of moving toward a model that more fully recovers the costs of the services it provides.

REPORT ON OIG AUDIT FOLLOW-UP

This report shows audit follow-up activity on OIG audits, as well as the amount of potential monetary benefits the OIG found could be achieved through implementing open recommendations in these reports. The report includes only audits for which there has been resolution, i.e., management and the OIG have agreed on an action plan. Reports are closed when final action has been taken to implement all recommendations.

SUMMARY OF ACTIVITY ON AUDIT REPORTS OCTOBER 1, 2018 THROUGH SEPTEMBER 30, 2019

	NUMBER OF REPORTS ¹	POTENTIAL MONETARY BENEFITS OF OPEN RECOMMENDATIONS ²
Beginning Balance	19	\$ 18,070,602
New Reports	10	10,442,348,662 ³
Total Reports Open During the Period	29	10,460,419,264
Total Reports Closed During the Period ⁴	7	(1,863,311,662)
Ending Balance	22	\$ 8,597,107,602

¹ The table includes Performance Audits, Evaluations, and Inspections. Audits comply with standards established by the Comptroller General of the United States for audits of federal establishments, organizations, programs, activities, and functions. Evaluations and inspections include evaluations, inquiries, and similar types of reviews that do not constitute an audit or a criminal investigation.

² In some audits, the OIG identifies potential monetary benefits that could be realized when or if the recommendations are implemented. Potential Monetary Benefits of open recommendations include Questioned Costs and Funds to Be Put to Better Use.

- Questioned Costs: This is a cost questioned by the OIG because of (1) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (3) a finding that an expenditure of funds for the intended purpose is unnecessary or unreasonable.
- Funds to Be Put to Better Use: This dollar value results from an OIG recommendation that funds could be used more efficiently if Departmental Management took action to implement and complete the recommendation. Such actions may include (1) reductions in outlays; (2) deobligation of funds from programs or operations; (3) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; (4) costs not incurred by implementing recommended improvements related to the Department, a contractor, or a grantee; (5) avoidance of unnecessary expenditures identified in preaward reviews of contracts or grant agreements; or (6) any other savings specifically identified.

³ Most of the Potential Monetary Benefits come from one recommendation related to the merger of two environmental satellite programs (\$8,579,037,000 estimated Funds Put to Better Use for recommendation #5 in OIG-18-021).

⁴ The Potential Monetary Benefits amount in this row includes potential monetary benefits of recommendations that were closed even though the corresponding reports remained open.

FINANCIAL MANAGEMENT AND ANALYSIS

INTRODUCTION

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 2019 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 Electronic Travel System (E2), the SmartPay3 bankcard 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.

The Department continues to participate in a government-wide work group for Government Invoicing (G-Invoicing), a Treasury-led initiative to standardize the interagency agreement process across the government. The Department participates in this work group to help guide the implementation of the initiatives across the government as well as to plan for the changes needed to CBS so that the Department is ready to implement by the mandatory date. Additionally, the Department remains dedicated to providing quarterly submissions to meet the Digital Accountability and Transparency Act (DATA Act) requirements, as well as addressing any necessary modifications as required.

During FY 2019, the Department accomplished the following initiatives.

- Submitted G-Invoicing agency implementation plan to Treasury;
- Worked with the Office of Management and Budget (OMB) and Treasury to determine a path forward for the Business Applications Solution (BAS) project;

- Obtained release from OMB and Treasury from OMB M-13-08, which required agencies to partner with a federal shared service provider for financial management system modernization projects;
- Released a draft request for proposal (RFP) and later a request for proposal to industry seeking proposals for financial, acquisition, property system modernizations and data warehouse capabilities;
- Completed changes to the CBS to implement the interface files to and from the SmartPay3 tool, the General Services Administration (GSA)-led initiative to transition government purchase and travel cards from the current provider to a new provider;
- Implemented Mass Close functionality in E2 at bureaus. Mass Close functionality provides ability to close multiple E2 Travel open obligations in one batch process;
- Continued Tier 2/production support operations for E2;
- Began implementation of E2 support functionality for additional employees due to the Census Decennial (approximately 500 thousand new travelers);
- Completed analysis and requirements activities to determine impacts of SmartPay3 on E2; worked with E2 vendor to make necessary changes to E2;
- Conducted requirements and design activities for Business Intelligence (BI) solution to meet the Department's needs for DATA Act metrics reporting;
- Successfully lead the Department in quarterly DATA Act submissions to Treasury;
- Began requirements, design, and development activities for Annual Comparability Index (ACI) Process Re-engineering, which is part of the Pay for Performance System. The new ACI system will compare federal civil service salaries and those of the private sector and calculate eligible CAPS (Commerce Alternative Personnel System) employees' ACI salary rates and pay; and
- Conducted operations and maintenance activities for the Department's Chief Financial Officer/Assistant Secretary for Administration (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 2020 and beyond, the Department will continue its efforts to enhance its financial systems. The Department plans to accomplish the following.

- Conduct technical evaluation and source selection activities of BAS RFP responses;
- Award BAS contract and begin implementation activities;
- Continue to integrate with Treasury on planning and implementation activities and provide their Quality Service Management Offices team with regular status updates regarding the BAS project;
- Support E2 functionality for Census Decennial employees (approximately 500 thousand new travelers);
- Provide operations and maintenance support activities for the SmartPay3 interface files for CBS;
- Work with CWTSatoTravel to design, build, and deploy new E2 travel data analytics capabilities in conjunction with other agency E2 customers;
- Add new Unique Entity Id (UEI) to CBS and interfaces for C.Suite and Central Contractor Registration/System for Award Management (CCR/SAM) vendors to replace Data Universal Numbering System (DUNS);

- Continue working with OMB and Treasury to determine the next steps for the BAS project;
- Continue design, development, and testing activities for a BI solution to meet the Department's needs for DATA Act metrics reporting;
- Continue testing activities for G-Invoicing; and
- Continue National Oceanic and Atmospheric Administration (NOAA) and National Institute of Standards and Technology (NIST) hardware refresh activities.

FINANCIAL REPORTING AND POLICY

The Department accomplished the following initiatives during FY 2019:

- 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. For more information on the Department's payment integrity efforts during FY 2019, see the *Payment Integrity* subsection included in *Other Information*;
- Each of the Department's bureaus/reporting entities updated or prepared in FY 2019 their scheduled program/activity improper payment risk assessments as required by OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, Appendix C, *Requirements for Payment Integrity Improvement*. The Department's reporting entities' improper payment risk assessments of their programs/activities are prepared over a one to three year cycle depending on the size of the reporting entity, and also include assessments of the control, procurement, and grants management environments. The Department's improper payment risk assessments are now in the continuous process stage of being updated/prepared every three years, unless significant changes occur, in which case an assessment will be updated more frequently. For more information on the Department's efforts during FY 2019 regarding improper payments risk assessments, see the *Payment Integrity* subsection included in *Other Information*;
- Adjusted the Department's civil monetary penalties for inflation in February 2019, in accordance with the Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Debt Collection Improvement Act of 1996 and the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015. For more information on the Department's civil monetary penalties as of March 1, 2019, see the *Civil Monetary Penalties' Adjustments for Inflation* subsection included in *Other Information*;
- Implemented, effective FY 2019, the Federal Accounting Standards Advisory Board's (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) 49, *Public-Private Partnerships: Disclosure Requirements*, which "establishes principles to ensure that disclosures about Public-Private Partnerships (P3) are presented in the reporting entity's general purpose federal financial reports (GPFFR)." As a result of the evaluations conducted by the Department, it was determined that there are three arrangements or transactions to be included in the notes to the financial statements as a P3;
- Implemented, effective FY 2019, FASAB's SFFAS 53, *Budget and Accrual Reconciliation (BAR)*, which amended requirements for a reconciliation between budgetary and financial accounting information established by FASAB's SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*. To increase informational value and usefulness, and to support the government-wide financial statement reconciling net operating cost to the budget deficit, this statement provides for BAR to replace Note 23, *Reconciliation of Net Cost of Operations to Budget*, in the financial section of this report. BAR explains the relationship between an entity's net outlays on a budgetary basis and its net cost of operations during the reporting period;

- Implemented, effective FY 2019, FASAB's SFFAS 55, *Amending Inter-Entity Cost Provisions*, which sets forth guidance for the Department to: (1) continue to record inter-entity costs (imputed costs) for business-type activities; (2) continue to record inter-entity costs for personnel benefits and Treasury Judgment Fund settlements; and (3) implement optional reporting of inter-entity costs for non-business type activities. Additional information regarding the Department's FY 2019 inter-entity costs (and related imputed financing sources from cost absorbed by others) is provided in Notes 1.R and 1.S of the financial section of this report; and
- The Department performed the Year 2 evaluation of FASAB's SFFAS 47, *Reporting Entity*, which sets forth guidance to include, in the Department's financial statements or as footnote disclosures, "all organizations (1) budgeted for by elected officials of the federal government; (2) owned by the federal government; or (3) controlled by the federal government with risk of loss or expectation of benefits," and which also further provides guidance on footnote disclosure requirements for significant relationships with other parties. As a result of the FY 2019 evaluation conducted by the Department, there continues to be one organization to be included in the notes to the financial statements as a disclosure entity.

In FY 2020 and beyond, the Department plans to accomplish the following amongst other items:

- Adjust the Department's civil monetary penalties for inflation in January 2020, in accordance with the Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Debt Collection Improvement Act of 1996 and the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015;
- Continue annual evaluations of SFFAS 47, *Reporting Entity*, and SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*; and
- Begin the implementation, effective FY 2021, of FASAB's SFFAS 54, *Leases*, which revises the financial reporting standards for federal lease accounting. It provides a comprehensive set of lease accounting standards to recognize federal lease activities in a reporting entity's general purpose federal financial reports and includes appropriate disclosures.

GRANTS 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 financial assistance programs and to strengthen compliance. In addition, OAM's targeted efforts continue to transform the decentralized Department grants management community into an effective and efficient partnership.

In coordination with the Department's Office of the Chief Information Officer and the Office of Financial Management, OAM is overseeing the development of a Grants Enterprise Management Solution (GEMS) which will be a common grants management system that will replace the currently separated grants management systems in use by the Department's three major grant issuing bureaus, NOAA, NIST, and Economic Development Administration (EDA). The GEMS project has completed both the Concept Initiation and Conceptual Phases; the project's development phase is expected to extend through FY 2023 with EDA, NIST, and NOAA expected to begin transitioning from their current grants management systems to GEMS in FY 2020.

OAM's Financial Assistance Policy and Oversight Division (FAPOD) coordinates the Department's implementation of all applicable statutes, regulations, Executive Orders, and OMB circulars, as well as the provisions of 2 CFR, Part 200 (Uniform Guidance), to establish more efficient and user-friendly requirements for both Department awarding units and recipients. OAM/FAPOD collaborates with partners in the Department's financial assistance community to review and update the Department's Grants and Cooperative Agreements Manual (Grants Manual) as well as develop updated Financial Assistance Standard Terms and Conditions (ST&C) consistent with the issued guidance—both the Grants Manual and the ST&Cs undergo annual reviews and updates.

FAPOD conducts Grants Management Reviews to evaluate the internal grants administration policies and procedures of the operating units, including field or remote locations. NIST, NOAA, and EDA grants operating units are evaluated once every three years and more frequent reviews are scheduled when justified by operational issues. The scope of the review includes but is not limited to compliance with applicable public laws, regulations, OMB circulars, the Grants Manual, as well as internal grants administration policies of the operating unit.

OAM/FAPOD is an active member of the Financial Assistance Committee for E-Government (FACE); the authority of the FACE flows from the Award Committee for E-Government, a governance group chartered under the Chief Acquisition Officers Council. OAM/FAPOD participates in numerous FACE subcommittees that represent the needs of the financial assistance community, serving as the community voice for the composition, review and feedback on financial assistance policy guidance; the analysis and reporting of outcomes from the Integrated Award Environment portfolio, grants.gov, and other government-wide systems; and, the requirement development and collection of government-wide financial assistance data—which supports the implementation of lessons learned from the DATA Act Pilot Program Report to Congress and the President's Management Agenda Cross-Agency Priority Goal #8, Results-Oriented Accountability for Grants.

HUMAN CAPITAL

The Department of Commerce remains committed to building and maintaining a highly skilled and diverse workforce. Acknowledging that people are the key to mission accomplishment, the Department continues to implement and utilize various recruitment programs to attract diverse and qualified employees. In FY 2019, approximately 1,287 veterans and 1,749 people with disabilities were hired, of which 12 were veterans and 13 were people with disabilities in the accounting and budgeting occupations. The Department hosted approximately 571 Pathways Program Interns, Recent Graduates, and Presidential Management Fellows. Of these, approximately 10 served as accountants, budget analysts, and auditors within finance and accounting offices in the Bureau of Economic Analysis, International Trade Administration, NIST, NOAA, and the Office of Inspector General, including four new hires and one who was converted to a permanent position.

Telework is also used by the Department to position itself as an “employer of choice” in attracting and retaining qualified employees, facilitating employee work-life balance, increasing employee satisfaction and engagement, and potentially increasing employee productivity. In FY 2019, approximately 42 percent of Departmental employees (77 percent of accounting and budgeting employees) engaged in telework. Additionally, the results of the government-wide Federal Employee Viewpoint Survey are analyzed every year to put strategies in place so that the Department remains an employer of choice for the next generation of civil servant. Over the years, the Department has steadily continued to increase its Employee Engagement Index score, with the most recent score in 2019 being 73 percent, five percentage points above government. The Department also takes pride in ranking third out of 17 large federal agencies in the 2018 Best Places to Work, the most comprehensive and authoritative rating of employee satisfaction and commitment in the federal government provided by the Partnership for Public Service.

In FY 2019, Enterprise Services (ES) supported the Department's 2018–2022 Strategic Plan (Strategic Goal 5 – Deliver Customer-Centric Service Excellence) by continuing the progress toward implementing intra-departmental, multi-function enterprise service operations in the areas of human resources (HR), information technology (IT), acquisitions, and financial management to the Office of the Secretary (OS) and the Department's 11 bureaus. In support of the Department's HR program, ES continued to deliver Personnel Action Request, payroll, and benefits services to over 20 thousand employees across the Department. Additionally, ES began service delivery expansion to include time and attendance and eOPF support services. ES also continued enhancing the Department's first ever ES Portal, designed in FY 2018 to be a one-stop shop for HR, IT, and acquisitions information and services. Over the past year, ES strengthened its communication and service management capabilities to continue to provide services to a growing customer base. The ES model focused on improving the customer experience and providing greater value to its clients. Efforts will continue in FY 2020, and beyond, to transition additional HR services (e.g., talent acquisition) and functions (e.g., financial management) to the ES service delivery model.

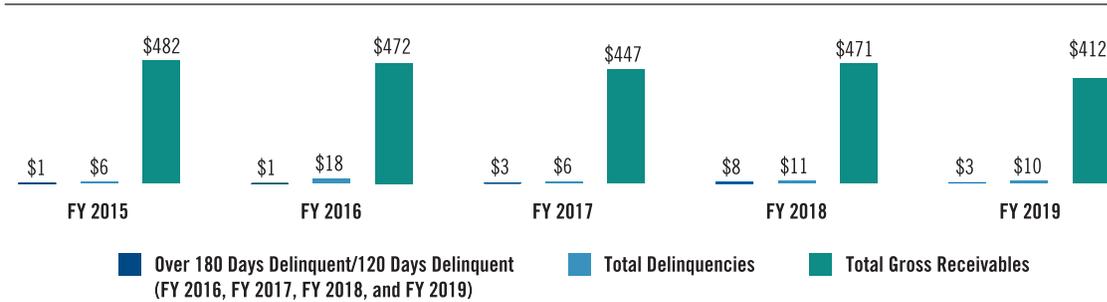
The Department continued making progress in the goals and priorities outlined in its Human Capital Operating Plan (HCOP) for 2018–2022. The Department's HCOP is a four-year plan with annual reassessments, providing processes and measures for the implementation of human capital strategies essential to successfully carry out the Agency's Strategic Plan and Performance Plan. Over 60 percent of action items supporting the four HCOP goals (Workforce Analysis, Empower and Engage Commerce Employees, Improve Internal and External Service Delivery Processes, and Maximize Employee Performance) are completed and over 50 percent of action items supporting the two HCOP priorities (Deploying Communication Tools and Securing Technological Solutions for Human Capital Analysis) are completed. Additionally, in May 2019, the Department completed its inaugural annual Human Capital Review with the Office of Personnel Management. This review took the form of an open discussion on numerous human capital initiatives including associated risks, barriers, and successful practices.

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 2019, 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 30¹ (In Millions)



¹ The source for this table's data is the Department's Treasury Report on Receivables (TROR). There are reporting methodology differences between the gross receivables in TROR and gross receivables reported in the Department's notes to the financial statements; therefore, the amounts will not agree.

The DATA Act required, effective FY 2016, that agencies report to Congress any instance in which federal agencies fail to refer legally enforceable, non-tax debts that are greater than 120 days delinquent to the Treasury Offset Program for administrative offset.

The Department's total gross receivables with the public decreased \$59 million, or 12.5 percent, from \$471 million as of September 30, 2018 to \$412 million as of September 30, 2019, 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, increased from 2.3 percent as of September 30, 2018 to 2.4 percent as of September 30, 2019. Receivables with the public that were 120 days or more delinquent as a percentage of total gross receivables with the public, decreased from 1.7 percent as of September 30, 2018 to 0.7 percent as of September 30, 2019.

Prescreening procedures, account-servicing standards, determined collection of delinquent debt, and extensive referrals of delinquent debt to 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. Once receivables are delinquent by 120 days (effective FY 2016) or more, in accordance with Treasury requirements, such receivables are referred to Treasury's Bureau of the Fiscal Service for collection through its Cross-servicing Program and/or its Treasury Offset Program.

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

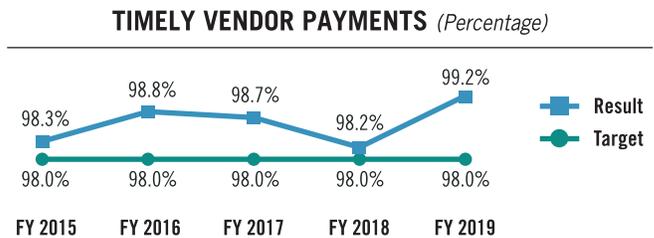


PAYMENT PRACTICES

PROMPT PAYMENT

The Prompt Payment Act of 1982 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.

The Department's prompt payment performance increased from 98.2 percent in FY 2018 to 99.2 percent in FY 2019. The number of invoices paid late decreased from 3,196 in FY 2018 to 1,365 in FY 2019. 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. OMB Memorandum M-15-19, *Improving Government Efficiency and Saving Taxpayer Dollars Through Electronic Invoicing* (July 17, 2015), required federal agencies to transition to electronic invoicing for appropriate federal procurements by the end of FY 2018. The Department is currently taking steps to transition from its primary financial management system used by most of the bureaus to a commercial off-the-shelf (COTS) product for those bureaus. The Department intends to adopt the COTS product's solution for an electronic invoice processing system, when it becomes available. The U.S. Patent and Trademark Office (USPTO), after reviewing various electronic invoicing options, had a solution in place at the end of FY 2018 and implemented a pilot in FY 2019, where select vendors were transitioned to electronic invoicing. USPTO will define and implement a strategy for additional vendor adoption in FY 2020.



OMB Memorandum M-17-26, *Reducing Burden for Federal Agencies by Rescinding and Modifying OMB Memoranda* (June 15, 2017), encourages agencies to accelerate payments, to the best of their ability, to small businesses and prime contractors with small business subcontractors. This did not change an agency's responsibility to comply with the Prompt Payment Act and OMB's implementing regulations thereto (5 CFR Part 1315, *Prompt Payment*).

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 by reducing administrative costs. The Department uses a data analytics program to review purchase and travel card transactions Department-wide to identify patterns, trends, and anomalies for possible further investigation. The Department works with its bureaus to implement corrective actions, monitor internal controls, perform data analytics, and conduct necessary reviews and tests to ensure proper internal controls are in place. The Department began using GSA's SmartPay3 in May 2019 as its bankcard program and is continuing its initiatives for more effective training, oversight, and risk management reviews to enhance the purchase card program.

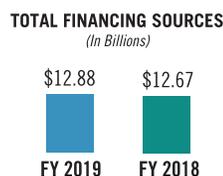
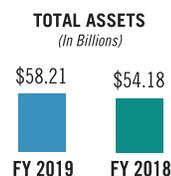
LIMITATIONS OF THE FINANCIAL STATEMENTS

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. The financial statements should be read with the realization that they are for a component of the U.S. government.

ANALYSIS OF FY 2019 FINANCIAL CONDITION AND RESULTS

FINANCIAL HIGHLIGHTS

<i>(Dollars in Thousands)</i>	Percentage Change	FY 2019	FY 2018
Condensed Balance Sheets:			
As of September 30, 2019 and 2018			
ASSETS:			
Fund Balance with Treasury	4%	\$ 29,957,914	\$ 28,794,045
General Property, Plant, and Equipment, Net	1%	16,481,013	16,286,411
Direct Loans and Loan Guarantees, Net	-13%	398,770	459,277
Investments, Net	21%	7,569,381	6,244,436
Cost Contribution to Buildout of Nationwide Public Safety Broadband Network, Net	70%	3,408,729	2,009,841
Other	2%	394,743	386,574
TOTAL ASSETS	7%	\$ 58,210,550	\$ 54,180,584
LIABILITIES:			
Unearned Revenue	2%	\$ 1,679,251	\$ 1,648,025
Federal Employee Benefits Liabilities	5%	927,714	881,992
Accounts Payable	13%	2,321,133	2,049,213
Accrued Payroll and Annual Leave	15%	685,310	596,920
Debt to Treasury	-13%	395,369	452,563
Liability to General Fund of the U.S. Government for Deficit Reduction	21%	7,569,382	6,244,436
Accrued Grants	8%	140,196	129,678
Other	5%	299,277	284,222
TOTAL LIABILITIES	14%	\$ 14,017,632	\$ 12,287,049
NET POSITION:			
Unexpended Appropriations	24%	\$ 11,314,698	\$ 9,091,775
Cumulative Results of Operations	0.2%	32,878,220	32,801,760
TOTAL NET POSITION	5%	\$ 44,192,918	\$ 41,893,535
TOTAL LIABILITIES AND NET POSITION	7%	\$ 58,210,550	\$ 54,180,584
Condensed Financing Sources:			
For the Years Ended September 30, 2019 and 2018			
Appropriations Received, Net of Reductions	1%	\$ 12,363,492	\$ 12,188,389
Imputed Financing Sources from Cost Absorbed by Others	15%	346,178	300,335
Transfer In of Auction Proceeds from Federal Communications Commission	-80%	1,155,251	5,895,159
Financing Sources Used for Recognizing Liability to General Fund of the U.S. Government for Deficit Reduction	-78%	(1,324,946)	(5,908,248)
Other	76%	335,602	190,954
TOTAL FINANCING SOURCES	2%	\$ 12,875,577	\$ 12,666,589



(continued on next page)

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<i>(Dollars in Thousands)</i>	Percentage Change	FY 2019	FY 2018
Condensed Statements of Net Cost:			
For the Years Ended September 30, 2019 and 2018			
Condensed Statements of Net Cost:			
Gross Departmental Costs	16%	\$ 14,957,439	\$ 12,897,387
Less: Earned Revenue	2%	(4,381,245)	(4,295,280)
NET COST OF OPERATIONS	23%	\$ 10,576,194	\$ 8,602,107

NET COST OF OPERATIONS <i>(In Billions)</i>	
\$10.58	\$8.60
FY 2019	FY 2018

Selected Budgetary Information:
For the Years Ended September 30, 2019 and 2018

Selected Budgetary Information:			
For the Years Ended September 30, 2019 and 2018			
Condensed Statements of Net Cost:			
For the Years Ended September 30, 2019 and 2018			
Condensed Statements of Net Cost:			
New Obligations and Upward Adjustments	-19%	<u>\$ 17,873,423</u>	<u>\$ 21,920,632</u>
Condensed Statements of Net Cost:			
For the Years Ended September 30, 2019 and 2018			
Condensed Statements of Net Cost:			
Outlays, Net	31%	<u>\$ 11,305,497</u>	<u>\$ 8,612,798</u>

NEW OBLIGATIONS AND UPWARD ADJUSTMENTS <i>(In Billions)</i>	
\$17.87	\$21.92
FY 2019	FY 2018

OUTLAYS, NET <i>(In Billions)</i>	
\$11.31	\$8.61
FY 2019	FY 2018

COMPOSITION OF ASSETS AND ASSETS BY RESPONSIBILITY SEGMENT

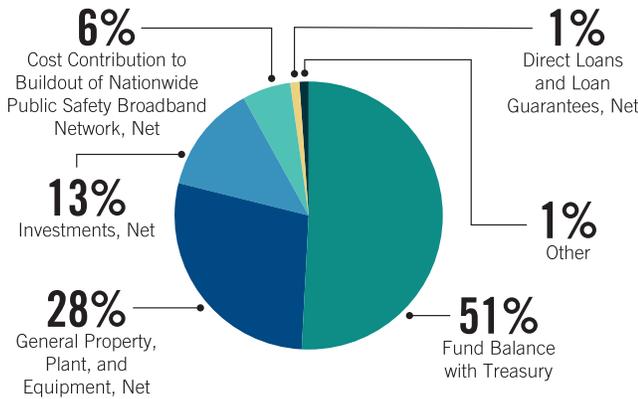
The composition and distribution by responsibility segment (by percentage) of the Department's assets was consistent from September 30, 2018 to September 30, 2019.

Departmental assets amounted to \$58.21 billion as of September 30, 2019.

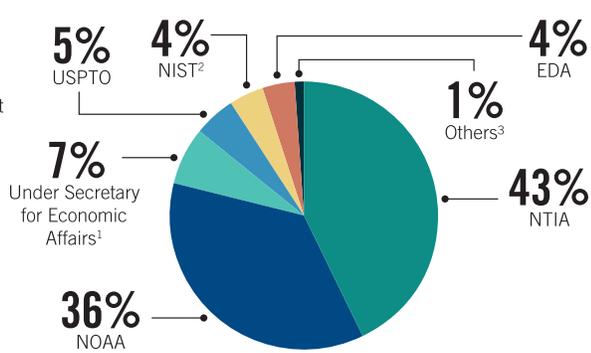
- **\$29.96 billion of Fund Balance with the U.S. Department of the Treasury** (Treasury) is the aggregate amount of funds available to make authorized expenditures and pay liabilities.
- **\$16.48 billion of General Property, Plant, and Equipment (PP&E), Net of Accumulated Depreciation**, includes \$8.27 billion of Satellites/Weather Systems Personal Property; \$4.70 billion of Construction-in-progress, primarily of satellites and weather measuring and monitoring systems; \$1.53 billion of Structures, Facilities, and Leasehold Improvements; and \$1.98 billion of other General PP&E.
- **\$398.8 million of Direct Loans and Loan Guarantees, Net of Allowances for Subsidy Cost (Present Value) and Loan Losses**, primarily relating to the National Oceanic and Atmospheric Administration (NOAA) direct loan programs.
- **\$7.57 billion of Investments, Net** consist of non-marketable, market-based Treasury notes invested by the National Telecommunications and Information Administration's (NTIA) Public Safety Trust Fund of \$6.04 billion, and non-marketable, market-based Treasury bills of \$1.53 billion also invested by NTIA's Public Safety Trust Fund, resulting primarily from transfers in of auction proceeds from the Federal Communications Commission (FCC) during FY 2019 and FY 2018, and also resulting from interest earned on investments that is reinvested. Section 6413 of the Middle Class Tax Relief and Job Creation Act of 2012 specifies that amounts in the Public Safety Trust Fund be invested in accordance with 31 U.S.C. Section 9702.

- **\$3.41 billion of Cost Contribution to Buildout of Nationwide Public Safety Broadband Network, Net** (NPSBN) captures NTIA's cumulative cost contributions, net of accumulated amortization, toward the buildout of the NPSBN under the First Responder Network Authority's contract with AT&T to build, operate, and maintain the NPSBN.
- **\$394.7 million of Other Assets** primarily includes Accounts Receivable, Net of Allowance for Uncollectible Accounts, of \$144.4 million; Inventory, Materials, and Supplies, Net of Allowance for Excess, Obsolete, and Unserviceable Items of \$130.0 million; and Advances and Prepayments of \$104.6 million.

**COMPOSITION OF THE DEPARTMENT'S ASSETS
AS OF SEPTEMBER 30, 2019**



**ASSETS BY RESPONSIBILITY SEGMENT
AS OF SEPTEMBER 30, 2019**



¹ The bureaus that fall under the Under Secretary for Economic Affairs are the Bureau of Economic Analysis (BEA) and the Census Bureau.
² NIST includes NIST and the National Technical Information Service (NTIS).
³ Others includes Departmental Management (DM), the Bureau of Industry and Security (BIS), the International Trade Administration (ITA), and the Minority Business Development Agency (MBDA).

TRENDS IN ASSETS

Departmental assets increased \$4.03 billion, or 7 percent, from \$54.18 billion as of September 30, 2018 to \$58.21 billion as of September 30, 2019.

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



- **Fund Balance with Treasury** increased \$1.16 billion, or 4 percent, from \$28.79 to \$29.96 billion, primarily due to additional appropriations received by the Economic Development Administration (EDA) (\$600.0 million) and NOAA (\$295.6 million) in FY 2019 from the Additional Supplemental Appropriations for Disaster Relief Act, 2019 (Public Law 116-20), for which EDA did not make any disbursements from these funds in FY 2019, and for which NOAA disbursed \$72.2 million from these funds in FY 2019.
- **Investments, Net** increased \$1.32 billion, or 21 percent, from \$6.24 billion to \$7.57 billion, largely as a result of NTIA's additional auction proceeds from FCC received in FY 2019 of \$1.16 billion, and the reinvestment of interest earned on investments.
- **Cost Contribution to Buildout of NPSBN, Net** significantly increased \$1.40 billion, or 70 percent, from \$2.01 billion to \$3.41 billion, due to additional actual/estimated work completed in FY 2019 by AT&T for its buildout of the NPSBN.

COMPOSITION OF LIABILITIES AND LIABILITIES BY RESPONSIBILITY SEGMENT

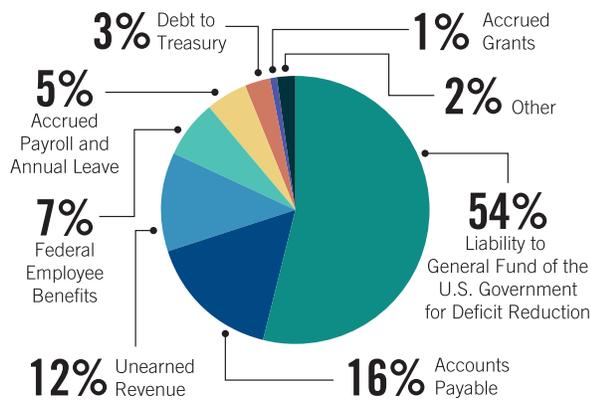
The composition and distribution by responsibility segment (by percentage) of the Department's liabilities was consistent from September 30, 2018 to September 30, 2019.

Liabilities of the Department amounted to \$14.02 billion as of September 30, 2019.

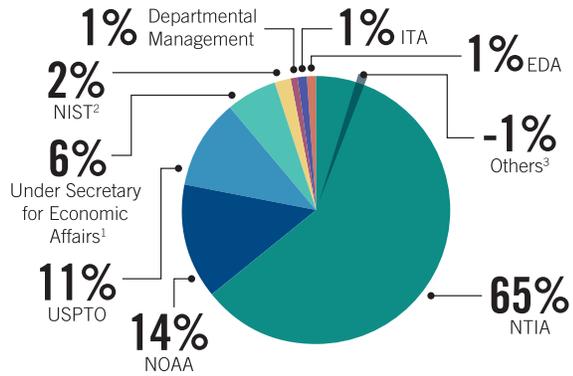
- **\$1.68 billion of Unearned Revenue** primarily includes the portion of monies received under customer orders or similar revenue-generating activities for which goods and services have not yet been provided or rendered by the Department. The Department's Unearned Revenue largely includes \$985.0 million of the U.S. Patent and Trademark Office's (USPTO) unearned revenue for patent and trademark application and user fees that are pending action by USPTO, and also includes \$239.6 million of the Census Bureau's unearned portions of monies received for customer orders. The Department's Unearned Revenue also includes the balances of customer deposit accounts held by the Department for which orders have not yet been received, and liabilities for collections held in clearing accounts.
- **\$927.7 million of Federal Employee Benefits Liability** is comprised of the actuarial present value of projected benefits for the NOAA Corps Retirement System and NOAA Corps Blended Retirement System of \$719.9 million and for the NOAA Corps Post-retirement Health Benefits of \$39.8 million, and the Department's Actuarial Federal Employees' Compensation Act (FECA) Liability of \$168.0 million, which represents the actuarial liability for future workers' compensation benefits.
- **\$2.32 billion of Accounts Payable** consists primarily of amounts owed for goods, services, or capitalized assets received, progress on contract performance by others, and other expenses due.
- **\$685.3 million of Accrued Payroll and Annual Leave** includes salaries and wages earned by employees, but not disbursed, as of September 30, 2019.
- **\$395.4 million of Debt to Treasury** represents borrowings for NOAA's direct loan programs.
- **\$7.57 billion of NTIA Public Safety Trust Fund's Liability to General Fund of the U.S. Government for Deficit Reduction**—Priority 8 of Section 6413 of the Middle Class Tax Relief and Job Creation Act of 2012 specifies that any remaining funds deposited in NTIA's Public Safety Trust Fund be deposited in the General Fund of the U.S. Government for deficit reduction after the end of FY 2022.
- **\$140.2 million of Accrued Grants** relates to a diverse array of financial assistance programs and projects, including EDA's accrued grants of \$49.4 million for its grant investments that help communities generate jobs, retain existing jobs, and stimulate industrial and commercial growth; NOAA's accrued grants of \$52.0 million for grants awarded to state and local governments, non-profit research institutions, and colleges and universities for research and conservation initiatives; and the National Institute of Standards and Technology's (NIST) accrued grants of \$31.5 million for its grant investments and cooperative agreements that fund programs in a variety of fields such as energy, food safety, electronics research, strategic manufacturing technology, and the Hollings Manufacturing Extension Partnership.
- **\$299.3 million of Other Liabilities** primarily includes Environmental and Disposal Liabilities of \$146.3 million, including \$71.4 million for asbestos-related cleanup costs, and \$63.1 million for a nuclear reactor operated by NIST; Accrued Benefits of \$63.1 million that are payable to other federal entities; Accrued FECA Liability of \$24.9 million; and the International Trade Administration's (ITA) Foreign Service Nationals' Voluntary Separation Pay Liability of \$12.6 million.



COMPOSITION OF THE DEPARTMENT'S LIABILITIES AS OF SEPTEMBER 30, 2019



LIABILITIES BY RESPONSIBILITY SEGMENT AS OF SEPTEMBER 30, 2019



¹ The bureaus that fall under the Under Secretary for Economic Affairs are BEA and the Census Bureau.
² NIST includes NIST and NTIS.
³ Others includes BIS and MBDA.

TRENDS IN LIABILITIES

Liabilities of the Department increased \$1.73 billion, or 14 percent, from \$12.29 billion as of September 30, 2018 to \$14.02 billion as of September 30, 2019.

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



- Accounts Payable** increased \$271.9 million, or 13 percent, from \$2.05 billion as of September 30, 2018 to \$2.32 billion as of September 30, 2019. This increase is primarily related to an increase in Accounts Payable for the Census Bureau's Periodic Censuses and Programs fund group of \$180.5 million, from \$101.4 million to \$281.9 million, largely due to increased costs in preparation for the 2020 Decennial Census, and is also due to an increase in NOAA's Accounts Payable of \$72.9 million, from \$314.7 million to \$387.7 million, mainly caused by an increase in NOAA's accrued liabilities with the public for unbilled goods received and services rendered of \$48.7 million, and also due to an increase in payables/accruals for satellite projects of \$29.9 million.
- Accrued Payroll and Annual Leave** increased \$88.4 million, or 15 percent, from \$596.9 million as of September 30, 2018 to \$685.3 million as of September 30, 2019, largely resulting from increased staffing at the Census Bureau in preparation for the 2020 Decennial Census. In addition, Department-wide salary increases and an additional day accrued in FY 2019 as compared to FY 2018 resulted in a comparatively higher accrual.
- Debt to Treasury** for NOAA's direct loan programs decreased \$572 million, or 13 percent, from \$452.6 million as of September 30, 2018 to \$395.4 million as of September 30, 2019, due to debt repayments made by NOAA to Treasury during FY 2019, while at the same time there were significantly decreased borrowings in FY 2019 due to a large decrease in disbursements for new loans. NOAA expects disbursements for new loans to increase to more normal levels in FY 2020.

- **NTIA Public Safety Trust Fund's Liability to the General Fund of the U.S Government for Debt Reduction** increased \$1.32 billion, or 21 percent, from \$6.24 billion as of September 30, 2018 to \$7.57 billion as of September 30, 2019, primarily as a result of the transfer of \$1.16 billion from FCC auction proceeds received in FY 2019 as well as the reinvestment of interest earned on investments. These funds are not available to the Department and must be paid to the U.S. government for deficit reduction pursuant to the Middle Class Tax Relief and Job Creation Act of 2012.

COMPOSITION OF AND TRENDS IN 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.

Total Net Position increased \$2.30 billion, or 5 percent, from \$41.89 billion as of September 30, 2018 to \$44.19 billion as of September 30, 2019.

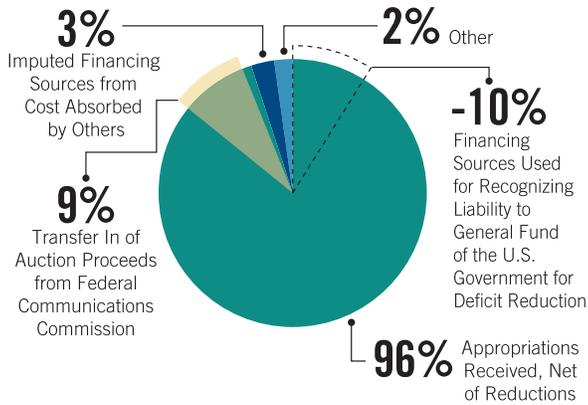
Unexpended Appropriations increased \$2.22 billion, or 24 percent, from \$9.09 billion as of September 30, 2018 to \$11.31 billion as of September 30, 2019, primarily caused by an increase in Unexpended Appropriations for the Census Bureau's Periodic Censuses and Programs fund group of \$1.05 billion, from \$1.38 billion to \$2.43 billion, primarily for the 2020 Decennial Census, and also due to an increase in Unexpended Appropriations for EDA's Economic Development Assistance Program fund group of \$629.3 million, from \$1.34 billion to \$1.97 billion, largely resulting from the additional disaster-related Appropriations Received in FY 2019 of \$600.0 million that were unexpended as of September 30, 2019 as previously discussed (see trend explanation for Fund Balance with Treasury).

COMPOSITION OF AND TRENDS IN FINANCING SOURCES

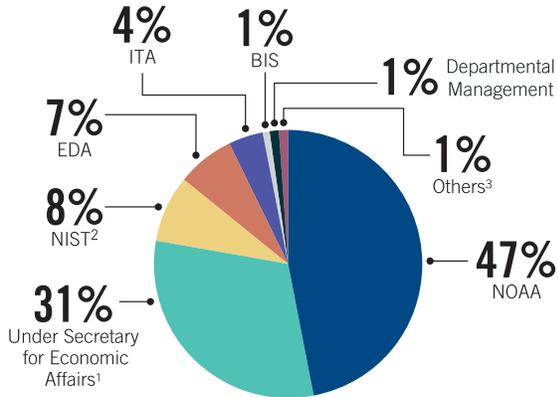
The composition (by percentage) of the Department's financing sources, as reported in the Department's *Consolidated Statements of Changes in Net Position*, remained consistent in that Appropriations Received, Net of Reductions continued in FY 2019 to comprise 96 percent of the Department's total financing sources.

The distribution by responsibility segment (by percentage) of the Department's total financing sources changed somewhat from FY 2018 to FY 2019. For the bureaus (the Bureau of Economic Analysis (BEA) and the Census Bureau) that fall under the Under Secretary for Economic Affairs, total financing sources increased from 24 percent of total Departmental financing sources for FY 2018 to 31 percent for FY 2019, and NOAA's total financing sources decreased from 52 percent of total Departmental financing source for FY 2018 to 47 percent for FY 2019. The above changes primarily resulted because (a) Appropriations Received for the Census Bureau's Periodic Censuses and Programs fund group increased \$1.01 billion, from \$2.54 billion in FY 2018 to \$3.55 billion in FY 2019, mainly for the 2020 Decennial Census; and (b) Appropriations Received decreased \$589.6 million for NOAA's Procurement, Acquisition, and Construction fund group, from \$2.37 billion in FY 2018 to \$1.78 billion in FY 2019.

**COMPOSITION OF THE DEPARTMENT'S
FY 2019 FINANCING SOURCES**



**FY 2019 FINANCING SOURCES
BY RESPONSIBILITY SEGMENT**



¹ The bureaus that fall under the Under Secretary for Economic Affairs are BEA and the Census Bureau.

² NIST includes NIST and NTIS.

³ Others includes MBDA, NTIA, and USPTO.

Total financing sources of the Department remained consistent, increasing \$209.0 million, or 2 percent, from \$12.67 billion in FY 2018 to \$12.88 billion in FY 2019.

Significant line item increases or decreases in Departmental financing sources from FY 2018 to FY 2019 include:

- **Imputed Financing Sources from Cost Absorbed by Others** increased \$45.8 million, or 15 percent, from \$300.3 million in FY 2018 to \$346.2 million in FY 2019, primarily due to:
 - Increases in the imputed cost factors provided by the U.S. Office of Personnel Management, from FY 2018 to FY 2019, for the Civil Service Retirement System, Federal Employees Retirement System, and Federal Employees Health Benefits Program; and
 - The effect on the imputed cost calculations of higher dollar levels of basic pay in FY 2019 versus FY 2018.
- **Transfer In of Auction Proceeds from FCC** significantly decreased \$4.74 billion, or 80 percent, from \$5.90 billion in FY 2018 to \$1.16 billion in FY 2019. The transfers in from FCC to NTIA's Public Safety Trust Fund represent auction proceeds that depend on applicable FCC auction activity and results.
- **Financing Sources Used for Recognizing Liability to General Fund of the U.S. Government for Deficit Reduction** decreased \$4.58 billion, or 78 percent, from \$(5.91) billion in FY 2018 to \$(1.32) billion in FY 2019, primarily as a result of the large reduction in auction proceeds transferred in from FCC to NTIA's Public Safety Trust Fund as previously discussed.
- **Other Financing Sources** increased \$144.6 million, or 76 percent, from \$191.0 million in FY 2018 to \$335.6 million in FY 2019, mainly due to a significant increase in non-exchange revenue for NTIA's Public Safety Trust Fund of \$156.7 million, from \$13.1 million to \$169.7 million, which represents an increase in interest earned (reinvested) from Treasury on investments.

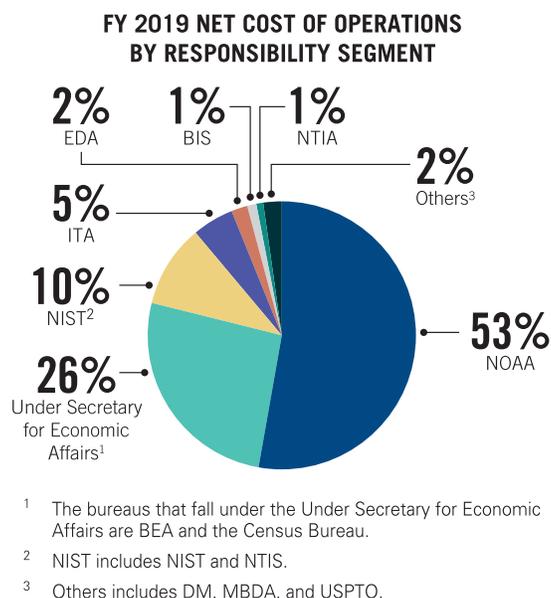
TRENDS IN TOTAL FINANCING SOURCES (In Billions)



COMPOSITION OF FY 2019 NET COST OF OPERATIONS AND NET COST OF OPERATIONS BY RESPONSIBILITY SEGMENT

In FY 2019, the Department's Net Cost of Operations amounted to \$10.58 billion, which consists of Gross Costs of \$14.96 billion less Earned Revenue of \$4.38 billion.

The distribution (by percentage) of the Department's Net Cost of Operations by responsibility segment changed somewhat from FY 2018 to FY 2019. For the bureaus (BEA and the Census Bureau) that fall under the Under Secretary for Economic Affairs, Net Cost of Operations increased from 17 percent of total Departmental Net Cost of Operations for FY 2018 to 26 percent for FY 2019, and NOAA's Net Cost of Operations decreased from 59 percent of total Departmental Net Cost of Operations for FY 2018 to 53 percent for FY 2019. The reasons for these changes are discussed in the *Trends in Net Cost of Operations* section.



Note: The Gross Costs and Earned Revenue amounts presented in the following paragraphs include transactions with other Departmental entities (intra-Departmental transactions), in order to communicate the full scope of each organization's Gross Costs and Earned Revenue amounts. As a result, the Gross Costs amounts discussed below may not agree with the Gross Costs presented on the Department's FY 2019 Consolidated Statement of Net Cost, which excludes intra-Departmental transactions.

- NOAA's FY 2019 Net Cost of Operations** was \$5.62 billion (Gross Costs of \$5.90 billion less Earned Revenue of \$274.7 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. By setting the broad Administration goals of promoting national security, public safety, economic growth, and job creation, NOAA provides the observational infrastructure, capabilities, and staff to produce timely and accurate weather forecasts and warnings; recapitalizes the NOAA fleet to ensure the continued collection of at-sea data vital to the US economy for fisheries management and nautical charting; supports the government's legal obligations to manage and conserve marine resources; and fosters safe and efficient ocean and coastal navigation.

■ <https://www.noaa.gov/organization/budget-finance-performance>

- **USPTO's FY 2019 Net Cost of Operations** of \$89.5 million (Gross Costs of \$3.48 billion less Earned Revenue of \$3.39 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.

- <https://www.uspto.gov/about-us>

- The **Under Secretary for Economic Affairs FY 2019 Net Cost of Operations** was \$2.71 billion (Gross Costs of \$3.03 billion less Earned Revenue of \$324.7 million). The Under Secretary for Economic Affairs provides leadership and policy guidance to the Department's economic and statistical community, including oversight to 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.

- <https://www.bea.gov/about/who-we-are>

The **Census Bureau's FY 2019 Net Cost of Operations** (included in the Undersecretary for Economic Affairs results above) was \$2.59 billion (Gross Costs of \$2.92 billion less Earned Revenue of \$322.3 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), economic indicators, and demographic and economic surveys provided to survey sponsors.

- https://www.census.gov/about/what.html#par_textimage

- **NIST's FY 2019 Net Cost of Operations** was \$1.02 billion (Gross Costs of \$1.25 billion less Earned Revenue of \$229.9 million), which includes NIST and the National Technical Information Service (NTIS), as NIST provides oversight for NTIS. NIST's FY 2019 Net Cost of Operations, by itself, was \$1.02 billion (Gross Costs of \$1.17 billion less Earned Revenue of \$148.9 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 Scientific and Technical Research and Services, Industrial Technology Services, and Construction of Research Facilities. 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 by housing more than three million publications. NTIS's new mission is to provide innovative data services to federal agencies through joint venture partnerships with the private sector, advance federal data priorities, promote economic growth, and enable operational excellence.

- <https://www.nist.gov/about-nist/our-organization/mission-vision-values>

- <https://www.ntis.gov/about/about-us.html>

- **ITA's FY 2019 Net Cost of Operations** was \$510.5 million (Gross Costs of \$532.9 million less Earned Revenue of \$22.4 million). ITA fosters economic growth and prosperity through global trade by strengthening the competitiveness of American industry, promoting trade and investment, and ensuring fair trade through the rigorous enforcement of the Nation's trade laws and agreements. ITA leads the Department's export and investment platform, working with several other bureaus, and inside and outside the Department, including working with the U.S. Trade Representative, to provide greater access to markets and customers by removing trade barriers.

- <https://www.trade.gov/about.asp>

- **EDA's FY 2019 Net Cost of Operations** was \$260.2 million (Gross Costs of \$265.6 million less Earned Revenue of \$5.4 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.

- <https://www.eda.gov/about/>

- **NTIA's FY 2019 Net Cost of Operations** was \$94.8 million (Gross Costs of \$260.4 million less Earned Revenue of \$165.5 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.

NTIA includes the First Responder Network Authority, an independent authority, which was created by the Middle Class Tax Relief and Job Creation Act of 2012 to provide emergency responders with the first high-speed, nationwide network dedicated to public safety.

- <https://www.ntia.doc.gov/>

- <https://firstnet.gov>

- **Departmental Management's (DM) FY 2019 Net Cost of Operations** was \$118.1 million (Gross Costs of \$438.7 million less Earned Revenue of \$320.6 million), which includes Gifts and Bequests, 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.

- <http://www.osec.doc.gov/bmi/budget/FY19BIB/FinalBiBFY2019.pdf>

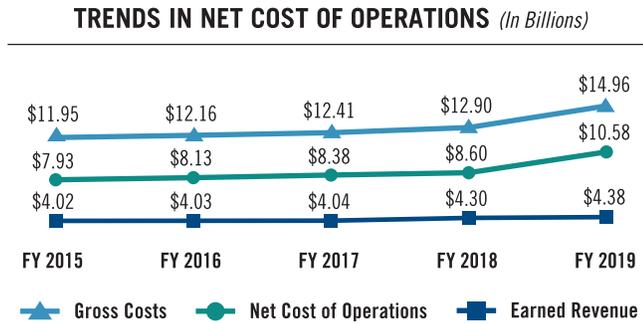
- **Other Departmental Bureaus' FY 2019 Net Cost of Operations** was \$154.5 million (Gross Costs of \$157.1 million less Earned Revenue of \$2.5 million), which is comprised of the Bureau of Industry and Security (BIS) and the Minority Business Development Agency (MBDA). **BIS** advances the Nation's 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 entrepreneurs.

- <https://www.bis.doc.gov/index.php/about-bis>

- <https://www.mbda.gov/about/whatwedo>

TRENDS IN NET COST OF OPERATIONS

The Department's Net Cost of Operations increased \$1.98 billion, or 23 percent, from \$8.60 billion in FY 2018 to \$10.58 billion in FY 2019. Gross Costs increased \$2.06 billion, or 16 percent, from \$12.90 billion in FY 2018 to \$14.96 billion in FY 2019. Earned Revenue increased \$86.0 million, or 2 percent, from \$4.30 billion in FY 2018 to \$4.38 billion in FY 2019. The increase in Gross Costs is primarily attributable to activity related to the Census Bureau and NOAA.

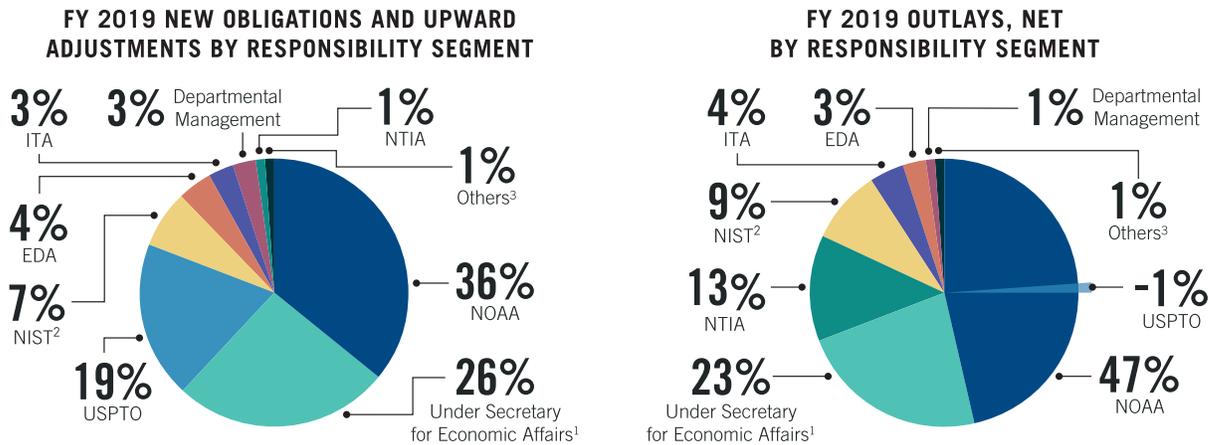


- Gross Costs for the Census Bureau's Periodic Census and Programs fund group increased \$1.09 billion, or 76 percent, from \$1.44 billion in FY 2018 to \$2.53 billion in FY 2019, primarily due to increased expenses incurred in preparation for the 2020 Decennial Census. The expenses included contract services as well as the hiring of additional staff.
- NOAA's Gross Costs increased \$592.1 million, or 11 percent, from \$5.31 billion in FY 2018 to \$5.90 billion in FY 2019 primarily due to the following:
 - Depreciation increased \$240.8 million due to satellites placed in service in FY 2018;
 - An increase of \$97.2 million related to National Marine Fisheries Service programs;
 - Pension costs for the NOAA Corps Retirement System and NOAA Corps Blended Retirement System increased \$55.7 million, from \$36.5 million in FY 2018 to \$92.2 million in FY 2019, primarily due to an increase in annual inflation costs of \$58.5 million, resulting from an increase in the long-term assumption for annual inflation from 1.35 percent for the actuarial valuation as of September 30, 2018 to 1.70 percent for the actuarial valuation as of September 30, 2019;
 - An increase of \$45.3 million related to National Environmental Satellite Data and Information Service's Satellite and Product Operations program;
 - An increase of \$41.2 million related to National Weather Service's Forecast Analyze and Support program;
 - An increase of \$22.5 million related to Office of Marine and Aviation Operations' marine operation and maintenance service program;
 - An increase of \$15.6 million related to NOAA observations, positioning, mapping, and charting program; and
 - An increase of \$10.3 million related to Office of Oceanic and Atmospheric Research weather and air quality research program.
- USPTO's Gross Costs increased \$156.7 million, or 5 percent, from \$3.32 billion in FY 2018 to \$3.48 billion in FY 2019, primarily due to increased salary and benefit costs along with increased contract costs associated with information technology expenses.

SELECTED BUDGETARY INFORMATION BY RESPONSIBILITY SEGMENT

The distribution by responsibility segment (by percentage) of the Department's New Obligations and Upward Adjustments changed significantly from FY 2018 to FY 2019. Due to the substantial changes in New Obligations and Upward Adjustments discussed in the following *Trends in Selected Budgetary Information* section, NTIA's portion of the Departmental total decreased from 29 percent in FY 2018 to only 1 percent in FY 2019, and the bureaus (BEA and the Census Bureau) that fall under the Under Secretary for Economic Affairs portion of the Departmental total increased from 13 percent in FY 2018 to 26 percent in FY 2019. Mainly as a result of the above noted changes by responsibility segments, NOAA's portion of the Departmental New Obligations and Upward Adjustments increased from 30 percent in FY 2018 to 36 percent in FY 2019.

The distribution by responsibility segment (by percentage) of the Department's Outlays, Net (which is comprised of Outlays, Gross less Actual Offsetting Collections) also changed significantly from FY 2018 to FY 2019. Due to the substantial changes in Outlays, Net discussed in the following *Trends in Selected Budgetary Information* section, NTIA's portion increased from negative 5 percent of the Departmental total in FY 2018 to 13 percent of the Departmental total in FY 2019. Primarily because of above noted increase in NTIA's portion, and also due to a decrease in NOAA's Outlays, Net of \$144.6 million, or 3 percent (from \$5.42 billion in FY 2018 to \$5.27 billion in FY 2019), NOAA's portion of the Departmental total of Outlays, Net decreased from 63 percent in FY 2018 to 47 percent in FY 2019.



¹ The bureaus that fall under the Under Secretary for Economic Affairs are BEA and the Census Bureau.
² NIST includes NIST and NTIS.
³ Others includes BIS and MBDA.

TRENDS IN SELECTED BUDGETARY INFORMATION

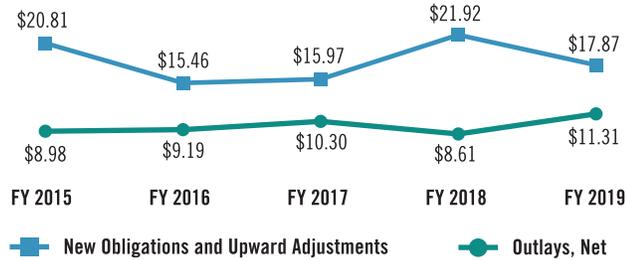
The Department's New Obligations and Upward Adjustments decreased \$4.05 billion, or 19 percent, from \$21.92 billion in FY 2018 to \$17.87 billion in FY 2019, primarily due to:

- In FY 2018, there were large buildout obligations of \$6.17 billion under NTIA's First Responder Network Authority contract with AT&T to build, maintain, and operate the NPSBN. There were no similar, large buildout obligations in FY 2019 under this contract; and
- The above NTIA decrease was partially offset by an increase in New Obligations and Upward Adjustments from FY 2018 to FY 2019 for the Census Bureau's Periodic Censuses and Programs fund group of \$1.91 billion, from \$1.52 billion in FY 2018 to \$3.44 billion in FY 2019, primarily due to increased obligations in preparation for the 2020 Decennial Census.

The Department's Outlays, Net increased \$2.69 billion, or 31 percent, from \$8.61 billion in FY 2018 to \$11.31 billion in FY 2019, primarily due to:

- An increase in NTIA Network Construction Fund payments (Outlays, Gross) to AT&T under NTIA's First Responder Network Authority contract with AT&T to build, operate, and maintain the NPSBN of \$1.13 billion, from \$336.0 million in FY 2018 to \$1.47 billion in FY 2019, as AT&T tasks to buildout the NPSBN under the contract continued to be delivered and completed during FY 2019.
- An increase in payments (Outlays, Gross) for the Census Bureau's Periodic Censuses and Programs fund group of \$831.0 million, from \$1.46 billion in FY 2018 to \$2.29 billion in FY 2019, primarily due to increased payments in preparation for the 2020 Decennial Census.
- In FY 2018, NTIA's Network Construction Fund received a refund (Actual Offsetting Collections) of \$672.0 million from the U.S. Department of the Interior (DOI) returning advance funding of certain task orders under the previous DOI contract with AT&T to build, operate, and maintain the NPSBN (the AT&T contract is now with NTIA's First Responder Network Authority). There was no such refund (Actual Offsetting Collections) in FY 2019, causing an increase in Outlays, Net from FY 2018 to FY 2019 related to the DOI FY 2018 refund of \$672.0 million.

TRENDS IN SELECTED BUDGETARY INFORMATION (In Billions)



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: 14 National Marine Sanctuaries; five Marine National Monuments (Marianas Trench, the Northeast Canyons and Seamounts, Pacific Remote Islands, Papahānaumokuākea, and Rose Atoll); Aleutian Islands Habitat Conservation Area; and NOAA Habitat Blueprint (10 Habitat Focus Areas). In addition to the Stewardship Assets, NOAA also maintains the following Heritage and Collection-type Heritage Assets: National Marine Fisheries Service (NMFS) Galveston Laboratory, NMFS St. George Seal Skin Processing Plant; NMFS St. George Cottage; NMFS St. Paul Old Clinic/Hospital; NMFS Woods Hole Science Aquarium; Office of Oceanic and Atmospheric Research (OAR) Great Lakes Environmental Research Laboratory/Lake Michigan Field Station; OAR Air Resources Lab in Oak Ridge, TN; 10 National Environmental Satellite, Data, and Information Service buildings in Gilmore Creek, Fairbanks, AK; three Northwest Fisheries Science Center buildings in Seattle, WA; two Western Regional Center hangars (buildings) in Seattle, WA; five NMFS rookeries in St. Paul, AK; seven NMFS rookeries in St. George, AK; NOAA Central Library (mainly books, journals, publications, photographs, and motion pictures); Thunder Bay Sanctuary Research Collection (data cards, photograph negatives, document copies, photographs, books, and other items); National Centers for Environmental Information (books, manuals, slides, thermometers, gauges, radiosondes, and laboratory equipment); Florida Keys National Marine Sanctuary Collection (artifacts from shipwrecks and wrecking events occurring in the Florida Keys); and other artifacts, artwork, books, films, instruments, maps, and records.

NIST maintains Collection-type Heritage Assets under its Museum and History Program, which collects, preserves, and exhibits artifacts, such as scientific instruments, equipment, and objects 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 2019 totaled \$481.6 million and included Disaster Recovery (\$318.2 million), its Public Works program (\$123.4 million), Assistance to Coal Communities (\$25.6 million), and Economic Adjustment Assistance program (\$14.4 million). NOAA's investments in FY 2019 totaled \$1.2 million for the National Estuarine Research Reserves (\$1.1 million) and the Coastal and Estuarine Land Conservation Program (\$0.1 million). EDA's investments in non-federal physical property, other than Disaster Recovery, 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.

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 2019 totaled \$24.4 million and included the Educational Partnership Program (\$16.0 million), Ernest F. Hollings Undergraduate Scholarship Program (\$5.4 million), National Estuarine Research Reserve Program (\$1.8 million), and the National Sea Grant College Program (\$1.2 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 significant investments in R&D are by NIST and NOAA.

NIST's R&D investments (basic, applied, and development) in FY 2019 totaled \$813.4 million and included \$759.2 million for its NIST Laboratories Program, \$41.4 million for its Public Safety Communications Research Program, and \$12.8 million for its Manufacturing USA, Advanced Manufacturing Technology Consortia, and Technology Innovation Program. NOAA's R&D investments (applied and development) in FY 2019 totaled \$749.3 million which included Environmental and Climate (\$536.5 million), Fisheries (\$58.8 million), Weather Service (\$22.1 million), and Other (\$131.9 million).

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FINANCIAL SECTION



MESSAGE FROM THE CHIEF FINANCIAL OFFICER (Unaudited)

This FY 2019 Agency Financial Report provides financial and high-level program performance information to enable the Department's stakeholders to understand and evaluate our achievements relative to our 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.

In FY 2019, the Department achieved an unmodified audit opinion for the twenty-first consecutive year from the independent auditors tasked with auditing the financial statements. However, three significant deficiencies were identified; one related to controls over the Census Bureau's accounting for internal use software, one involving controls over accounting for prepaid expenses, and the third involving additional improvement needed in information technology (IT) general controls. We will continue to take corrective actions to strengthen controls in these areas in FY 2020.

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 unmodified statement of assurance that its internal controls and financial management systems meet the objectives of FMFIA and that internal controls operated effectively with no identified material weaknesses.

The commitment to improving the Department's capacity to deliver our mission with customer-focused outcomes is an important focus of the Department's Leadership Team. As with most organizations, our most important resource is our people. The mission of the Department of Commerce would not be possible without our employees' continued commitment to the Commerce mission and public service. The Department's Leadership Team recognizes the dedication of our workforce and remains committed to continuous improvement of our employees. By leveraging training and emphasizing the need for innovation and partnering across the Department our workforce will have the tools they need to accomplish Commerce's goals. This will be done by ensuring that employees have access to secure, modern IT which provides the best avenues for collaboration, creativity, and innovation for addressing the challenges ahead.

One significant way the Department plans to leverage IT is through the implementation of a modern Business Applications Solution (BAS) which will replace our outdated financial, acquisitions, and property systems. These systems, along with a robust Enterprise Data Warehouse, will provide standardized, consistent, and accurate information to Departmental functions allowing leadership to make timely and informed data driven business decisions. Additionally, working with the Department of Treasury and OMB, Commerce's effort is being used as a springboard for a government-wide approach for shared services within the financial community, giving our efforts a far-reaching impact for the federal government.

In FY 2020, it is expected that the BAS system will begin its development and implementation efforts. This will allow for improved service delivery through more timely and accurate data driven business decisions, driving a more effective use of taxpayer resources.

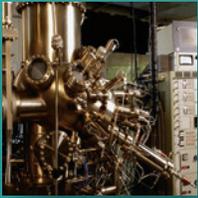


Thomas F. Gilman
Chief Financial Officer
and Assistant Secretary for Administration
November 15, 2019



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT





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

November 19, 2019

INFORMATIONAL MEMORANDUM FOR SECRETARY ROSS

FROM: Carol N. Rice *Carol N. Rice*
Assistant Inspector General for Audit and Evaluation

SUBJECT: *Department of Commerce FY 2019 Financial Statements,*
Final Report No. OIG-20-008-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 (FY) 2019 consolidated financial statements. KPMG LLP, an independent public accounting firm, performed the audit in accordance with U.S. generally accepted auditing standards, standards applicable to financial audits contained in *Government Auditing Standards*, and Office of Management and Budget Bulletin No. 19-03, *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 the accounting for internal use software and prepaid expenses, and deficiencies in information technology general controls; and
- identified no instances of reportable noncompliance with applicable laws, regulations, contracts, and grant agreements, as well as no instances in which the Department's financial management systems did not substantially comply with relevant requirements of the Federal Financial Management Improvement Act of 1996.

KPMG is solely responsible for the attached audit report and the conclusions expressed in it. We do not express any opinion on the Department's financial statements, any conclusions about the effectiveness of internal control over financial reporting, or any conclusions on compliance with applicable laws, regulations, contracts and grant agreements.

This report will appear on our website pursuant to sections 4 and 8M of the Inspector General Act of 1978, as amended (5 U.S.C. App., §§ 4 & 8M). In accordance with Department Administrative Order 213-5, please submit to us—within 60 calendar days of this memorandum—an action plan that responds to the recommendations in this report.

We would like to thank the Department's staff and management for its cooperation and courtesies extended to KPMG and my office during this audit.

Attachment



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

Independent Auditors' Report

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, 2019 and 2018, and the related consolidated statements of net cost, changes in net position, and custodial activity, 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, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-03 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.

Opinion

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, 2019 and 2018, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



Other Matters

Interactive Data

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, 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 Department at a Glance, Table of Contents, Message from Secretary Ross, How to Use this Report, Message from the Chief Financial Officer, and Other Information sections is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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, 2019, 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 have not been 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 in Exhibit I, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's consolidated financial statements as of and for the year ended September 30, 2019 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. 19-03.

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 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.

Management's Responses to Findings

Management's responses to the findings identified in our audit are described in the accompanying Exhibit I. Management'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 results 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, DC
November 15, 2019



Exhibit 1 – Significant Deficiencies

A. Controls over Accounting for Internal Use Software

Controls over accounting for the Census Bureau's (Census's) internal use software (IUS) and IUS in development (IUSD), which represents \$765 million of the Department's general property, plant, and equipment as of September 30, 2019, require further improvement as activity in these accounts continues to be substantial because of the upcoming decennial census.

Census did not consistently capitalize IUS costs or move completed assets from IUSD to IUS timely despite implementing several controls in fiscal years (FY) 2018 and 2019 to address the previously reported material weakness. As part of its corrective action plan in FY 2019, Census provided additional IUS training to all IUS points of contact (POC), developed an online training that is required for new IUS POCs, and continued to perform the quarterly IUS expense analysis process.

However, Census Finance did not provide the IUS POCs with sufficient training and guidance on identifying and documenting contract line items that are capitalizable versus non-capitalizable within service contracts. As a result, an IUS POC inappropriately applied Statement of Federal Financial Accounting Standards (SFFAS) No. 10, *Accounting for Internal Use Software*, guidance related to capitalized contractor-developed software costs, and the Computer Service Division's review control over the December 31, 2018 IUS submission did not operate effectively. During our testing of IUSD additions as of March 31, 2019 on a sample basis, we determined that Census Finance capitalized \$39,272 as IUSD costs that were improperly deemed to meet the definition of IUSD, which was corrected by Census Finance as of September 30, 2019. The projected misstatement amount associated with this error was \$29 million as of March 31, 2019.

During our testing of FY 2019 IUS additions on a sample basis, we determined that Census Finance capitalized \$4,350 as IUS costs that were unsupported, resulting in an overstatement of IUS and an understatement of operating expenses. The projected misstatement amount associated with this error was \$32 million as of September 30, 2019.

Additionally, Census did not properly design and implement controls related to the review of IUSD projects nearing completion. Specifically, Census did not transfer costs from IUSD to completed IUS for IUSD projects with a placed in service date before September 30, 2019. As a result, IUSD was overstated and IUS was understated by \$2.9 million, respectively. The projected misstatement amount associated with this error was \$16.3 million as of September 30, 2019.

The relevant criteria are the Federal Accounting Standards Advisory Board's (FASAB) SFFAS No. 10, *Accounting for Internal Use Software*, and the U.S. Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*, dated September 2014.

Recommendations

We recommend that Census management:

1. Continue to develop, document, and implement training on relevant SFFAS No. 10 criteria and how to appropriately apply them for recognizing IUSD costs versus non-IUSD costs, particularly as they relate to material service contracts with software embedded requirements.
2. Enhance guidance provided as part of the IUS quarterly submission to ensure that only costs associated with capitalizable contract line items are reported as IUSD.
3. Enhance its existing quarterly submission guidance, related to the status form, to include documentation requirements and considerations over key indicators, other than the estimated completion date, of a project being completed.



Exhibit 1 – Significant Deficiencies, Continued

4. Enhance existing procedures to include procedures to ensure that new IUS POCs are informed of the status of projects within their respective division on a timely basis and to maintain appropriate documentation to support year-end IUSD status determinations and capitalized IUS amounts.

Management's Response

The Department concurs. We recognize that further improvements are necessary, and we will continue to strengthen our controls in FY 2020 through implementation of detailed corrective action plans.

B. Controls over Accounting for Prepaid Expenses

During FY 2019, controls were not in place to assess the materiality of the National Institute of Standards and Technology (NIST) and National Oceanic and Atmospheric Administration's (NOAA) aggregated unrecorded prepaid expenses as of September 30, 2019.

As in FY 2018, NIST and NOAA did not record prepayments unless material and instead expensed the related costs. This policy, which is not in accordance with U.S. generally accepted accounting principles (GAAP), was excluded from their March 31, 2019 non-GAAP policy submissions to the Office of Financial Management (OFM). In response to the related finding we issued during our interim testing, NIST and NOAA included their prepayment non-GAAP policies on their September 30, 2019 non-GAAP policy submissions to OFM; however, they did not analyze the impact of these policies on the FY 2019 financial statements because they believed that the impact was not quantifiable.

During our testing of public operating expenses on a sample basis, we identified six prepayments totaling \$1.3 million that NIST and NOAA improperly expensed, which were not corrected, as of September 30, 2019, resulting in the overstatement of expenses and understatement of prepayments (assets). The projected misstatement amount associated with this error was \$84 million as of September 30, 2019.

The relevant criteria are the FASAB SFFAS No. 1, *Accounting for Selected Assets and Liabilities*, and the GAO *Standards for Internal Control in the Federal Government*, dated September 2014.

Recommendations

We recommend that OFM meet with NIST and NOAA to develop and implement an approach to quantify the effect of the prepaid expense non-GAAP policy at least annually to ensure adjustments for material aggregated unrecorded prepaid expenses are made to the year-end financial statements.

Management's Response

The Department concurs. We recognize that further improvements are necessary, and we will continue to strengthen our controls in FY 2020 through implementation of detailed corrective action plans.

C. Information Technology General Controls

During FY 2019, certain deficiencies existed surrounding information technology (IT) general controls associated with the Department's financial management systems and supporting infrastructure that we considered collectively to be a significant deficiency under the standards issued by the American Institute of Certified Public Accountants. Specifically, we identified the following deficiencies:

- Access controls: 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; that access is appropriately reviewed and monitored; and that employees are restricted from performing incompatible functions or duties beyond their responsibility. The areas of deficiencies are:



Exhibit 1 – Significant Deficiencies, Continued

(1) application, database, and operating system password controls, (2) application, database, and operating system, and network access administration controls, and (3) segregation of duties.

- Configuration management: The objectives of configuration management are to ensure that hardware, software and firmware programs, and program modifications are properly authorized, tested, approved, and maintained; that access to and distribution of programs is carefully controlled; and that integrity of the application controls is maintained. The areas of deficiency are: (1) unsupported systems, and (2) documentation of configuration management baseline controls.
- Security management: The objective of security management is to support data reliability. The area of deficiency is the Department's monitoring of compliance with certain internal policies.

Collectively, the aforementioned IT control deficiencies pose a risk to the integrity of the Department's financial data which affects the Department's primary financial management system and its supporting infrastructure and may ultimately impact the Department's ability to accurately and timely perform its financial reporting duties. Department-level oversight weaknesses have existed at the Department for several years, and the Department has not performed appropriate IT oversight of its bureaus because of lack of sufficient resources and funding by management. In addition, certain of these deficiencies were the result of issues in the design, implementation, or monitoring of procedures and controls, or lack thereof, by Department bureaus.

The relevant criteria is Department-wide and bureau-level policies and various Federal standards and guidance such as (1) GAO's *Standards for Internal Control in the Federal Government*, dated September 2014, and (2) National Institute of Standards and Technology Special Publication 800-53 Revision 4, *Security and Privacy Controls for Federal Information Systems and Organizations*.

Recommendations

Because of the sensitive nature of IT controls, certain information has been omitted from this report. We provided the Department's management with a separate limited use report that includes specific information about the control deficiencies, our understanding of the specific causes of the control deficiencies, and our recommendations.

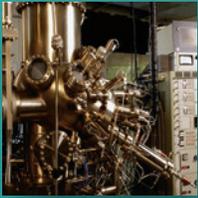
Management's Response

The Department concurs. We recognize that further improvements are necessary, and we will continue to strengthen our controls in FY 2020 through implementation of detailed corrective action plans.



FINANCIAL SECTION

PRINCIPAL FINANCIAL STATEMENTS



**United States Department of Commerce Consolidated Balance Sheets
As of September 30, 2019 and 2018 (In Thousands)**

	FY 2019	FY 2018
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Notes 2 and 19)	\$ 29,957,914	\$ 28,794,045
Investments, Net (Notes 3 and 22 – NTIA's Public Safety Trust Fund)	7,569,381	6,244,436
Accounts Receivable (Note 4)	99,372	104,745
Advances and Prepayments	21,846	42,051
Total Intragovernmental	37,648,513	35,185,277
Cash (Note 5)	11,208	8,768
Accounts Receivable, Net (Note 4)	45,031	45,297
Direct Loans and Loan Guarantees, Net (Note 6)	398,770	459,277
Inventory, Materials, and Supplies, Net (Note 7)	129,990	125,675
General Property, Plant, and Equipment, Net (Note 8)	16,481,013	16,286,411
Cost Contribution to Buildout of Nationwide Public Safety Broadband Network, Net (Note 22 – NTIA's Network Construction Fund)	3,408,729	2,009,841
Other (Note 9)	87,296	60,038
TOTAL ASSETS	\$ 58,210,550	\$ 54,180,584
Stewardship Property, Plant, and Equipment (Note 24)		
LIABILITIES		
Intragovernmental:		
Accounts Payable	\$ 141,357	\$ 97,337
Debt to Treasury (Note 11)	395,369	452,563
Other		
Unearned Revenue	343,124	338,477
Liability to General Fund of the U.S. Government for Deficit Reduction (Note 22 – NTIA's Public Safety Trust Fund)	7,569,382	6,244,436
Custodial Payable (Note 20)	3,702	376
Other (Note 12)	114,631	117,010
Total Intragovernmental	8,567,565	7,250,199
Accounts Payable	2,179,776	1,951,876
Federal Employee Benefits Liabilities (Note 13)	927,714	881,992
Environmental and Disposal Liabilities (Note 14)	146,257	145,677
Other		
Accrued Payroll and Annual Leave	685,310	596,920
Accrued Grants	140,196	129,678
Capital Lease Liabilities (Note 15)	–	21
Unearned Revenue	1,336,127	1,309,548
Other (Note 12)	34,687	21,138
TOTAL LIABILITIES	\$ 14,017,632	\$ 12,287,049
Commitments and Contingencies (Note 17)		
NET POSITION		
Unexpended Appropriations		
Unexpended Appropriations – Funds from Dedicated Collections (Note 22)	\$ –	\$ –
Unexpended Appropriations – All Other Funds	11,314,698	9,091,775
Cumulative Results of Operations		
Cumulative Results of Operations – Funds from Dedicated Collections (Note 22)	17,361,051	17,459,157
Cumulative Results of Operations – All Other Funds	15,517,169	15,342,603
Total Net Position – Funds from Dedicated Collections	17,361,051	17,459,157
Total Net Position – All Other Funds	26,831,867	24,434,378
TOTAL NET POSITION	\$ 44,192,918	\$ 41,893,535
TOTAL LIABILITIES AND NET POSITION	\$ 58,210,550	\$ 54,180,584

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, 2019 and 2018 (Note 18) (In Thousands)**

	FY 2019	FY 2018
National Oceanic and Atmospheric Administration		
Gross Costs	\$ 5,885,496	\$ 5,292,544
Less: Earned Revenue	(261,992)	(232,410)
Net Cost of Operations	5,623,504	5,060,134
U.S. Patent and Trademark Office		
Gross Costs	3,477,623	3,320,953
Less: Earned Revenue	(3,388,126)	(3,308,867)
Net Cost of Operations	89,497	12,086
Under Secretary for Economic Affairs (FY 2019) / Economics and Statistics Administration (FY 2018)		
Gross Costs	3,026,996	1,788,973
Less: Earned Revenue	(320,642)	(301,267)
Net Cost of Operations	2,706,354	1,487,706
National Institute of Standards and Technology		
Gross Costs	1,226,188	1,213,544
Less: Earned Revenue	(207,519)	(245,739)
Net Cost of Operations	1,018,669	967,805
International Trade Administration		
Gross Costs	520,015	496,280
Less: Earned Revenue	(9,542)	(9,506)
Net Cost of Operations	510,473	486,774
Economic Development Administration		
Gross Costs	265,579	297,513
Less: Earned Revenue	(5,352)	(13,575)
Net Cost of Operations	260,227	283,938
National Telecommunications and Information Administration		
Gross Costs	256,362	195,702
Less: Earned Revenue	(161,541)	(160,726)
Net Cost of Operations	94,821	34,976
Departmental Management		
Gross Costs	142,634	136,352
Less: Earned Revenue	(24,517)	(20,605)
Net Cost of Operations	118,117	115,747
Others		
Gross Costs	156,546	155,526
Less: Earned Revenue	(2,014)	(2,585)
Net Cost of Operations	154,532	152,941
Total Gross Departmental Costs	14,957,439	12,897,387
Less: Total Earned Revenue	(4,381,245)	(4,295,280)
NET COST OF OPERATIONS	\$ 10,576,194	\$ 8,602,107

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, 2019 and 2018 (In Thousands)**

	FY 2019			FY 2018		
	Funds from Dedicated Collections (Note 22)	All Other Funds	Consolidated Total	Funds from Dedicated Collections (Note 22)	All Other Funds	Consolidated Total
Unexpended Appropriations:						
Beginning Balance	\$ -	\$ 9,091,775	\$ 9,091,775	\$ -	\$ 5,973,837	\$ 5,973,837
Budgetary Financing Sources:						
Appropriations Received (Note 19)	-	12,376,732	12,376,732	-	12,199,709	12,199,709
Appropriations Transferred In/(Out), Net	-	3,507	3,507	-	10,622	10,622
Rescissions/Sequestrations of Appropriations (Note 19)	-	(13,240)	(13,240)	-	(11,320)	(11,320)
Cancellations and Other Adjustments	-	(60,973)	(60,973)	-	(58,538)	(58,538)
Appropriations Used	-	(10,083,103)	(10,083,103)	-	(9,022,535)	(9,022,535)
Total Budgetary Financing Sources	-	2,222,923	2,222,923	-	3,117,938	3,117,938
Unexpended Appropriations – Ending Balance	-	11,314,698	11,314,698	-	9,091,775	9,091,775
Cumulative Results of Operations:						
Beginning Balance	17,459,157	15,342,603	32,801,760	17,424,679	14,430,537	31,855,216
Budgetary Financing Sources:						
Appropriations Used	-	10,083,103	10,083,103	-	9,022,535	9,022,535
Non-exchange Revenue	185,209	9,212	194,421	34,996	9,010	44,006
Donations and Forfeitures of Cash and Cash Equivalents	-	411	411	-	38	38
Transfer In of Auction Proceeds from Federal Communications Commission (Note 22 – NTIA's Public Safety Trust Fund)	1,155,251	-	1,155,251	5,895,159	-	5,895,159
Transfers In/(Out) Without Reimbursement, Net	36,279	162,416	198,695	31,212	167,379	198,591
Other Budgetary Financing Sources/(Uses), Net	-	-	-	8,821	(8,821)	-
Other Financing Sources (Non-exchange):						
Donations and Forfeitures of Property	-	217	217	-	449	449
Transfers In/(Out) Without Reimbursement, Net	(2,044)	2,044	-	(466)	2,389	1,923
Imputed Financing Sources from Cost Absorbed by Others	83,443	262,735	346,178	70,752	229,583	300,335
Financing Sources Used for Recognizing Liability to General Fund of the U.S. Government for Deficit Reduction (Note 22 – NTIA's Public Safety Trust Fund)	(1,324,946)	-	(1,324,946)	(5,908,248)	-	(5,908,248)
Other Financing Sources/(Uses), Net	-	(676)	(676)	(18)	(6,119)	(6,137)
Total Financing Sources	133,192	10,519,462	10,652,654	132,208	9,416,443	9,548,651
Net Cost of Operations	(231,298)	(10,344,896)	(10,576,194)	(97,730)	(8,504,377)	(8,602,107)
Net Change	(98,106)	174,566	76,460	34,478	912,066	946,544
Cumulative Results of Operations – Ending Balance	17,361,051	15,517,169	32,878,220	17,459,157	15,342,603	32,801,760
NET POSITION	\$ 17,361,051	\$ 26,831,867	\$ 44,192,918	\$ 17,459,157	\$ 24,434,378	\$ 41,893,535

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, 2019 and 2018 (Note 19) (In Thousands)**

	FY 2019		FY 2018	
	Budgetary	Non-budgetary Credit Reform Financing Accounts	Budgetary	Non-budgetary Credit Reform Financing Accounts
BUDGETARY RESOURCES:				
Unobligated Balance From Prior-years Budget Authority, Net	\$ 5,361,576	\$ 112	\$ 9,464,287	\$ 2,159
Appropriations	12,560,110	–	18,291,399	–
Borrowing Authority	–	29,485	–	57,537
Spending Authority From Offsetting Collections	5,372,110	19,267	5,426,037	20,882
TOTAL BUDGETARY RESOURCES	\$ 23,293,796	\$ 48,864	\$ 33,181,723	\$ 80,578
STATUS OF BUDGETARY RESOURCES:				
New Obligations and Upward Adjustments	\$ 17,824,855	\$ 48,568	\$ 21,840,166	\$ 80,466
Unobligated Balance, End of Year				
Apportioned, Unexpired Accounts	5,031,699	–	4,555,064	–
Exempt From Apportionment, Unexpired Accounts	718	–	634	–
Unapportioned, Unexpired Accounts	63,467	296	6,432,965	112
Unobligated Balance, End of Year, Unexpired Accounts	5,095,884	296	10,988,663	112
Unobligated Balance, End of Year, Expired Accounts	373,057	–	352,894	–
Total Unobligated Balance, End of Year	5,468,941	296	11,341,557	112
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 23,293,796	\$ 48,864	\$ 33,181,723	\$ 80,578
OUTLAYS, NET:				
Outlays, Net	\$ 11,362,876	\$ (57,379)	\$ 8,588,501	\$ 24,297
Distributed Offsetting (Receipts)/Outlays, Net	(38,995)	–	(37,765)	–
AGENCY OUTLAYS, NET	\$ 11,323,881	\$ (57,379)	\$ 8,550,736	\$ 24,297

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

United States Department of Commerce Consolidated Statements of Custodial Activity
For the Years Ended September 30, 2019 and 2018 (Note 20) (In Thousands)

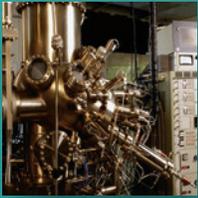
	FY 2019	FY 2018
Total Custodial Revenue:		
Sources of Cash Collections:		
Fines and Penalties	\$ 11,000	\$ 1,001,983
Other	12,266	7,166
Total Cash Collections	23,266	1,009,149
Accrual Adjustment	3,328	(468)
Total Custodial Revenue	26,594	1,008,681
Disposition of Custodial Revenue:		
Transferred to the General Fund of the U.S. Government	22,931	566,186
Transferred to the U.S. Department of Justice	-	442,965
Transferred to Others	335	-
Increase/(Decrease) in Amounts Yet to be Transferred to Other Federal Entities	3,328	(470)
Total Disposition of Custodial Revenue	26,594	1,008,681
NET CUSTODIAL ACTIVITY	\$ -	\$ -

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



FINANCIAL SECTION

NOTES TO THE FINANCIAL STATEMENTS



NOTES TO THE FINANCIAL STATEMENTS

(Dollars in Tables are Presented in Thousands unless Otherwise Noted)

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(Dollars in Tables are Presented in Thousands unless Otherwise Noted)

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 11 bureaus 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)
- Under Secretary for Economic Affairs (FY 2019) / Economics and Statistics Administration (FY 2018) — based on organizational structure¹
 - Bureau of Economic Analysis (BEA)
 - Census Bureau
- National Institute of Standards and Technology (NIST)
 - National Technical Information Service (NTIS)
- International Trade Administration (ITA)
- Economic Development Administration (EDA)
- National Telecommunications and Information Administration (NTIA)
 - First Responder Network Authority (FirstNet)²
- Departmental Management (DM)
 - Gifts and Bequests
 - Herbert C. Hoover Building Renovation Project
 - Office of Inspector General (OIG)
 - Salaries and Expenses (S&E)
 - Working Capital Fund (WCF)
- Others
 - Bureau of Industry and Security (BIS)
 - Minority Business Development Agency (MBDA)

Accounting standards require all entities to disclose that accounting standards allow certain presentations to be modified, if needed, to prevent the disclosure of classified information.

¹ In mid-September 2018, the Economics and Statistics Administration was reorganized and has been replaced by the Under Secretary for Economic Affairs for oversight of BEA and Census Bureau.

² The Middle Class Tax Relief and Job Creation Act of 2012 created the First Responder Network Authority (FirstNet), included in these financial statements, as an independent authority within NTIA, to provide emergency responders with the first high-speed, nationwide network dedicated to public safety.

Disclosure Entities: The Federal Accounting Standards Advisory Board's (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) 47, *Reporting Entity*, is intended to guide federal agencies in recognizing complex, diverse organizations possessing varying legal designations (e.g., government agencies, not-for-profit organizations, and corporations) that are involved in addressing public policy challenges. It provides guidance for determining what organizations should be included in a federal agency's financial statements (consolidation entities) and footnote disclosures (disclosure entities; and related parties) for financial accountability purposes, and is not intended to establish whether an organization is or should be considered a federal agency for legal or political purposes.

The standard sets forth guidance to include, as a consolidation entity or disclosure entity, in the appropriate federal agency's financial reporting, (a) an organization with an account or accounts listed in the Budget of the U.S. Government, unless it is a non-federal organization receiving federal financial assistance; (b) an organization for which the federal governments holds a majority interest; and (c) an organization that is controlled by the federal government with risk of loss or expectation of benefit—the power to impose will on and/or govern, whether or not that ability is actively exercised, the financial and/or operating policies of another organization with the potential to be obligated to provide financial support or assume financial obligations or obtain financial resources or nonfinancial benefits. SFFAS 47 additionally establishes that an organization should be included as a consolidation entity or disclosure entity if it would be misleading to exclude it even though it does not meet one of the three inclusion principles.

The standard further provides guidance for determining if an organization should be reported as a consolidation entity or disclosure entity, including guidance for the performance of an assessment, as a whole, of the degree to which the following characteristics are met: (a) the organization is financed through taxes and other non-exchange revenues; (b) the organization is governed by Congress and/or the President; (c) the organization imposes or may impose risks and rewards to the federal government; and (d) the organization provides goods and services on a non-market basis. Some organizations are to a large degree insulated from political influence and are not intended to be funded primarily by taxes and other non-exchange revenue. Information about these types of discrete organizations should generally be disclosed in the footnotes as disclosure entities.

SFFAS 47 lastly sets forth guidance on footnote disclosure requirements for significant relationships with other parties. It requires footnote disclosures "if one party to an established relationship has the ability to exercise significant influence over the other party in making policy decisions, and the relationship is of such significance that it would be misleading to exclude information about it."

Effective with the Department's FY 2018 financial reporting, the Department performs evaluations at least annually to determine if there are any organizations that should be included in the Department's financial reporting as consolidation entities, disclosure entities, and/or related parties.

Based on the Department's evaluation for FY 2019 and FY 2018, the Department did not identify any consolidation entities or related parties for inclusion in the Department's financial reporting. See Note 25, *Disclosure Entity*, for information for the organization identified as a disclosure entity for the Department's financial reporting.

B Basis of Accounting and Presentation

These financial statements reflect transactions and balances under both (a) the proprietary basis of accounting (accrual accounting), as reported throughout the financial statements and notes to the financial statements, except for the *Combined Statements of Budgetary Resources (SBR)* and the related note; and (b) the budgetary basis of accounting, as reflected in the *SBR* and related Note 19.

Under the proprietary basis of accounting (accrual accounting), appropriations are recognized as used and exchange revenue is recognized as earned as costs are incurred (e.g., goods have been received or services have been rendered), without regard to the receipt or payment of cash. See Note 1R, *Revenues and Other Financing Sources*, for more information on accounting policies for revenue and financing sources/uses). Departmental costs include both Gross Costs reported in the *Consolidated Statements of Net Cost* that relate to the fiscal year being reported on, and capitalized costs that are included in the *Consolidated Balance Sheets* and that are subsequently expensed in the appropriate manner over future fiscal year(s).

The budgetary basis of accounting is based on concepts set forth by the Office of Management and Budget (OMB) in Circular A-11, *Preparation, Submission, and Execution of the Budget*, which provides guidance on preparing the annual Budget of the U.S. Government and provides instructions on budget execution. Appendix F, *Format of SF 132, SF 133, Schedule P, and SBR*, provides detailed guidance and instructions for each line item of the SF 133, *Report on Budget Execution and Budgetary Resources*, for which the SBR format and line items is based on. The SF 133 is used to monitor the execution of OMB apportionments per the SF 132, *Apportionment and Reapportionment Schedule*. The SBR includes a separate column for non-budgetary credit reform financing accounts, which comprises NOAA's fund groups that record cash flows resulting from post-FY 1991 direct loans and loan guarantees.

The SBR presents (a) budgetary resources for the fiscal year; (b) status of those budgetary resources (includes obligated³ amounts and unobligated amounts); (c) *Outlays, Net* for the fiscal year, which is comprised of Outlays, Gross less Actual Offsetting Collections (cash transactions); and (d) Agency Outlays, Net for the fiscal year, which is comprised of Outlays, Gross⁴ per above less *Distributed Offsetting (Receipts)/Outlays, Net*, which represent collections, net of disbursements, that are credited to specified general fund, special fund, or trust fund receipt accounts. The receipts recorded to this line typically offset the outlays of the agency that conducts the activity generating the receipts.

Budgetary accounting is designed to recognize appropriations, spending authority from offsetting collections, borrowing authority, and contract authority for an agency, and the obligation and outlay or otherwise disbursement or disposition 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.

Proprietary and budgetary accounting are complementary; however, both the types of information presented and the timing of their recognition are sometimes different. Information is therefore needed about the differences between proprietary and budgetary accounting, which is accomplished in part by presenting a *Reconciliation of Net Cost of Operations to Outlays, Net* (effective FY 2019), which replaces the *Reconciliation of Net Cost of Operations to Budget* (FY 2018) in the *Notes to the Financial Statements* (Note 23). The *Reconciliation of Net Cost of Operations to Outlays, Net* helps explain and clarify how proprietary basis of accounting *Net Cost of Operations* (cash and non-cash transactions) relates to budgetary basis of accounting *Outlays, Net* (cash transactions) and the reconciling items between the two.

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 in OMB Circular A-136, *Financial Reporting Requirements*. GAAP for federal entities are the standards prescribed by FASAB, 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.

³ In 1 Per OMB Circular A-11, "Obligation means a legally binding agreement that will result in outlays, immediately or in the future."

⁴ Per OMB Circular A-11, "Outlay means a payment to liquidate an obligation (other than the repayment to the Treasury of debt principal). Outlays are a measure of Government spending."

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. For the Department, all financial activity and balances as parent related to these allocation transfers (e.g., budgetary resources, obligations incurred, gross costs, and outlays, gross) is required to and is reported in the Department's financial statements (from which the underlying legislative authority, appropriations, and OMB apportionments are derived). For the Department, all child account activity and balances is required to be and is excluded from the Department's financial statements. 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. EDA has received allocation transfers, as the child, from the Appalachian Regional Commission. Census Bureau has received allocation transfers, as the child, from the U.S. Department of Health and Human Services.

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 22, *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* and *Consolidated Statements of Net Cost*, and are excluded from the consolidated total column of the *Consolidated Statements of Changes in Net Position*. 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 Assets

An asset is a resource that embodies economic benefits or services that the federal government can obtain or control. **Entity Assets**, included in the Department's *Consolidated Balance Sheets*, are assets that the Department has authority to use in its operations. **Non-entity assets**, also included in the Department's *Consolidated Balance Sheets*, 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 the U.S. Government for custodial activity and loan programs.

F Assignment of Assets to Bureaus/Reporting Entities

A Departmental asset is normally assigned by default to the bureau/reporting entity that authorized its acquisition and controls the asset. In situations where an asset is not directly obtained by a bureau/reporting entity or for any other situation where the assignment of the asset to a bureau(s)/reporting entity(ies) is an issue, the Department's Office of Financial Management (OFM) will gather relevant information from all appropriate sources to perform an evaluation of the appropriate assignment of the asset to bureau(s)/reporting entity(ies). OFM's evaluation will include collaboration within the Department and with others as appropriate.

Upon the completion of OFM's evaluation, OFM will determine the appropriate assignment of the asset to bureau(s)/reporting entity(ies) and will communicate such results within the Department. There were not any significant assets assigned by the Department in FY 2019 and FY 2018.

G 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.

H Investments, Net

Investments in federal securities consists of non-marketable, market-based investments purchased by NTIA's Public Safety Trust Fund from Treasury as described below.

Market-based One-day Certificate: The proceeds of the Federal Communications Commission's (FCC) broadcast incentive auctions were transferred to NTIA in August 2018, totaling \$5.90 billion. NTIA on a temporary basis, including on September 30, 2018, invested the funds in market-based one-day certificates purchased from Treasury, also referred to as overnight investments, at par value. The one-day certificates mature the next business day, earning interest at the daily Federal Reserve purchase agreement rate. Each business day, NTIA invested the principal balance plus interest earned. This investment as of September 30, 2018 is presented on the Department's *Consolidated Balance Sheet* at acquisition cost. In October and November 2018, NTIA replaced the investments in one-day certificates with investments in market-based notes. During FY 2019, NTIA invested in market-based notes as well as market-based bills.

Market-based Notes: The notes consist of interest-bearing, market-based Treasury securities purchased from Treasury at a discount/premium. These investments are presented on the Department's *Consolidated Balance Sheet* at acquisition cost, net of amortization of the discount/premium. The discount is amortized over the life of the note using the interest method. Under the interest method, the effective interest rate (the actual interest yield on amounts invested) multiplied by the carrying amount of the note at the start of the accounting period equals the interest income recognized during the period (the carrying amount changes each period by the amount of the amortized discount/premium). The amount of the amortization of the discount/premium is the difference between the effective interest recognized for the period and the nominal interest for the note. The market value of the notes are not recorded on the *Consolidated Balance Sheet* because these investments are expected to be held to maturity. See Note 3, *Investments, Net*, for disclosure of the market values of the notes, which were provided by Treasury.

Market-based Bills: Treasury issues bills at a discount with a maturity date of one year or less. The market-based bills from Treasury are securities purchased from Treasury at a discount. These investments are presented on the Department's *Consolidated Balance Sheet* at acquisition cost, net of amortization of the discount.

See Note 22, *Funds from Dedicated Collections – NTIA's Public Safety Trust Fund*, for more information on the Public Safety Trust Fund.

I 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, when appropriate. 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.

J 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, which reduce the advance recorded. Prepayments are payments the Department has made to cover certain periodic expenses before those expenses are incurred, such as subscriptions and rent.

K Direct Loans and Loan Guarantees, Net

A direct loan is recorded as a receivable after the Department disburses funds to a borrower.

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 any 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.

L Inventory, Materials, and Supplies, Net

Inventory, Materials, and Supplies, Net are stated at the lower of cost or net realizable value primarily under the moving average and weighted average methods, as well as other valuation methods that approximate historical cost, 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.

M 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 2019 and FY 2018 are as follows: NOAA—\$200 thousand or more; NIST—\$100 thousand or more; USPTO—\$50 thousand or more; and all other bureaus and Departmental Management—\$25 thousand or more, including NTIA's First Responder Network Authority that has a single-asset acquisition capitalization threshold of \$25 thousand for FY 2019 and FY 2018.

Personal Property Bulk Acquisitions: For FY 2019 and FY 2018, NOAA has a personal property bulk acquisition capitalization threshold of \$1.0 million or more where individual items cost \$25 thousand or more but less than \$200 thousand; NIST has a personal property bulk acquisition capitalization threshold of \$500 thousand or more. All other bureaus and Departmental Management have a personal property bulk acquisition capitalization threshold of \$250 thousand or more, except that USPTO has a furniture bulk acquisition capitalization threshold of \$50 thousand or more and NTIA's First Responder Network Authority has a personal property bulk acquisition capitalization threshold of \$150 thousand or more for FY 2019 and FY 2018.

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 on a straight-line basis over the remaining life of the lease or over the useful life of the improvement, whichever is shorter. Land, Construction-in-progress, and Internal Use Software in Development are not depreciated.

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 also includes 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.

Internal Use Software: Internal Use Software includes purchased commercial off-the-shelf (COTS) software and internally or contractor-developed software solely to meet the Department's internal or operational needs. Internally developed software includes the full cost (direct and indirect cost) incurred during the software development stage. For contractor-developed software, capitalized costs include the costs for the contractor to design, program, install, and implement the software.

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.

N Cost Contribution to Buildout of Nationwide Public Safety Broadband Network, Net

This asset captures NTIA's cumulative cost contributions for the buildout of the Nationwide Public Safety Broadband Network (NPSBN) as described in Note 22, *Funds from Dedicated Collections – NTIA's Network Construction Fund*, less accumulated amortization. Amortization of the cost contributions began in FY 2018. The cost contributions that are recorded as an asset include (a) costs incurred for completed and accepted AT&T contract performance for the buildout of the NPSBN under the First Responder Network Authority (FirstNet) to buildout, operate, and maintain the NPSBN; and (b) accrued costs for estimated, unbilled AT&T contract performance progress for buildout of the NPSBN.

An asset is recognized primarily because the cost contributions for the buildout of the NPSBN embodies (a) future economic benefits to NTIA from AT&T made possible in part by NTIA's cost contributions, as there are expected future revenue streams from AT&T to NTIA; and (b) future expected services to be received by NTIA from AT&T made possible in part by NTIA's cost contributions, as AT&T, will buildout, maintain, and operate the NPSBN, thereby assisting NTIA's FirstNet with achieving its important mission of ensuring the building, deployment, and operation of the first high-speed, nationwide wireless broadband network dedicated to public safety.

Amortization of the cost contributions is recorded for each completed/accepted milestone on a straight-line basis over the remaining time frame of the AT&T contract.

O 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. 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. Balances of any borrowed but undisbursed Fisheries Finance Financing Account debt will earn interest at the same rate used in calculating interest expense. The amounts reported for Debt to Treasury include accrued interest payable. See Note 11, *Debt to Treasury*, for information regarding maturity dates.

Unearned Revenue: The Unearned Revenue liability as of September 30 includes (a) the portion of monies received under customer orders or similar revenue-generating activities for which goods and services have not yet been provided or rendered by the Department—revenue is recognized as costs are incurred under the accrual basis of accounting; (b) the unearned portion of FirstNet's annual collection from AT&T under the terms of its contract with AT&T to build, operate, and maintain the NPSBN (see Note 22, *Funds from Dedicated Collections – First Responder Network Authority fund*, for more information); (c) the balances of customer deposit accounts held by the Department, for which orders have not yet been received; and (d) liabilities for collections held in clearing accounts. The intragovernmental Unearned Revenue liability primarily relates to monies collected under customer orders or similar arrangements. The majority of the Unearned Revenue liability with the public represents patent and trademark application and user fees that are pending action by USPTO.

Liability to General Fund of the U.S. Government for Deficit Reduction: NTIA's 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 auctions of spectrum licenses, to be deposited into the Public Safety Trust Fund. The Act directs the use of auction proceeds in an order of priority after the repayment of borrowings from Treasury (priority 1), which was fully completed in September 2015. Priority 8 of the Act specifies that any remaining amounts deposited into the Public Safety Trust Fund shall be deposited in the General Fund of the U.S. Government for deficit reduction. The Act further specifies that any amounts remaining in the Public Safety Trust Fund after the end of FY 2022 shall be deposited in the General Fund of the U.S. Government for deficit reduction. The Department records a liability (not covered by budgetary resources) to the General Fund of the U.S. Government for the monies owed for priority 8. A corresponding use of financing sources is recorded on the *Consolidated Statement of Changes in Net Position, Other Financing Sources (Non-exchange)* section. See Note 22, *Funds from Dedicated Collections – NTIA's Public Safety Trust Fund*, for more information on the Public Safety Trust Fund.

Custodial Payable: Custodial Payable represents the amount of applicable custodial non-exchange or exchange revenue yet to be transferred to the General Fund of the U.S. Government, a trust fund, or other recipient entities. See the *Consolidated Statements of Custodial Activity* and related Note 20 for more information on the Department's custodial payable and custodial activity.

Resources Payable to Treasury: Resources Payable to Treasury primarily 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).

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 Adjustment) 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.

NOAA Corps Retirement System and NOAA Corps Blended Retirement System Liabilities, 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 the 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. In developing the average historical Treasury rates, a minimum of five years of historical rates as of the reporting date should be used. The discount rate was selected by averaging the quarterly spot yields over the 10-year period ended June 30, 2019 (or June 30, 2018) and determining the single equivalent discount rate that produced the same liability. The specific spot yields used were as of June 30, 2019 (or as of June 30, 2018) and each of the prior 39 calendar quarter-ends, by maturity from 1-year to 100-years. The actuary obtained this spot yield data from the Treasury website for all 40 quarterly yields. For background information about these plans, see Note 1.S, *Employee Retirement Benefits*.

Environmental and Disposal Liabilities:

Asbestos-related Cleanup Costs: 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.

Applicable laws and regulations of asbestos-related cleanup requirements for the Department include:

- Asbestos Hazard Emergency Response Act
- Asbestos Information Act
- Asbestos School Hazard Abatement Reauthorization Act
- Clean Air Act
- Toxic Substances Control Act
- U.S. Environmental Protection Agency (EPA) Standards and Rules:
 - National Emission Standards for Hazardous Air Pollutants (40 CFR Part 61)
 - National Emission Standard for Asbestos (40 CFR Part 61, Subpart M)
 - Asbestos Rules (40 CFR Part 763, *Asbestos*)
- Occupational Safety and Health Administration Asbestos Standards:
 - General Industry Standard (29 CFR Part 1910, Subpart 1001, *Asbestos*)
 - Construction Standard (29 CFR Part 1926, Subpart 1101, *Asbestos*)
- Applicable states laws or regulations dependent upon the location of asbestos-related cleanup

Nuclear Reactor: 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. NIST's Environmental and Disposal Liability estimates were updated for FY 2019, pursuant to U.S. Nuclear Regulatory Commission Regulation-1307, Rev 16, which states: "licenses must annually adjust the estimate of the cost of decommissioning their plants in dollars of the current year, as a part of the process to provide reasonable assurance that adequate funds for decommissioning will be available when needed." The Department currently estimates the cost of decommissioning this facility to be \$75.0 million. NIST's decommissioning estimate includes an assumption that an off-site waste disposal facility will become available (estimated in 2029), when needed. Currently, an off-site disposal location has not been identified, and NIST's Environmental and Disposal Liability estimate includes an amount approved by the Nuclear Regulatory Commission for off-site 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.

Other: 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. All known issues are contained and NOAA facilities meet current environmental standards. No cost estimates are presently available because no facilities are currently identified.

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 recipients. These drawdown requests may be fulfilled before recipients make the expenditures under the grant. When the Department has disbursed funds but the recipient has not yet incurred expenses, these disbursements are recorded as advances to the recipient. If a recipient, however, has expenditures under the grant as of September 30 that have not been advanced by the Department as of September 30, such amounts are recorded as grant expenses and Accrued Grants 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, a contingency is considered probable when 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, Liabilities Covered by Budgetary Resources, and Liabilities Not Requiring Budgetary Resources:

The Department's liabilities, all of which are reported on the Department's *Consolidated Balance Sheets*, are further classified into three categories: (a) Liabilities Not Covered by Budgetary Resources; (b) Liabilities Covered by Budgetary Resources; and (c) Liabilities Not Requiring Budgetary Resources.

Liabilities Not Covered by Budgetary Resources

These are liabilities for which actions are needed before budgetary resources can be provided. The Department expects that liabilities not covered by budgetary resources will be funded from future budgetary resources when required. These amounts are detailed by liability in Note 16.

NTIA's Public Safety Trust Fund has assets on hand as of September 30 for its *Liability to General Fund of the U.S. Government for Deficit Reduction*; however, the Department expects that budgetary resources will need to be apportioned by OMB in order for the Public Safety Trust Fund to transfer funds against this liability.

Under accrual accounting, the expense and liability for annual leave is recognized when the leave is earned. For most of the Department's fund groups, however, budgetary resources are not obligated to pay for the annual leave until the leave is taken by the employee. As a result, budgetary resources do not cover a large portion of the Department's Accrued Annual Leave liability as of September 30.

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

The portion of the Department's Unearned Revenue liability with the public that is reported as not covered by budgetary resources is mainly comprised of USPTO's patent and trademark application and user fees that are pending action by USPTO. Furthermore, a portion of USPTO's application/user fees pending action is considered covered by budgetary resources—this portion is determined mainly by considering, as covered by budgetary resources, the dollar amount of the application/user fees pending USPTO action for which USPTO has available, unobligated budgetary resources as of September 30, as included in the *SBR*, Status of Budgetary Resources section, *Unobligated Balance, End of Year, Unapportioned, Unexpired Accounts* line.

Liabilities Covered by Budgetary Resources

These are the liabilities or portion thereof for which (a) realized budgetary resources have already been used by the Department as of September 30 for the liability, which is normally carried out by recording a budgetary basis of accounting *New Obligation (or Upward Adjustment)*—for example, an Accounts Payable item will normally also have a corresponding budgetary basis of accounting *Obligation* (delivered) recorded; and (b) in the case of the Unearned Revenue liability, there are realized budgetary resources related to the Unearned Revenue as of September 30 that are available to further cover the liability with budgetary resources.

Liabilities Not Requiring Budgetary Resources

These are the liabilities that are not expected to require the use of budgetary resources, and include liabilities for customer deposits, clearing accounts, and custodial activity.

P 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 17, *Commitments and Contingencies*.

Q 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.

R 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 recognized under the accrual basis of accounting, for example, when expenses are incurred and when General PP&E is received.

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 in 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 22, *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 revenue is not considered to reduce the cost of the Department's operations and is therefore reported in the *Consolidated Statements of Changes in Net Position* as a financing source.

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): Goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by the Department are included as imputed costs in the *Consolidating Statements of Net Cost*, and are offset by imputed financing sources from cost absorbed by others (non-exchange) included in the *Consolidating Statements of Changes in Net Position*. Such imputed costs and imputed financing relate to (a) certain employee retirement benefit programs paid for in part by the U.S. Office of Personnel Management (OPM)—CSRS, FERS, FEHB, and FEGLI (also see Note 1.S below); (b) claims to be paid for by the Judgment Fund maintained by Treasury (also see Note 17, *Commitments and Contingencies*); and (c) business-type activities, which are defined in the accounting standards as “a significantly self-sustaining activity that finances its continuing cycle of operations through collection of exchange revenue.” However, unreimbursed costs of goods and services other than those identified above are not included in the Department’s financial statements.

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*.

S 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, excluding USPTO, 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. USPTO is required to make supplemental employer payments to OPM for CSRS, per annual USPTO appropriation provisions. The supplemental employer payments as a result reduce the dollar amount of USPTO imputed costs and related imputed financing source from costs absorbed by others.

FERS Contribution Rates for Regular Employees (Effective October 1, 2015)

FERS		FERS-RAE (Revised Annuity Employees)		FERS-FRAE (Further Revised Annuity Employees)	
Hired prior to January 1, 2013		Hired between December 31, 2012 – December 31, 2013		Hired after December 31, 2013	
Employee Percentage	Agency Percentage	Employee Percentage	Agency Percentage	Employee Percentage	Agency Percentage
0.8%	13.7%	3.1%	11.9%	4.4%	11.9%

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 and NOAA Corps Blended Retirement System Liabilities: Active-duty officers of the NOAA Corps are covered by the legacy NOAA Corps Retirement System or the new NOAA Corps Blended Retirement System (BRS). The NOAA Corps Retirement System and the defined benefit portion of the NOAA Corps BRS is an unfunded, pay-as-you-go, defined benefit plan administered by the Department with the same features; participants do not contribute to the defined benefit plan for both of these retirement systems. Plan benefits are based primarily on years of service and compensation. Total participants for the two plans, as of September 30, 2019, included 314 active duty officers, 390 non-disability retiree annuitants, 15 disability retiree annuitants, and 63 surviving families. Key provisions include voluntary non-disability retirement after 20 years of active service, disability retirement, optional survivor benefits, Consumer Price Index (CPI) optional survivor benefits, and CPI adjustments for benefits.

The NOAA Corps BRS began on January 1, 2018. It is a new retirement plan that was implemented for members of the Uniformed Services, including NOAA Corps active-duty officers. This retirement system blends together the defined benefits of the legacy NOAA Corps Retirement System along with automatic and matching contributions to the Thrift Savings Plan (TSP) and a mid-career continuation pay bonus. All new hires on January 1, 2018 and after will automatically be enrolled into the NOAA Corps BRS. For those NOAA Corps active-duty officers with fewer than 12 years of service on December 31, 2017, there was an opportunity to opt into the NOAA Corps BRS at any time during calendar year 2018. NOAA Corps BRS will not only continue to award those who are vested at 20 years, but will allow service members who choose to depart early to leave with some retirement savings.

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, FERS, and NOAA Corps BRS are eligible to contribute to the U.S. government's TSP, administered by the Federal Retirement Thrift Investment Board. The Department makes no matching contributions for CSRS-covered employees. A TSP account is automatically established for FERS-covered employees and NOAA Corps BRS members, and the Department makes a mandatory contribution of one percent of basic pay upon eligibility. The Department also makes matching contributions of up to four percent of basic pay upon eligibility for FERS-covered employees and NOAA Corps BRS members. NOAA Corps BRS members entering service on or after January 1, 2018 will not begin receiving matching contributions until after completing two years of service.

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, excluding USPTO, 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, excluding USPTO, 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. USPTO is required to make supplemental employer payments to OPM for the FEHB Program, per annual USPTO appropriation provisions. The supplemental employer payments as a result reduce the dollar amount of USPTO imputed costs and related imputed financing source from costs 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, excluding USPTO, 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. USPTO is required to make supplemental employer payments to OPM for the FEGLI Program, per annual USPTO appropriation provisions. The supplemental employer payments as a result reduce the dollar amount of USPTO imputed costs and related imputed financing source from costs absorbed by others.

T 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.

U Tax Status

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

V 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 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, Intellectual Property Office of Singapore, 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 21, *Fiduciary Activities*.

W Disclosure Public-Private Partnerships

FASAB's SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*, is effective for the Department's FY 2019 financial reporting (earlier implementation was not elected by the Department). This standard establishes principles to ensure that disclosures about applicable public-private partnerships (P3s) are presented in the Department's notes to the financial statements. The principles guide financial reporting disclosure by establishing a P3 definition and identifying risk-based characteristics that need to exist before considering the P3 arrangement or transaction for disclosure. The standard exempts certain arrangements or transactions from the P3 disclosure requirements, as such exempt arrangements or transactions are subject to existing disclosure requirements in other accounting standards.

For purposes of SFFAS 49, the standard sets forth the definition of the private sector as follows:

"For purposes of this statement, the private sector refers to individuals and entities acting in their private capacities outside of the authority and control of federal, state, or local governments and encompasses for-profit businesses and non-profit organizations that are outside of the authority and control of federal, state or local governments."

The standard provides for first determining those arrangements or transactions that are excluded from the provisions of SFFAS 49 before proceeding to the standard's federal P3 definition for purposes of SFFAS 49, subject to exclusions, as follows:

"...federal public-private partnerships (P3s) are risk-sharing arrangements or transactions with expected lives greater than five years between public and private sector entities. Such arrangements or transactions provide a service or an asset for government and/or general public use where in addition to the sharing of resources, each party shares in the risks and rewards of said arrangements or transactions. A public sector entity shares risks and rewards with a private sector entity whenever the benefits of the arrangement or transaction accrue to both the private sector entity and the public sector entity and (1) the public sector entity is at risk of loss, or (2) the private sector entity's ability to perform is at risk and success of the arrangement or transaction depends upon the public sector's intervention."

Arrangements or transactions meeting the P3 definition are then evaluated against four risk-based characteristics referred to as "Conclusive Characteristics." Should the arrangement or transaction not meet any one of the Conclusive Characteristics required for disclosure, the arrangement or transaction should then be evaluated against five "Suggestive Characteristics" before concluding whether disclosure is required. If an arrangement or transaction warrants reporting, the disclosures should be provided.

Lastly, the standard helps achieve the operating performance and budgetary integrity objectives outlined in Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*, by making P3s more understandable. P3 information is important to meeting these objectives because the federal government is accountable to citizens for the proper administration of its resources. Moreover, because P3s are a form of investment, they should be adequately disclosed in order to assist report users in determining: (a) the important assets of the U.S. government and how effectively they are being managed; and (b) the identification of risks.

Effective with the Department's FY 2019 financial reporting, the Department performs evaluations annually to determine if there are any arrangements or transactions that should be included in the Department's financial reporting disclosure for P3s.

Based on the Department's evaluation for FY 2019, the Department identified two contracts for inclusion in the Department's financial reporting disclosure for P3s. See Note 26, *Disclosure Public-Private Partnerships*, for information on the two contracts.

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury, by status, is as follows as of September 30, 2019 and 2018:

	FY 2019	FY 2018
Reduction of Budgetary Resources		
Not Available		
Digital Television Transition and Public Safety Fund	\$ 8,810,399	\$ 8,807,394
Temporarily Precluded from Obligation		
USPTO Salaries and Expenses Fund	937,819	937,819
Other	15,467	15,678
Unobligated Balance		
Available	5,032,025	4,555,699
Unavailable	436,821	544,172
Obligated Balance Not Yet Disbursed		
Network Construction Fund	4,381,376	5,853,492
Other	9,937,196	7,684,897
Non-budgetary		
Patent and Trademark Surcharge Fund	233,529	233,529
Deposit Funds, and General Fund Receipt Accounts	173,282	161,365
Total	<u>\$ 29,957,914</u>	<u>\$ 28,794,045</u>

Unobligated Balance and Obligated Balance Not Yet Disbursed amounts reported above do not agree with related amounts included in the *Status of Budgetary Resources* section of the *Combined Statements of Budgetary Resources (SBR)*, because of amounts included in the *Status of Budgetary Resources* section *SBR* which do not represent Fund Balance with Treasury, including anticipated amounts and amounts supported by Borrowing Authority rather than supported by Fund Balance with Treasury.

See Note 19, *Combined Statements of Budgetary Resources*, for legal arrangements affecting the Department's use of Fund Balance with Treasury for FY 2019 and FY 2018.

See Note 22, *Funds from Dedicated Collections*, for more information regarding the Digital Television Transition and Public Safety Fund, the USPTO Salaries and Expenses Fund, the Network Construction Fund, and the Patent and Trademark Surcharge Fund.

NOTE 3. INVESTMENTS, NET

FY 2019							
Investments in Federal Securities	Cost	Amortization Method	Amortized Discount/ (Premium), Net	Interest Receivable	Investments, Net	Other Adjustments	Market Value Disclosure
Intragovernmental							
Non-marketable							
Market-based							
Notes	\$ 5,991,506	Interest Method	\$ 20,594	\$ 23,413	\$ 6,035,513	\$ -	\$ 6,017,239
Bills	1,533,636	Interest Method	232	-	1,533,868	-	1,533,916
Total	<u>\$ 7,525,142</u>		<u>\$ 20,826</u>	<u>\$ 23,413</u>	<u>\$ 7,569,381</u>	<u>\$ -</u>	<u>\$ 7,551,155</u>

FY 2018							
Investments in Federal Securities	Cost	Amortization Method	Amortized Discount	Interest Receivable	Investments, Net	Other Adjustments	Market Value Disclosure
Intragovernmental							
Non-marketable							
Market-based							
One-day							
Certificate	\$ 5,905,274	Not applicable	\$ -	\$ 689	\$ 5,905,963	\$ -	\$ 5,905,274
Note	336,174	Interest Method	613	1,686	338,473	-	335,067
Total	<u>\$ 6,241,448</u>		<u>\$ 613</u>	<u>\$ 2,375</u>	<u>\$ 6,244,436</u>	<u>\$ -</u>	<u>\$ 6,240,341</u>

NOTE 4. ACCOUNTS RECEIVABLE, NET

FY 2019			
	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	\$ 99,372	\$ -	\$ 99,372
With the Public	\$ 54,989	\$ (9,958)	\$ 45,031

FY 2018			
	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	\$ 104,745	\$ -	\$ 104,745
With the Public	\$ 54,757	\$ (9,460)	\$ 45,297

Accounts Receivable, Gross includes amounts related to criminal restitution owed to the U.S. government. As of September 30, 2019, accounts receivable related to criminal restitution orders the Department monitored was \$3.2 million, of which \$1.5 million was determined to be collectible.

NOTE 5. CASH

	FY 2019	FY 2018
Cash Not Yet Deposited with Treasury	\$ 10,751	\$ 8,401
Imprest Funds	392	342
Other Cash	65	25
Total	<u>\$ 11,208</u>	<u>\$ 8,768</u>

Cash Not Yet Deposited with Treasury primarily represents patent and trademark fees that were not processed as of September 30, 2019 and 2018, due to the lag time between receipt and initial review. Certain bureaus maintain Other Cash for operational necessity, such as law enforcement activities and for environments that do not permit the use of electronic payments.

NOTE 6. DIRECT LOANS AND LOAN GUARANTEES, NET

The Department operates the following direct loan programs as of September 30, 2019:

Direct Loan Programs:

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, 2019.

NOAA's Fisheries Finance Loan programs provide direct loans for certain fisheries costs, including vessels, shoreside facilities, aquaculture, and Individual Fishing Quota. 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 2019	FY 2018
Direct Loans Obligated Prior to FY 1992, Allowance for Loss Method	\$ 3,008	\$ 3,175
Direct Loans Obligated After FY 1991	395,758	456,098
Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees, Allowance for Loss Method	4	4
Total	<u>\$ 398,770</u>	<u>\$ 459,277</u>

Direct Loans Obligated Prior to FY 1992, Allowance for Loss Method:

FY 2019				
Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
CEIP	\$ 17,378	\$ 4,734	\$ (19,104)	\$ 3,008
Fisheries Loan Fund	148	16	(164)	-
Total	<u>\$ 17,526</u>	<u>\$ 4,750</u>	<u>\$ (19,268)</u>	<u>\$ 3,008</u>

FY 2018				
Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
CEIP	\$ 17,508	\$ 4,576	\$ (18,978)	\$ 3,106
Economic Development Revolving Fund	70	-	(1)	69
Fisheries Loan Fund	148	16	(164)	-
Total	<u>\$ 17,726</u>	<u>\$ 4,592</u>	<u>\$ (19,143)</u>	<u>\$ 3,175</u>

Direct Loans Obligated After FY 1991:

Direct Loan Program	FY 2019			
	Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans, Net
Alaska Purse Seine Fishery Buyback Loans	\$ 18,378	\$ 24	\$ 2,226	\$ 20,628
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	28,338	109	3,994	32,441
Bering Sea Pollock Fishery Buyback	1,305	–	59	1,364
Crab Buyback Loans	66,127	958	11,749	78,834
Fisheries Finance IFQ Loans	15,390	126	1,187	16,703
Fisheries Finance Traditional Loans	207,915	1,468	13,993	223,376
Pacific Groundfish Buyback Loans	19,726	26	2,660	22,412
Total	\$ 357,179	\$ 2,711	\$ 35,868	\$ 395,758

Direct Loan Program	FY 2018			
	Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans, Net
Alaska Purse Seine Fishery Buyback Loans	\$ 8,873	\$ 6	\$ 703	\$ 9,582
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	29,203	295	4,340	33,838
Bering Sea Pollock Fishery Buyback	8,800	10	390	9,200
Crab Buyback Loans	68,170	1,380	12,816	82,366
Fisheries Finance IFQ Loans	17,135	159	1,061	18,355
Fisheries Finance Traditional Loans	258,817	1,895	17,382	278,094
Pacific Groundfish Buyback Loans	21,458	25	3,180	24,663
Total	\$ 412,456	\$ 3,770	\$ 39,872	\$ 456,098

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

Direct Loan Program	FY 2019	FY 2018
Alaska Purse Seine Fishery Buyback Loans	\$ 10,128	\$ –
Fisheries Finance IFQ Loans	1,812	2,609
Fisheries Finance Traditional Loans	7,736	96,465
Total	\$ 19,676	\$ 99,074

Subsidy Expense for Direct Loans by Program and Component:

Subsidy Expense for New Disbursements of Direct Loans:

FY 2019					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Alaska Purse Seine Fishery Buyback Loans	\$ (328)	\$ 429	\$ -	\$ -	\$ 101
Fisheries Finance IFQ Loans	(425)	14	(13)	214	(210)
Fisheries Finance Traditional Loans	(1,226)	60	(36)	561	(641)
Total	\$ (1,979)	\$ 503	\$ (49)	\$ 775	\$ (750)

FY 2018					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	\$ (525)	\$ 9	\$ (12)	\$ 311	\$ (217)
Fisheries Finance Traditional Loans	(14,719)	835	(404)	10,042	(4,246)
Total	\$ (15,244)	\$ 844	\$ (416)	\$ 10,353	\$ (4,463)

Reestimates:

Direct Loan Program	FY 2019	FY 2018
	Technical Reestimates	Technical Reestimates
Alaska Purse Seine Fishery Buyback Loans	\$ (1,498)	\$ (30)
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	(21)	(257)
Bering Sea Pollock Fishery Buyback	200	197
Crab Buyback Loans	742	(3,480)
Fisheries Finance IFQ Loans	(321)	(497)
Fisheries Finance Traditional Loans	(1,248)	(637)
Pacific Groundfish Buyback Loans	218	261
Total	\$ (1,928)	\$ (4,443)

Total Direct Loan Subsidy Expense:

Direct Loan Program	FY 2019	FY 2018
Alaska Purse Seine Fishery Buyback Loans	\$ (1,397)	\$ (30)
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	(21)	(257)
Bering Sea Pollock Fishery Buyback	200	197
Crab Buyback Loans	742	(3,480)
Fisheries Finance IFQ Loans	(531)	(714)
Fisheries Finance Traditional Loans	(1,889)	(4,883)
Pacific Groundfish Buyback Loans	218	261
Total	<u>\$ (2,678)</u>	<u>\$ (8,906)</u>

Subsidy Rates for Direct Loans by Program and Component:

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

FY 2019					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	(23.33) %	0.92 %	(0.83) %	11.43 %	(11.81) %
Fisheries Finance Traditional Loans	(15.67) %	0.74 %	(0.58) %	6.80 %	(8.71) %

FY 2018					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	(24.26) %	0.55 %	(0.42) %	10.46 %	(13.67) %
Fisheries Finance Traditional Loans	(16.46) %	0.77 %	(0.29) %	6.40 %	(9.58) %

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 years' 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 2019	FY 2018
Beginning Balance of the Allowance for Subsidy Cost	\$ 39,872	\$ 36,620
Add Subsidy Expense for Disbursements of Direct Loans During the Year by Component:		
Interest Rate Differential	1,979	15,244
Defaults	(503)	(844)
Fees and Other Collections	49	416
Other	(775)	(10,353)
Total of the above Subsidy Expense Components	750	4,463
Adjustments:		
Fees Received	(47)	(436)
Loans Written Off	1	761
Subsidy Allowance Amortization	(6,676)	(5,980)
Other	40	1
Total of Adjustments	(6,682)	(5,654)
Ending Balance of the Allowance for Subsidy Cost Before Reestimates	33,940	35,429
Add or Subtract Subsidy Reestimates by Component:		
Technical Reestimates	1,928	4,443
Ending Balance of the Allowance for Subsidy Cost	<u>\$ 35,868</u>	<u>\$ 39,872</u>

Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees, Allowance for Loss Method:

FY 2019				
Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
Fishing Vessel Obligation Guarantee Program (NOAA)	\$ 7,318	\$ 1	\$ (7,315)	\$ 4
FY 2018				
Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
Fishing Vessel Obligation Guarantee Program (NOAA)	\$ 7,318	\$ 1	\$ (7,315)	\$ 4

Administrative Expenses:

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

Direct Loan Program	FY 2019	FY 2018
EDA Direct Loan Programs	\$ 79	\$ 174
NOAA Direct Loan Programs	3,262	3,636
Total	<u>\$ 3,341</u>	<u>\$ 3,810</u>
Loan Guarantee Program	FY 2019	FY 2018
Fishing Vessel Obligation Guarantee Program (NOAA)	<u>\$ 66</u>	<u>\$ 74</u>

NOTE 7. INVENTORY, MATERIALS, AND SUPPLIES, NET

Category	Cost Flow Assumption	FY 2019	FY 2018
Inventory			
Items Held for Current Sale			
NIST Standard Reference Materials	Weighted-average	\$ 27,610	\$ 27,363
Other	Original	3	3
Allowance for Excess, Obsolete, and Unserviceable Items		-	-
Total Inventory, Net		<u>27,613</u>	<u>27,366</u>
Materials and Supplies			
Items Held for Use			
NOAA's National Logistics Support Center	Weighted-average	49,186	46,892
Census Bureau	Other ¹	21,584	33,924
Other	Various	6,109	5,927
Items Held for Repair			
NOAA's National Reconditioning Center	Weighted-average	34,880	34,810
Allowance for Excess, Obsolete, and Unserviceable Items		(9,382)	(23,244)
Total Materials and Supplies, Net		<u>102,377</u>	<u>98,309</u>
Total		<u>\$ 129,990</u>	<u>\$ 125,675</u>

¹ Other Valuation Method that Approximates Historical Cost

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. Items held for repair are valued at the direct method. The cost of items held in repair is the issue cost, which is the weighted average of the procurement costs for each line, adjusted by the cost to repair the item. The Census Bureau provides materials and supplies that are primarily used for the 2020 Decennial Census.

NOTE 8. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

FY 2019				
Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	\$ 16,309	\$ –	\$ 16,309
Structures, Facilities, and Leasehold Improvements	2-30	2,654,224	(1,127,740)	1,526,484
Satellites/Weather Systems Personal Property	2-25	15,533,461	(7,266,818)	8,266,643
Other Personal Property	3-30	2,172,104	(1,467,020)	705,084
Internal Use Software	4-20	2,278,268	(1,467,347)	810,921
Construction-in-progress	N/A	4,703,576	–	4,703,576
Internal Use Software in Development	N/A	451,996	–	451,996
Total		\$ 27,809,938	\$ (11,328,925)	\$ 16,481,013

FY 2018				
Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	\$ 16,309	\$ –	\$ 16,309
Structures, Facilities, and Leasehold Improvements	2-50	2,566,986	(1,042,754)	1,524,232
Satellites/Weather Systems Personal Property	2-25	14,232,226	(6,279,583)	7,952,643
Other Personal Property	2-30	2,140,515	(1,432,871)	707,644
Internal Use Software	3-15	1,620,353	(1,231,058)	389,295
Assets Under Capital Lease	3-40	10,475	(9,683)	792
Construction-in-progress	N/A	4,928,425	–	4,928,425
Internal Use Software in Development	N/A	767,071	–	767,071
Total		\$ 26,282,360	\$ (9,995,949)	\$ 16,286,411

NOTE 9. OTHER ASSETS

	FY 2019	FY 2018
With the Public		
Advances and Prepayments	\$ 82,790	\$ 54,792
Note Receivable	–	1,219
Bibliographic Database, Net	1,979	2,816
General PP&E Permanently Removed but Not Yet Disposed	1,736	281
Other	791	930
Total	<u>\$ 87,296</u>	<u>\$ 60,038</u>

The Bibliographic Database relates to NTIS scientific and technical information used to prepare products and services for sale. The database is stated at capitalized costs of \$78.2 million and \$77.8 million, less accumulated amortization of \$76.2 million and \$75.0 million, as of September 30, 2019 and 2018, respectively.

NOTE 10. NON-ENTITY ASSETS

The assets that are not available for use in the Department's operations, included in the Department's *Consolidated Balance Sheets*, are summarized below:

	FY 2019	FY 2018
Intragovernmental		
Fund Balance with Treasury	\$ 162,685	\$ 190,158
Investments, Net	7,569,381	6,244,436
Total Intragovernmental	<u>7,732,066</u>	<u>6,434,594</u>
With the Public		
Cash	3,368	1,836
Accounts Receivable, Net	3,657	329
Other	4	1,223
Total Non-entity Assets	<u>7,739,095</u>	<u>6,437,982</u>
Total Entity Assets	<u>50,471,455</u>	<u>47,742,602</u>
Total Assets	<u>\$ 58,210,550</u>	<u>\$ 54,180,584</u>

NOTE 11. DEBT TO TREASURY

FY 2019			
Loan Program	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	\$ 452,563	\$ (57,194)	\$ 395,369

Maturity dates range from September 2020 to September 2052, and interest rates range from 1.28 to 6.13 percent.

FY 2018			
Loan Program	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	\$ 430,313	\$ 22,250	\$ 452,563

NOTE 12. OTHER LIABILITIES

	FY 2019		
	Current Portion	Non-current Portion	Total
Intragovernmental			
Accrued FECA Liability	\$ 22,074	\$ 2,835	\$ 24,909
Accrued Benefits	63,121	-	63,121
Downward Subsidy Reestimates Payable to Treasury	5,321	-	5,321
Other	12,966	8,314	21,280
Total	\$ 103,482	\$ 11,149	\$ 114,631
With the Public			
ITA Foreign Service Nationals' Voluntary Separation Pay	\$ 2,873	\$ 9,744	\$ 12,617
Contingent Liabilities (Note 17)	300	-	300
Employment-related	5,880	-	5,880
Other	15,890	-	15,890
Total	\$ 24,943	\$ 9,744	\$ 34,687

	FY 2018		
	Current Portion	Non-current Portion	Total
Intragovernmental			
Accrued FECA Liability	\$ 17,240	\$ 8,068	\$ 25,308
Accrued Benefits	54,615	–	54,615
Downward Subsidy Reestimates Payable to Treasury	9,576	–	9,576
Resources Payable to Treasury	168	1,223	1,391
Other	8,893	17,227	26,120
Total	<u>\$ 90,492</u>	<u>\$ 26,518</u>	<u>\$ 117,010</u>
With the Public			
ITA Foreign Service Nationals' Voluntary Separation Pay	\$ 2,758	\$ 9,356	\$ 12,114
Contingent Liabilities (Note 17)	300	–	300
Employment-related	3,172	–	3,172
Other	5,552	–	5,552
Total	<u>\$ 11,782</u>	<u>\$ 9,356</u>	<u>\$ 21,138</u>

As of September 30, 2019 and 2018, respectively, the Current Portion represents liabilities expected to be paid by September 30, 2020 and 2019, while the Non-current Portion represents liabilities expected to be paid after September 30, 2020 and 2019.

NOTE 13. FEDERAL EMPLOYEE BENEFITS LIABILITIES

	FY 2019	FY 2018
Actuarial FECA Liability	\$ 168,014	\$ 187,092
NOAA Corps Retirement System and NOAA Corps Blended Retirement System Liabilities	719,900	654,600
NOAA Corps Post-retirement Health Benefits Liability	39,800	40,300
Total	<u>\$ 927,714</u>	<u>\$ 881,992</u>

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 2019	FY 2018
Year 1 and Thereafter	2.61%	2.72%

The wage inflation factors (Cost of Living Adjustment) 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 2019		
Fiscal Year	Cost of Living Adjustment	Consumer Price Index - Medical
2020	1.47%	2.86%
2021	1.85%	3.05%
2022	2.12%	3.09%
2023	2.17%	3.47%
2024	2.21%	3.88%

FY 2018		
Fiscal Year	Cost of Living Adjustment	Consumer Price Index - Medical
2019	1.31%	3.21%
2020	1.51%	3.48%
2021	1.89%	3.68%
2022	2.16%	3.71%
2023	2.21%	4.09%

NOAA Corps Retirement System and NOAA Corps Blended Retirement System Liabilities:

These liabilities represent the unfunded actuarial present value of projected plan benefits. The actuarial calculations are performed annually, as of September 30. The September 30, 2019 and 2018 actuarial calculations used the following economic assumptions:

	FY 2019	FY 2018
Discount Rate	3.34%	3.42%
Annual Basic Pay Scale Increases	1.85%	1.85%
Annual Inflation	1.70%	1.35%
Cost of Living Adjustment	1.70%	1.35%

Schedule for Reconciling NOAA Corps Retirement System and NOAA Corps Blended Retirement System Liabilities:

A reconciliation 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 2019	FY 2018
Beginning Balance	\$ 654,600	\$ 644,200
Add Pension Costs:		
Normal Cost	13,100	13,800
Interest on the Unfunded Liability	21,900	22,700
Actuarial (Gains)/Losses, Net		
From Experience	10,500	9,600
From Blended Retirement System	–	(3,000)
From Discount Rate Assumption Change	10,500	17,100
From Long-term Assumption Changes		
Annual Inflation	35,700	(22,800)
Annual Basic Pay Scale Increases	–	(900)
Other	500	–
Total Pension Costs	92,200	36,500
Subtract Benefit Payments	(26,900)	(26,100)
Ending Balance	\$ 719,900	\$ 654,600

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 2019	FY 2018
Discount Rate	3.27%	3.38%
Ultimate Medical Trend Rate	4.00%	4.20%

The Single Equivalent Medical Cost Trend Rate is not available from the actuary for the September 30, 2019 and 2018 actuarial valuations. The Department will require this rate to be included in future actuarial valuation reports.

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 2019	FY 2018
Beginning Balance – NOAA Corps Post-retirement Health Benefits Liability	\$ 40,300	\$ 41,400
Add Health Benefits Costs:		
Normal Cost	1,300	1,300
Interest on the Unfunded Liability	1,300	1,400
Actuarial (Gains)/Losses, Net		
From Experience	500	1,100
From Discount Rate Assumption Change	300	500
From Long-term Assumption Changes		
Medical Claims and Trend Rate	(1,500)	(2,900)
Total Health Benefits Costs	1,900	1,400
Subtract Benefit Payments	(2,400)	(2,500)
Ending Balance – NOAA Corps Post-retirement Health Benefits Liability	\$ 39,800	\$ 40,300

NOTE 14. ENVIRONMENTAL AND DISPOSAL LIABILITIES

Environmental and disposal liabilities include the estimated liability for cleanup costs incurred from removing, containing, and/or disposing of asbestos-containing materials from facilities owned by NOAA and NIST and ships owned by NOAA, and also include the estimated liability associated with the future decommissioning of a NIST operated nuclear reactor.

Environmental and Disposal Liabilities are summarized below:

	FY 2019	FY 2018
Asbestos-related Cleanup Costs	\$ 71,385	\$ 72,188
Nuclear Reactor	63,128	61,937
Non-reactor Radiological Facilities	9,027	8,672
Pribilof Islands	869	1,066
Other	1,848	1,814
Total	\$ 146,257	\$ 145,677

NOTE 15. LEASES

Capital Leases:

Assets under capital leases are as follows:

	FY 2019	FY 2018
Structures, Facilities, and Leasehold Improvements	\$ –	\$ 1,942
Equipment	–	8,533
Less: Accumulated Depreciation	–	(9,683)
Net Assets Under Capital Leases	<u>\$ –</u>	<u>\$ 792</u>

Capital Lease Liabilities:

The Department has no capital lease liabilities as of September 30, 2019. Future payments due under capital leases as of September 30, 2018 are shown in the table below.

FY 2018	
With the Public	
Fiscal Year	General PP&E Category
	Real Property
2018	\$ –
2019	26
Total Future Lease Payments	26
Less: Imputed Interest	–
Less: Executory Costs	(5)
Net Capital Lease Liabilities	<u>\$ 21</u>

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 2020 through FY 2024; and (2) future payments due under noncancellable operating leases (non-GSA real property) are as follows:

FY 2019				
Fiscal Year	General PP&E Category			
	GSA Real Property Leases	Non-GSA Real Property Federal Leases	Non-GSA Real Property Non-federal Leases	Total Non-GSA Real Property Leases
2020	\$ 407,062	\$ 652	\$ 13,805	\$ 14,457
2021	294,895	598	12,153	12,751
2021	290,110	616	11,538	12,154
2023	293,757	634	10,240	10,874
2024	290,430	654	6,837	7,491
Thereafter	¹	673	23,438	24,111
Total Future Operating Lease Payments		\$ 3,827	\$ 78,011	\$ 81,838

¹ Not estimated

NOTE 16. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities that are not covered by budgetary resources, included in the Department's *Consolidated Balance Sheets*, are summarized below:

	FY 2019	FY 2018
Intragovernmental		
Liability to General Fund of the U.S. Government for Deficit Reduction	\$ 7,569,382	\$ 6,244,436
Accrued FECA Liability	24,799	25,200
Unearned Revenue	3,696	3,359
Other	21,227	26,227
Total Intragovernmental	<u>7,619,104</u>	<u>6,299,222</u>
With the Public		
Accrued Payroll	65,610	64,933
Accrued Annual Leave	350,325	323,389
Federal Employee Benefits	926,525	880,822
Environmental and Disposal Liabilities	146,257	145,677
Contingent Liabilities	300	300
Unearned Revenue	475,783	644,275
ITA Foreign Service Nationals' Voluntary Separation Pay	12,617	12,114
Other	15,724	7,256
Total With the Public	<u>1,993,141</u>	<u>2,078,766</u>
Total Liabilities Not Covered by Budgetary Resources	<u>9,612,245</u>	<u>8,377,988</u>
Total Liabilities Covered by Budgetary Resources	4,225,241	3,745,827
Total Liabilities Not Requiring Budgetary Resources	180,146	163,234
Total Liabilities	<u>\$ 14,017,632</u>	<u>\$ 12,287,049</u>

NOTE 17. 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. These contracts represent commitments of the Department which may result in future obligations. A summary of major long-term commitments as of September 30, 2019 is shown below.

Major Long-term Commitments:

Description	FY 2019						Total
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Thereafter	
Polar Follow-on	\$ 329,956	\$ 458,000	\$ 412,000	\$ 435,000	\$ 472,554	\$ 4,021,607	\$ 6,129,117
Geostationary Operational Environmental Satellites	304,056	292,500	292,500	250,000	250,000	153,115	1,542,171
Joint Polar Satellite Systems	425,082	371,538	253,020	139,521	135,576	128,811	1,453,548
Space Weather Follow-on	25,600	68,870	96,920	92,470	83,600	127,220	494,680
Other Weather Service	32,178	36,268	37,696	37,913	38,149	–	182,204
Low Orbit Earth	33,302	35,202	35,202	35,202	35,202	–	174,110
Geostationary Earth Orbit Systems Services	22,403	22,403	22,403	22,403	22,403	–	112,015
Architecture Engineering	44,822	–	–	–	–	–	44,822
Cooperative Data and Rescue Services	14,850	14,850	1,750	1,750	1,750	–	34,950
Satellite Command and Data Acquisition Facility	2,450	2,450	2,450	2,450	2,450	–	12,250
Total	<u>\$ 1,234,699</u>	<u>\$ 1,302,081</u>	<u>\$ 1,153,941</u>	<u>\$ 1,016,709</u>	<u>\$ 1,041,684</u>	<u>\$ 4,430,753</u>	<u>\$ 10,179,867</u>

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 \$300 thousand as of both September 30, 2019 and 2018, and which are included as *Other Liabilities* in the Department's *Consolidated Balance Sheets*. For most of these claims, any amounts ultimately due will be paid out of Treasury's Judgment Fund. For certain 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 will be recognized. However, agencies are required to reimburse the Judgment Fund for payments pursuant to the Contract Disputes Act and the Notification and Federal Employees Antidiscrimination and Retaliation Act of 2002.

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 or estimable amount, the exact amount of total potential liabilities is unknown, but the Department believes these claims could result in potential estimable losses as of September 30, 2019 of \$280.3 to \$310.6 million if the outcomes were adverse to the Department. For these potential liabilities, it is reasonably possible that an adverse outcome will result. 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 where it is reasonably possible that an adverse outcome will result. Since some of the potential liabilities represent claims with no stated amount, the exact amount of total potential liabilities is unknown, but the Department believes these claims could result in potential estimable losses as of September 30, 2019 of \$39.2 to \$49.9 million if the outcomes were adverse to the Department. Of these potential liabilities, most will be funded by Treasury's Judgment Fund, if any amounts are ultimately due.

The table below summarizes the Department's probable and reasonably possible contingent liabilities by type as of September 30, 2019 and 2018.

FY 2019			
	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
Legal Contingencies:			
Probable	\$ 300	\$ 300	\$ 300
Reasonably Possible	-	39,183	49,901
Environmental Contingencies:			
Probable	-	-	-
Reasonably Possible	-	280,303	310,643
Total Contingencies	\$ 300	\$ 319,786	\$ 360,844

FY 2018			
	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
Legal Contingencies:			
Probable	\$ 300	\$ 300	\$ 300
Reasonably Possible	-	39,783	39,783
Environmental Contingencies:			
Probable	-	-	-
Reasonably Possible	-	280,303	280,303
Total Contingencies	\$ 300	\$ 320,386	\$ 320,386

NOTE 18. CONSOLIDATED STATEMENTS OF NET COST BY MAJOR BUDGETARY FUNCTION

United States Department of Commerce Consolidating Statement of Net Cost by Major Budgetary Function For the Year Ended September 30, 2019

	Natural Resources and Environment/ Other Natural Resources	Other Advancement of Commerce	Area and Regional Development	Others	Combined Total	Intra- Departmental Eliminations	Consolidated Total
Total Program Costs							
Gross Costs	\$ 5,808,484	\$ 9,103,284	\$ 265,579	\$ 133,236	\$ 15,310,583	\$ (353,144)	\$ 14,957,439
Less: Earned Revenue	(259,583)	(4,467,373)	(5,351)	(2,082)	(4,734,389)	353,144	(4,381,245)
NET COST OF OPERATIONS	\$ 5,548,901	\$ 4,635,911	\$ 260,228	\$ 131,154	\$ 10,576,194	\$ -	\$ 10,576,194

United States Department of Commerce Consolidating Statement of Net Cost by Major Budgetary Function For the Year Ended September 30, 2018

	Natural Resources and Environment/ Other Natural Resources	Other Advancement of Commerce	Area and Regional Development	Others	Combined Total	Intra- Departmental Eliminations	Consolidated Total
Total Program Costs							
Gross Costs	\$ 5,249,107	\$ 7,560,938	\$ 297,513	\$ 132,935	\$ 13,240,493	\$ (343,106)	\$ 12,897,387
Less: Earned Revenue	(228,678)	(4,393,828)	(13,575)	(2,305)	(4,638,386)	343,106	(4,295,280)
NET COST OF OPERATIONS	\$ 5,020,429	\$ 3,167,110	\$ 283,938	\$ 130,630	\$ 8,602,107	\$ -	\$ 8,602,107

NOTE 19. COMBINED STATEMENTS OF BUDGETARY RESOURCES

Unobligated Balance From Prior-years Budget Authority, Net: This budgetary resources line consists of unobligated balance, brought forward as of October 1, as increased or decreased by current fiscal year activity related to the unobligated balance brought forward—typical items include recoveries of prior years’ unpaid obligations, downward adjustments of prior years’ paid obligations, transfers of prior-years’ balances, and cancellations of annual or multi-year appropriations.

Appropriations:

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

For FY 2019, the primary reconciling item is appropriations transfers in of current year authority in the amount of \$165.9 million, which is included in the *SBR* as *Appropriations* and is included as transfers in on the *SCNP*.

For FY 2018, the primary reconciling items is a transfer in of auction proceeds from FCC to NTIA’s Public Safety Trust Fund of \$5.90 billion, which is included as *Appropriations on SBR*, and is included as a budgetary transfer in on *SCNP* (see Note 22, *Funds from Dedicated Collections*, for more information on the Public Safety Trust Fund).

Borrowing Authority: Total borrowing authority available for NOAA's loan programs amounted to \$59.7 million and \$61.9 million as of September 30, 2019 and 2018, 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 1.O, *Debt to Treasury*, for debt repayment requirements, financing sources for repayments, and other terms of borrowing authority used.

Permanent, Indefinite Appropriations: The Department's bureaus, except MBDA, and Departmental Management 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 primarily under Public Law 116-6 amounted to \$13.2 million for FY 2019, while permanent reductions to the Department's budgetary resources primarily under Public Law 115-141 amounted to \$11.3 million for FY 2018. These permanent reductions are included in the *SBR Budgetary Resources* section, and are also included in the *SCNP*.

Legal and/or budgetary arrangements affecting the Department's use of Unobligated Balances of Budget Authority, Fund Balance with Treasury, and/or Investments, Net during FY 2019 and FY 2018 include the following:

- The Department's *Unobligated Balance, End of Year, Unapportioned, Unexpired Accounts* shown on the FY 2019 and FY 2018 *SBR* represent the portion of budgetary resources that were not apportioned by OMB for that fiscal year and that were not available for obligation or otherwise during FY 2019 and FY 2018, of \$63.8 million and \$6.43 billion, respectively. The Departmental unapportioned FY 2018 *SBR* amount of \$6.43 billion discussed above includes \$6.24 billion of budgetary resources for NTIA's Public Safety Trust Fund that were not apportioned by OMB for FY 2018 and that were not available for obligation or otherwise during FY 2018.
- The Department's *Unobligated Balance, End of Year, Apportioned, Unexpired Accounts*, Budgetary column shown on the FY 2019 and FY 2018 *SBR* includes amounts apportioned by OMB for subsequent fiscal years totaling \$1.73 billion and \$2.14 billion, respectively.
- The Department's Fund Balance with Treasury asset includes for NTIA's Digital Television Transition and Public Safety Fund, as of September 30, 2019 and 2018, \$8.81 billion of funds that are not available (reduction of budgetary resources).
- The Department's Investments, Net asset as of September 30, 2019 of \$7.57 billion, which represents NTIA Public Safety Trust Fund's investments in federal securities, net of amortized discount/premium, includes \$7.52 billion that was temporarily precluded from obligation (reduction of budgetary resources) during FY 2019 per OMB's FY 2019 apportionment. The Department's similarly composed Investments, Net as of September 30, 2018 of \$6.244 billion includes \$6.239 billion that was not apportioned by OMB for FY 2018 and that was not available for obligation or otherwise during FY 2018.
- The Department's Fund Balance with Treasury as of September 30, 2019 and 2018 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.
- 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, 2019 and 2018, \$233.5 million of Fund Balance with Treasury is held in the Patent and Trademark Surcharge Fund.
- The Department's Fund Balance with Treasury for Deposit Funds and for General Fund Receipt Accounts, totaling \$173.3 million and \$161.4 million as of September 30, 2019 and 2018, respectively, are not available to finance operating activities.

- The Department’s Fund Balance with Treasury as of September 30, 2019 and 2018 includes \$147.7 million of USPTO sequestered funds temporarily not available.
- 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 between the amounts reported in the FY 2018 *SBR* and the actual FY 2018 amounts reported in the FY 2020 Budget of the U.S. Government for *SBR* lines *Total Budgetary Resources; New Obligations and Upward Adjustments; Outlays, Net; and Distributed Offsetting (Receipts)/Outlays, Net*. There was an explained material difference of \$376 million for *Total Budgetary Resources* because of expired accounts that are appropriately included in the *SBR*, and that are appropriately not included in the FY 2020 Budget of the U.S. Government. There was also an explained material difference of \$17 million for *Distributed Offsetting (Receipts)/Outlays, Net*, which is due to certain receipt accounts that are appropriately included in the *SBR*, and that are not included in the FY 2020 Budget of the U.S. Government. The President’s Budget that will report actual amounts for FY 2019 has not yet been published, and will be made available on OMB’s President’s Budget Web page.

Summary of FY 2018 Reconciling Items:

(In Millions)

	Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting (Receipts)/ Outlays, Net	Outlays, Net
Combined Statement of Budgetary Resources	\$ 33,262	\$ 21,921	\$ (38)	\$ 8,613
Included in FY 2020 Budget of the U.S. Government	32,886	21,923	(21)	8,611
Difference	\$ 376	\$ (2)	\$ (17)	\$ 2
Explanation	Expired budgetary resources not included in the Budget of the U.S. Government	Rounding	Certain receipt accounts are not included in the Budget of the U.S. Government	Rounding

Undelivered Orders:

The following table summarize Undelivered Orders as of September 30, 2019 and 2018:

Undelivered Orders	FY 2019	FY 2018
Undelivered Orders, Federal Paid	\$ 204,566	\$ 195,952
Undelivered Orders, Federal Unpaid	2,252,210	1,972,165
Undelivered Orders, Non-federal Paid	115,001	80,258
Undelivered Orders, Non-federal Unpaid	9,967,132	9,788,719
Total	\$ 12,538,909	\$ 12,037,094

NTIA Public Safety Trust Fund Comparison of Budgetary Resources for FY 2019 and FY 2018:

NTIA Public Safety Trust Fund Comparison of Budgetary Resources for FY 2019 and FY 2018:

As reflected in the FY 2019 *SBR*, OMB apportioned all of the NTIA Public Safety Trust Fund’s activities and balances on the fund’s FY 2019 SF 132 (Budgetary Resources section), and which was then significantly reduced by OMB (contra-resources) for amounts temporarily precluded from obligation, also on the fund’s FY 2019 SF 132, Budgetary Resources section. This OMB apportionment treatment for this fund is expected to continue for future fiscal years. The Department’s FY 2019 *SBR*, Budgetary column included *Total Budgetary Resources* for the Public Safety Trust Fund of \$76.2 million, which as described above reflects initial budgetary resources of \$7.59 billion less significant reductions of budgetary resources (contra-resources) for amounts temporarily precluded from obligation totaling \$7.52 billion.

In FY 2018 (in contrast to the FY 2019 treatment), OMB apportioned a small portion of the fund’s activities and balances on the fund’s FY 2018 SF 132, and OMB did not apportion on the fund’s FY 2018 SF 132 (a) a significant portion of the fund’s total Unobligated Balance Brought Forward-October 1, 2017 of \$472.5 million, primarily related to the invested balances portion; (b) the FY 2018 appropriations transfer in of auction proceeds from FCC of \$5.90 billion; and (c) interest earned on investments during FY 2018, all of which were accordingly not available for obligation or otherwise during FY 2018. The Department’s FY 2018 *SBR*, Budgetary column included *Total Budgetary Resources* for the Public Safety Trust Fund of \$6.38 billion. The Department’s FY 2018 *SBR*, Budgetary column, accordingly, includes \$6.24 billion for the Public Safety Trust Fund in the *Status of Budgetary Resources* section, *Unobligated Balance, End of Year* subsection, on the line *Unapportioned, Unexpired Accounts*.

The below table displays the FY 2019 and FY 2018 treatment of budgetary resources for the Public Safety Trust Fund:

**NTIA Public Safety Trust Fund Portion:
For the Years Ended September 30, 2019 and 2018**

	FY 2019	FY 2018
BUDGETARY RESOURCES:		
Unobligated Balance from Prior-years Budget Authority, Net	\$ 76,120	\$ 475,017
Appropriations	-	5,906,354
Spending Authority From Offsetting Collections	48	175
TOTAL BUDGETARY RESOURCES	\$ 76,168	\$ 6,381,546
STATUS OF BUDGETARY RESOURCES:		
New Obligations and Upward Adjustments	\$ 7,057	\$ 65,041
Unobligated Balance, End of Year		
Apportioned, Unexpired Accounts	68,904	77,550
Unapportioned, Unexpired Accounts	207	6,238,955
Unobligated Balance, End of Year, Unexpired Accounts	69,111	6,316,505
Total Unobligated Balance, End of Year	69,111	6,316,505
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 76,168	\$ 6,381,546

See Note 22, *Funds from Dedicated Collections – NTIA’s Public Safety Trust Fund*, for more information on the Public Safety Trust Fund, including about the fund’s invested balances and its Liability to the General Fund of the U.S. Government for Deficit Reduction.

NOTE 20. CONSOLIDATED STATEMENTS OF CUSTODIAL ACTIVITY

Custodial activity represents revenue (non-exchange and exchange) that was or will be collected on behalf of another entity and the disposition of that revenue to Treasury (General Fund of the U.S. Government), a trust fund, or other recipient entities. The Department's custodial activity is reported in the *Consolidated Statements of Custodial Activity*.

The Department's custodial revenue in FY 2019 was \$26.6 million, received primarily by BIS, EDA, and NOAA. BIS primarily receives custodial revenue from civil monetary penalties assessed to private entities that violate the Export Administration Act. EDA receives custodial revenue from terminations of revolving loan funds, returned grant funds, and miscellaneous receipts. NOAA receives custodial revenue from interest on its loan portfolio and collection of fines and penalties. The Department's custodial payable to Treasury and to the public was \$3.7 million and \$26 thousand, respectively, as of September 30, 2019.

The Department's custodial revenue in FY 2018 was \$1.01 billion, almost entirely received by BIS. In FY 2018, BIS assessed and collected an additional \$1.00 billion in civil monetary penalties from a Chinese cellular phone manufacturer for making false statements to the U.S. government following a March 2017 settlement agreement. The \$1.00 billion collected from the manufacturer was transferred in FY 2018 to Treasury (\$557.0 million) and to the U.S. Department of Justice (\$443.0 million). In addition to the penalties assessed, BIS required the company to place \$400.0 million in suspended penalties money in escrow held by Treasury, \$300.0 million of which was previously suspended from the March 2017 agreement. The Department's custodial payable to Treasury and to the public for custodial activity was \$376 thousand and \$24 thousand, respectively, as of September 30, 2018.

NOTE 21. FIDUCIARY ACTIVITIES

The Department has two fiduciary funds. The Patent Cooperation Treaty authorized 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, Australian Patent Office, Israeli Patent Office, Japanese Patent Office, and Intellectual Property Office of Singapore from U.S. citizens requesting an international patent. The Madrid Protocol Implementation Act authorized USPTO to collect trademark application fees on behalf of the International Bureau of the WIPO from U.S. citizens requesting an international trademark.

Schedule of Fiduciary Activities for the Year Ended September 30, 2019:

	FY 2019		
	Patent Cooperation Treaty	Madrid Protocol	Total
Fiduciary Net Assets, Beginning Balance	\$ 13,862	\$ 704	\$ 14,566
Contributions	151,648	29,914	181,562
Disbursements to and on Behalf of Beneficiaries	(152,598)	(28,433)	(181,031)
Increase/(Decrease) in Fiduciary Net Assets	(950)	1,481	531
Fiduciary Net Assets, Ending Balance	\$ 12,912	\$ 2,185	\$ 15,097

Fiduciary Net Assets as of September 30, 2019:

	FY 2019		
	Patent Cooperation Treaty	Madrid Protocol	Total
Fund Balance with Treasury	\$ 12,912	\$ 2,185	\$ 15,097

Schedule of Fiduciary Activities for the Year Ended September 30, 2018:

	FY 2018		
	Patent Cooperation Treaty	Madrid Protocol	Total
Fiduciary Net Assets, Beginning Balance	\$ 13,831	\$ 542	\$ 14,373
Contributions	154,525	27,043	181,568
Disbursements to and on Behalf of Beneficiaries	(154,494)	(26,881)	(181,375)
Increase/(Decrease) in Fiduciary Net Assets	31	162	193
Fiduciary Net Assets, Ending Balance	\$ 13,862	\$ 704	\$ 14,566

Fiduciary Net Assets as of September 30, 2018:

	FY 2018		
	Patent Cooperation Treaty	Madrid Protocol	Total
Fund Balance with Treasury	\$ 13,862	\$ 704	\$ 14,566

NOTE 22. 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." The funds from dedicated collections reported in these tables are fully included in the Department's *Consolidated Balance Sheets*, *Consolidated Statements of Net Cost*, and *Consolidated Statements of Changes in Net Position*.

United States Department of Commerce Combining Balance Sheet – Funds from Dedicated Collections As of September 30, 2019

	NIST Wireless Innovation Fund	NOAA Damage Assessment and Restoration Revolving Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA First Responder Network Authority Fund	NTIA Network Construction 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	\$ 185,766	\$ 173,399	\$ 8,820,013	\$ 331,547	\$ 4,389,762	\$ 70,320	\$ 2,320,629	\$ 100,987	\$ 16,392,423
Cash	–	–	–	–	–	–	7,520	–	7,520
Investments, Net	–	–	–	–	–	7,569,381	–	–	7,569,381
Accounts Receivable, Net	–	37	–	6	15	81	450	22	611
General Property, Plant, and Equipment, Net	–	–	–	65	3,381	104	459,341	–	462,891
Cost Contribution to Buildout of Nationwide Public Safety Broadband Network, Net	–	–	–	–	3,408,729	–	–	–	3,408,729
Other	260	20	190	–	1,922	31	23,925	41	26,389
TOTAL ASSETS	\$ 186,026	\$ 173,456	\$ 8,820,203	\$ 331,618	\$ 7,803,809	\$ 7,639,917	\$ 2,811,865	\$ 101,050	\$ 27,867,944
LIABILITIES									
Accounts Payable	\$ (96)	\$ 165	\$ –	\$ 578	\$ 1,415,515	\$ 283	\$ 106,665	\$ 27	\$ 1,523,137
Federal Employee Benefits	–	–	–	–	–	–	12,203	–	12,203
Unearned Revenue	–	–	–	120,000	–	–	984,971	–	1,104,971
Liability to General Fund of the U.S. Government for Deficit Reduction	–	–	–	–	–	7,569,382	–	–	7,569,382
Accrued Payroll and Annual Leave	269	171	–	3,628	102	21	262,841	158	267,190
Accrued Grants	2,153	519	1,291	–	–	–	–	4,312	8,275
Other Liabilities	–	57	–	561	67	–	20,995	55	21,735
TOTAL LIABILITIES	\$ 2,326	\$ 912	\$ 1,291	\$ 124,767	\$ 1,415,684	\$ 7,569,686	\$ 1,387,675	\$ 4,552	\$ 10,506,893
NET POSITION									
Unexpended Appropriations	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Cumulative Results of Operations	183,700	172,544	8,818,912	206,851	6,388,125	70,231	1,424,190	96,498	17,361,051
TOTAL NET POSITION	\$ 183,700	\$ 172,544	\$ 8,818,912	\$ 206,851	\$ 6,388,125	\$ 70,231	\$ 1,424,190	\$ 96,498	\$ 17,361,051
TOTAL LIABILITIES AND NET POSITION	\$ 186,026	\$ 173,456	\$ 8,820,203	\$ 331,618	\$ 7,803,809	\$ 7,639,917	\$ 2,811,865	\$ 101,050	\$ 27,867,944

**United States Department of Commerce Combining Balance Sheet – Funds from Dedicated Collections
As of September 30, 2018**

	NIST Wireless Innovation Fund	NOAA Damage Assessment and Restoration Revolving Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA First Responder Network Authority Fund	NTIA Network Construction 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	\$ 229,135	\$ 170,862	\$ 8,820,778	\$ 239,963	\$ 5,893,821	\$ 77,944	\$ 2,242,959	\$ 105,494	\$ 17,780,956
Cash	–	–	–	–	–	–	6,836	–	6,836
Investments, Net	–	–	–	–	–	6,244,436	–	–	6,244,436
Accounts Receivable, Net	–	37	–	–	33	86	402	1,807	2,365
Advances and Prepayments	9	24	208	–	2,461	17	17,433	200	20,352
General Property, Plant, and Equipment, Net	–	–	–	–	4,145	511	527,081	–	531,737
Cost Contribution to Buildout of Nationwide Public Safety Broadband Network, Net	–	–	–	–	2,009,841	–	–	–	2,009,841
Other	–	–	–	–	925	–	–	–	925
TOTAL ASSETS	\$ 229,144	\$ 170,923	\$ 8,820,986	\$ 239,963	\$ 7,911,226	\$ 6,322,994	\$ 2,794,711	\$ 107,501	\$ 26,597,448
LIABILITIES									
Accounts Payable	\$ 92	\$ 30	\$ –	\$ (37)	\$ 1,403,316	\$ 378	\$ 112,662	\$ 53	\$ 1,516,494
Federal Employee Benefits	–	–	–	–	–	–	12,633	–	12,633
Other	–	–	–	120,000	–	–	970,889	–	1,090,889
Unearned Revenue Liability to General Fund of the U.S. Government for Deficit Reduction	–	–	–	–	–	6,244,436	–	–	6,244,436
Accrued Payroll and Annual Leave	206	106	–	–	2,798	645	246,101	160	250,016
Accrued Grants	1,595	499	245	–	957	–	–	1,013	4,309
Other Liabilities	–	37	–	–	405	173	18,849	50	19,514
TOTAL LIABILITIES	\$ 1,893	\$ 672	\$ 245	\$ 119,963	\$ 1,407,476	\$ 6,245,632	\$ 1,361,134	\$ 1,276	\$ 9,138,291
NET POSITION									
Unexpended Appropriations	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Cumulative Results of Operations	227,251	170,251	8,820,741	120,000	6,503,750	77,362	1,433,577	106,225	17,459,157
TOTAL NET POSITION	\$ 227,251	\$ 170,251	\$ 8,820,741	\$ 120,000	\$ 6,503,750	\$ 77,362	\$ 1,433,577	\$ 106,225	\$ 17,459,157
TOTAL LIABILITIES AND NET POSITION	\$ 229,144	\$ 170,923	\$ 8,820,986	\$ 239,963	\$ 7,911,226	\$ 6,322,994	\$ 2,794,711	\$ 107,501	\$ 26,597,448

**United States Department of Commerce Combining Statement of Net Cost – Funds from Dedicated Collections
For the Year Ended September 30, 2019**

	NIST Wireless Innovation Fund	NOAA Damage Assessment and Restoration Revolving Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA First Responder Network Authority Fund	NTIA Network Construction Fund	NTIA Public Safety Trust Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections
Total Program Costs									
Gross Costs	\$ 41,507	\$ 26,119	\$ 1,829	\$ 34,982	\$ 116,516	\$ 4,278	\$ 3,478,168	\$ 36,608	\$ 3,740,007
Less: Earned Revenue	–	–	–	(120,000)	(10)	(28)	(3,388,671)	–	(3,508,709)
NET COST OF OPERATIONS	\$ 41,507	\$ 26,119	\$ 1,829	\$ (85,018)	\$ 116,506	\$ 4,250	\$ 89,497	\$ 36,608	\$ 231,298

**United States Department of Commerce Combining Statement of Net Cost – Funds from Dedicated Collections
For the Year Ended September 30, 2018**

	NIST Wireless Innovation Fund	NOAA Damage Assessment and Restoration Revolving Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA First Responder Network Authority Fund	NTIA Network Construction Fund	NTIA Public Safety Trust Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections
Total Program Costs									
Gross Costs	\$ 38,804	\$ 24,063	\$ 2,228	\$ –	\$ 86,877	\$ 11,598	\$ 3,321,475	\$ 40,322	\$ 3,525,367
Less: Earned Revenue	–	1,906	–	(120,000)	–	(154)	(3,309,389)	–	(3,427,637)
NET COST OF OPERATIONS	\$ 38,804	\$ 25,969	\$ 2,228	\$ (120,000)	\$ 86,877	\$ 11,444	\$ 12,086	\$ 40,322	\$ 97,730

**United States Department of Commerce Combining Statement of Changes in Net Position – Funds from Dedicated Collections
For the Year Ended September 30, 2019**

	NIST Wireless Innovation Fund	NOAA Damage Assessment and Restoration Revolving Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA First Responder Network Authority Fund	NTIA Network Construction 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	\$ 227,251	\$ 170,251	\$ 8,820,741	\$ 120,000	\$ 6,503,750	\$ 77,362	\$ 1,433,577	\$ 106,225	\$ 17,459,157
Budgetary Financing Sources:									
Non-exchange Revenue	-	1,538	-	-	-	169,695	-	13,976	185,209
Transfer in of Auction Proceeds from Federal Communications Commission	-	-	-	-	-	1,155,251	-	-	1,155,251
Transfers In/(Out) Without Reimbursement, Net	-	26,874	-	-	881	(2,881)	(1,500)	12,905	36,279
Other Financing Sources (Non-exchange):									
Transfers In/(Out) Without Reimbursement, Net	(2,044)	-	-	-	-	-	-	-	(2,044)
Imputed Financing Sources from Cost Absorbed by Others	-	-	-	1,833	-	-	81,610	-	83,443
Financing Sources Used for Recognizing Liability to General Fund of the U.S. Government for Deficit Reduction	-	-	-	-	-	(1,324,946)	-	-	(1,324,946)
Total Financing Sources	(2,044)	28,412	-	1,833	881	(2,881)	80,110	26,881	133,192
Net Cost of Operations	(41,507)	(26,119)	(1,829)	85,018	(116,506)	(4,250)	(89,497)	(36,608)	(231,298)
Net Change	(43,551)	2,293	(1,829)	86,851	(115,625)	(7,131)	(9,387)	(9,727)	(98,106)
Cumulative Results of Operations – Ending Balance	183,700	172,544	8,818,912	206,851	6,388,125	70,231	1,424,190	96,498	17,361,051
NET POSITION	\$ 183,700	\$ 172,544	\$ 8,818,912	\$ 206,851	\$ 6,388,125	\$ 70,231	\$ 1,424,190	\$ 96,498	\$ 17,361,051

**United States Department of Commerce Combining Statement of Changes in Net Position – Funds from Dedicated Collections
For the Year Ended September 30, 2018**

	NIST Wireless Innovation Fund	NOAA Damage Assessment and Restoration Revolving Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA First Responder Network Authority Fund	NTIA Network Construction 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	\$ 266,062	\$ 161,729	\$ 8,822,969	\$ -	\$ 6,536,360	\$ 141,451	\$ 1,377,550	\$ 118,558	\$ 17,424,679
Budgetary Financing Sources:									
Non-exchange Revenue	-	9,008	-	-	-	13,090	-	12,898	34,996
Transfer in of Auction Proceeds from Federal Communications Commission	-	-	-	-	-	5,895,159	-	-	5,895,159
Transfers In/(Out) Without Reimbursement, Net	-	25,942	-	-	54,268	(54,268)	(1,000)	6,270	31,212
Other Budgetary Financing Sources/(Uses), Net	-	-	-	-	-	-	-	8,821	8,821
Other Financing Sources (Non-exchange):									
Transfers In/(Out) Without Reimbursement, Net	(7)	(459)	-	-	-	-	-	-	(466)
Imputed Financing Sources from Cost Absorbed by Others	-	-	-	-	-	1,639	69,113	-	70,752
Financing Sources Used for Recognizing Liability to General Fund of the U.S. Government for Deficit Reduction	-	-	-	-	-	(5,908,248)	-	-	(5,908,248)
Other Financing Sources/(Uses), Net	-	-	-	-	(1)	(17)	-	-	(18)
Total Financing Sources	(7)	34,491	-	-	54,267	(52,645)	68,113	27,989	132,208
Net Cost of Operations	(38,804)	(25,969)	(2,228)	120,000	(86,877)	(11,444)	(12,086)	(40,322)	(97,730)
Net Change	(38,811)	8,522	(2,228)	120,000	(32,610)	(64,089)	56,027	(12,333)	34,478
Cumulative Results of Operations – Ending Balance	227,251	170,251	8,820,741	120,000	6,503,750	77,362	1,433,577	106,225	17,459,157
NET POSITION	\$ 227,251	\$ 170,251	\$ 8,820,741	\$ 120,000	\$ 6,503,750	\$ 77,362	\$ 1,433,577	\$ 106,225	\$ 17,459,157

Below is a description of major Funds from Dedicated Collections shown in the table above and on the previous pages:

NIST’s **Wireless Innovation Fund** was created in order for NIST, in consultation with the Federal Communications Commission (FCC), the Secretary of Homeland Security, and the National Institute of Justice of the U.S. 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 required NTIA to make available \$300.0 million to the Director of NIST as amounts are deposited into NTIA’s Public Safety Trust Fund to carry out public safety research. The Wireless Innovation Fund through FY 2017 received transfers in totaling \$300.0 million from NTIA’s Public Safety Trust Fund. The law establishing this program can be found in Section 6303 of the Middle Class Tax Relief and Job Creation Act of 2012.

NOAA's **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, tribal, 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 U.S.C. Section 2706.

NTIA's **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 provided funding for several programs, and \$7.36 billion was transferred in September 2009 to the General Fund of the U.S. Government as required by the Deficit Reduction Act of 2005. The Fund has a *Fund Balance with Treasury* balance of \$8.82 billion, and *Net Position, Cumulative Results of Operations* balance of \$8.82 billion, as of September 30, 2019, of which \$8.81 billion is unavailable for obligation as of September 30, 2019. The law establishing programs under this fund can be found in the Deficit Reduction Act of 2005, Sections 3001-3014. For FY 2019 budgetary financial information for the Digital Television Transition and Public Safety Fund, see the *Combining Schedule of Budgetary Resources by Major Budget Account* (unaudited), included in *Required Supplementary Information (Unaudited)*.

NTIA's **Network Construction Fund** and **First Responder Network Authority fund** primarily provide funding at this time for the federal portion of cost contributions toward buildout of the Nationwide Public Safety Broadband Network (NPSBN) and for operations of the First Responder Network Authority (FirstNet), an independent authority within NTIA. 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. For information about FirstNet's public-private partnership with AT&T to buildout, deploy, operate, and maintain the NPSBN under a 25-year contract award by FirstNet to AT&T in March 2017, see Note 26, *Disclosure Public-Private Partnerships*.

Network Construction Fund

The Network Construction Fund in FY 2019 and FY 2018 received transfers in from NTIA's Public Safety Trust Fund totaling \$881 thousand and \$54.3 million, respectively, and also through FY 2016 similarly received transfers in from NTIA's Public Safety Trust Fund totaling \$6.77 billion.

The asset *Cost Contribution to Buildout of NPSBN, Net* amounted to \$3.41 billion and \$2.01 billion at September 30, 2019 and 2018, respectively, which is net of accumulated amortization of \$97.3 million and \$15.4 million, respectively. The Department's cost contribution to buildout of the NPSBN includes (a) completed and accepted AT&T contract performance for buildout of the NPSBN; and (b) accrued costs for estimated, unbilled AT&T contract performance progress. See Note 1.N for information regarding the classification of these cost contributions as an asset, and the related amortization of the cost contributions.

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 2019 budgetary financial information for the Network Construction Fund, see the *Combining Schedule of Budgetary Resources by Major Budget Account* (unaudited), included in *Required Supplementary Information (Unaudited)*.

First Responder Network Authority fund

FirstNet is authorized to assess and collect fees, and also annually collects exchange revenue (allocated between unearned revenue and earned revenue) from AT&T under the terms of its contract with AT&T to build, operate, and maintain the NPSBN. The First Responder Network Authority fund was established primarily pursuant to Sections 6206 and 6208 of the Middle Class Tax Relief and Job Creation Act of 2012.

NTIA's **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 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, which was repaid in full as of September 30, 2015.

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 from FCC to the Public Safety Trust Fund. A transfer in from FCC becomes a financing source on the *SCNP* when the transfer is received. Transfers in of auction proceeds from FCC of \$1.16 billion and \$5.90 billion were received in FY 2019 and FY 2018, respectively, which are not available for obligation. The auction proceeds received in FY 2019 and FY 2018 are excess funds beyond the needs of priorities 1 through 7 discussed below, and are invested in non-marketable, market-based Treasury securities—see discussion further below about investments of the Public Safety Trust Fund. Transfers in of auction proceeds from FCC totaling \$28.28 billion through FY 2016 were previously received.

The Act directs the use of auction proceeds in an order of priority after the repayment of borrowings from Treasury (priority 1):

- Priority 1, the repayment of borrowings from Treasury, was fully completed as of September 30, 2015 as previously discussed.
- In FY 2015, the Public Safety Trust Fund transferred out \$130.9 million, net of sequestration, to NTIA's State and Local Implementation Fund, fully completing priority 2.
- In FY 2019 and FY 2018, the Public Safety Trust Fund transferred out to NTIA's Network Construction Fund a total of \$881 thousand and \$54.3 million, respectively, toward priority 3 of transferring up to \$7.00 billion to NTIA's Network Construction Fund for buildout of the NPSBN. The Public Safety Trust Fund also similarly transferred out a total of \$6.77 billion to the Network Construction Fund through FY 2016 toward priority 3.
- In FY 2017 and FY 2016, the Public Safety Trust Fund transferred out a total of \$300.0 million to NIST's Wireless Innovation Fund, fully completing priority 4 and priority 7 for transfers to NIST to carry out public safety research.
- Priority 5 specifies that the Public Safety Trust Fund is to deposit a total of \$20.40 billion in the General Fund of the U.S. Government for deficit reduction. Fully completing this priority, the Public Safety Trust Fund transferred out a total of \$20.40 billion during FY 2016 and FY 2015 to a receipt account utilized for transferring these funds to the General Fund of the U.S. Government, and the receipt account transferred a total of \$20.40 billion during FY 2016 and FY 2015 to the General Fund of the U.S. Government.

- Priority 6 specifies that the Public Safety Trust Fund make available \$115.0 million to the Assistant Secretary (NTIA) and the Administrator of the National Highway Traffic Safety Administration (NHTSA) to carry out the grant program of Next Generation 9-1-1. Fully completing this priority, the Public Safety Trust Fund transferred out a total of \$112.2 million in FY 2017 and FY 2016 to NHTSA, and made available in FY 2016 \$2.8 million within the Public Safety Trust Fund for the Assistant Secretary (NTIA).
- Priority 8 specifies that any remaining amounts deposited in the Public Safety Trust Fund shall be deposited in the General Fund of the U.S. Government for deficit reduction. The Act further specifies that any amounts remaining in the Public Safety Trust Fund after the end of FY 2022 shall be deposited in the General Fund of the U.S. Government for deficit reduction. Toward priority 8, the Public Safety Trust Fund has recorded a liability (not covered by budgetary resources) to the General Fund of the U.S. Government of \$7.57 billion and \$6.24 billion as of September 30, 2019 and 2018, respectively. The increase in the liability during FY 2019 was caused mainly by the \$1.16 billion of auction proceeds received from FCC in FY 2019, as previously discussed. The corresponding FY 2019 and FY 2018 financing sources used to increase the liability for additional remaining amounts in the Fund of \$1.32 billion and \$5.91 billion, respectively, are reported in the FY 2019 and FY 2018 *SCNP* reported in this Note, *Other Financing Sources (Non-exchange)* section.

The Act specifies that amounts in the Public Safety Trust Fund be invested in accordance with 31 U.S.C. Section 9702. The Public Safety Trust Fund has investment(s) in non-marketable, market-based Treasury securities totaling \$7.57 billion and \$6.24 billion as of September 30, 2019 and 2018, respectively; see Note 1.H, *Investments, Net* and Note 3 for more information. The federal government does not set aside assets to pay future expenditures associated with the Public Safety Trust Fund. The dedicated cash receipts collected from the public into the Public Safety Trust Fund are deposited with Treasury, which uses the cash for general government purposes. Treasury securities are issued to the Public Safety Trust Fund as evidence of its receipts. Treasury securities are an asset to the Public Safety Trust Fund, and Treasury securities are a liability of Treasury. Because the Public Safety Trust Fund and Treasury are both parts of the federal government, these assets and liabilities offset each other from the standpoint of the federal government as a whole. For this reason, they do not represent an asset or a liability in the U.S. government-wide financial statements. Treasury securities provide the Public Safety Trust Fund with authority to draw upon Treasury to make future expenditures. When the Public Safety Trust Fund requires redemption of these securities to make expenditures, the federal government finances those expenditures out of accumulated cash balances by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the federal government finances all other expenditures.

For FY 2019 budgetary financial information for the Public Safety Trust Fund, see the *Combining Schedule of Budgetary Resources by Major Budget Account* (unaudited) included in *Required Supplementary Information (Unaudited)*.

USPTO's **Funds from Dedicated Collections** consist of its Salaries and Expenses Fund, Patent and Trademark Surcharge Fund, and Patent and Trademark Fee Reserve 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 fund only as authorized by Congress. See 35 U.S.C. 42, *Patent and Trademark Office Funding*, for more information on this fund; and for FY 2019 budgetary financial information, see the *Combining Schedule of Budgetary Resources by Major Budget Account* (unaudited), included in *Required Supplementary Information (Unaudited)*.

The Patent and Trademark Surcharge Fund, a Special Fund Receipt Account at Treasury, is discussed in Note 19, *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, 2019 and 2018, \$233.5 million of Fund Balance with Treasury is held in this fund. The law establishing the Patent and Trademark Surcharge Fund is the Omnibus Budget Reconciliation Act of 1990, Title X, Subtitle B, Section 10101 (Public Law 101-508).

The Patent and Trademark Fee Reserve Fund results from a provision that requires USPTO to deposit into this Fund all patent and trademark fees collected in excess of its annual appropriation amount. Funds made available may only be used, as applicable, for expenses of USPTO relating to the processing of patent applications and trademark registrations, and for other activities, services, and materials relating to patents, trademarks, and related administrative costs. No monies had been deposited into this Fund through September 30, 2018. In FY 2019, fee collections in excess of the FY 2019 appropriation amount, totaling \$28.7 million, were transferred into this Fund from the Salaries and Expenses Fund. These monies shall remain available until expended per the FY 2019 appropriation and per the OMB apportionment for FY 2019 for this Fund. The law establishing the Patent and Trademark Fee Reserve Fund can be found in 35 U.S.C. Section 42(c).

NOTE 23. RECONCILIATION OF NET COST OF OPERATIONS TO OUTLAYS, NET (FY 2019) / RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET (FY 2018)

The *Reconciliation of Net Cost of Operations to Outlays, Net*, effective FY 2019, as required by SFFAS 53, *Budget and Accrual Reconciliation* replaces the *Reconciliation of Net Cost of Operations to Budget*, which is presented for FY 2018 later in this Note. This schedule reconciles proprietary basis of accounting *Net Cost of Operations* (as reported in the *Consolidated Statement of Net Cost*) to budgetary basis of accounting *Outlays, Net* (as reported in the *Combined Statement of Budgetary Resources*). *Outlays, Net* is composed of Outlays, Gross less Offsetting Collections. The second section reverses out items included in *Net Cost of Operations* that are not included in *Outlays, Net*. The third section adds items included in *Outlays, Net* that are not included in *Net Cost of Operations*.

The Reconciliation of Net Cost of Operations to Outlays, Net for FY 2019 is shown below:

	FY 2019
Net Cost of Operations	\$ 10,576,194
Components of Net Cost of Operations that are Not Part of Outlays, Net	
Depreciation and Amortization	(1,596,831)
Gains/(Losses) on Disposition of Other Assets, Net	(2,772)
Other Gains/(Losses), Net	1,455
Imputed Costs from Costs Absorbed by Others	(346,178)
Other Expenses	(31,075)
Receivables, Net – Increases	58
Decreases in Advances and Prepayments	(20,205)
Undeposited Collections – Increases	640
Payables – Increases	(276,361)
Increases in Federal Employee Benefits Liabilities	(65,300)
Environmental and Disposal Liabilities – Increases	(580)
Various Other Liabilities – Increases	(121,089)
Adjustments for Credit Reform Direct Loans	
Allowance for Subsidy – (Increase)/Decrease	(4,004)
Total Components of Net Cost of Operations that are Not Part of Outlays, Net	(2,462,242)
Components of Outlays, Net that are Not Part of Net Cost of Operations	
Receivables, Net – Decreases	\$ (4,032)
Increases in Advances and Prepayments	27,998
Payables – Decreases	4,441
Increases in Unearned Revenue	(17,916)
Decreases in Federal Employee Benefits Liabilities	19,578
Various Other Liabilities – Decreases	5,426
Acquisitions of Inventory, Materials, and Supplies	35,393
Acquisitions of Property, Plant, and Equipment	1,714,304
Increase in Cost Contribution to Buildout of Nationwide Public Safety Broadband Network, Gross	1,480,800
Acquisitions of Other Assets	298
Actual Offsetting Collections Not Part of Net Cost of Operations	(18,119)
Adjustments for Direct Loans	
Direct Loans and Loan Guarantees, Gross – Increase/(Decrease)	(56,696)
Other	70
Total Components of Outlays, Net that are Not Part of Net Cost of Operations	3,191,545
Outlays, Net	\$ 11,305,497

The *Reconciliation of Net Cost of Operations to Budget* for FY 2018 reconciled the Department's *Resources Used to Finance Activities* (first section), which consists of the budgetary basis of accounting *New Obligations and Upward Adjustments* (composed of items reported 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 Fiscal Year*, 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 Fiscal Years*, includes costs reported in the current fiscal year that are included in the *Liabilities Not Covered by Budgetary Resources* reported in Note 16. This subsection does not include all costs reported in prior fiscal years that are also included in *Liabilities Not Covered by Budgetary Resources* reported in Note 16.

The Reconciliation of Net Cost of Operations to Budget for FY 2018 is shown below:

	FY 2018
Resources Used to Finance Activities:	
Budgetary Resources Obligated:	
New Obligations and Upward Adjustments	\$ 21,920,632
Less: Spending Authority From Offsetting Collections and Actual Recoveries of Prior-years Unpaid Obligations	(5,783,390)
New Obligations and Upward Adjustments Net of Offsetting Collections and Actual Recoveries	16,137,242
Less: Distributed Offsetting (Receipts)/Outlays, Net	(37,765)
Net Obligations and Upward Adjustments	16,099,477
Other Resources:	
Donations and Forfeitures of Property	449
Transfers In/(Out) Without Reimbursement, Net	1,923
Imputed Financing Sources From Cost Absorbed by Others	300,335
Financing Sources Used for Recognizing Liability to General Fund of the U.S. Government for Deficit Reduction	(5,908,248)
Other Financing Sources/(Uses), Net	(6,137)
Net Other Resources Used to Finance Activities	(5,611,678)
Total Resources Used to Finance Activities	10,487,799

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	FY 2018
Resources Used to Finance Items Not Part of Net Cost of Operations:	
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	(5,278,605)
Resources that Fund Expenses Recognized in Prior Fiscal Years	(20,786)
New Obligations for Downward Subsidy Reestimates Payable to Treasury	(7,445)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations:	
Distributed Offsetting (Receipts)/Outlays, Net (excludes Clearing Accounts' Gross Costs)	37,765
Credit Program Collections	81,700
Budgetary Financing Sources/(Uses), Net	43,466
Resources that Finance the Acquisition of Assets	(4,020,734)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations:	
Change in Unfilled Customer Orders	85,470
Donations and Forfeitures of Property	(449)
Transfers In/(Out) Without Reimbursement, Net	(1,923)
Financing Sources Used for Recognizing Liability to General Fund of the U.S. Government for Deficit Reduction	5,908,248
Other Financing Sources/(Uses), Net	6,137
Other	402
Total Resources Used to Finance Items Not Part of Net Cost of Operations	(3,166,754)
Total Resources Used to Finance Net Cost of Operations	7,321,045
Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Fiscal Year:	
Components Requiring or Generating Resources in Future Fiscal Years:	
Increase in Accrued Annual Leave Liability	\$ 14,374
Increase in Environmental and Disposal Liabilities	530
Increase/(Decrease) in Contingent Liabilities	(39,172)
Other	40,821
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Fiscal Years	16,553
Components Not Requiring or Generating Resources:	
Depreciation and Amortization	1,241,008
NOAA Issuances of Materials and Supplies	36,319
Revaluation of Assets or Liabilities	7,439
Other	9,577
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	1,294,343
Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Fiscal Year	1,310,896
Negative Gross Costs for Recoveries of Prior-years Delivered Orders that are Excluded from Net Obligations and Upward Adjustments	(29,834)
NET COST OF OPERATIONS	\$ 8,602,107

NOTE 24. STEWARDSHIP PROPERTY, PLANT, AND EQUIPMENT

Preservation of stewardship property, plant, and equipment (PP&E) 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 PP&E 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 PP&E.

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, 2019, 14 National Marine Sanctuaries, which include both coastal and offshore areas, have been designated, as follows:

- Channel Islands National Marine Sanctuary
- Cordell Bank National Marine Sanctuary
- Florida Keys National Marine Sanctuary
- Flower Garden Banks National Marine Sanctuary
- Gray's Reef National Marine Sanctuary
- Greater Farallones National Marine Sanctuary
- Hawaiian Island Humpback Whale National Marine Sanctuary
- Mallows Bay-Potomac River National Marine Sanctuary¹
- Monitor National Marine Sanctuary
- Monterey Bay National Marine Sanctuary
- National Marine Sanctuary of American Samoa
- Olympic Coast National Marine Sanctuary
- Stellwagen Bank National Marine Sanctuary
- Thunder Bay National Marine Sanctuary

¹ The sanctuary was formally designated on September 3, 2019, following 45 days of continuous Congressional session after publication in the Federal Register on July 8, 2019.

Marine National Monuments: 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. There are currently five Marine National Monuments, as follows:

- Marianas Trench Marine National Monument
- Northeast Canyons and Seamounts Marine National Monument
- Pacific Remote Islands Marine National Monument
- Papahānaumokuākea Marine National Monument
- Rose Atoll Marine National Monument

The Marine National Monuments are co-managed by NOAA and the U.S. Department of the Interior's U.S. Fish and Wildlife Service (USFWS), in cooperation with state and territorial agencies. The following legislation provides the authority for NOAA and USFWS to manage, monitor and/or evaluate marine national monuments at the federal level. This list is not inclusive.

- Antiquities Act (1906): Authorizes the President to declare by public proclamation historic landmarks, historic and prehistoric structures, and other objects of historic or scientific interest that are situated upon the lands owned or controlled by the U.S. government to be national monuments, and may reserve as a part thereof parcels of land, the limits of which in all cases shall be confined to the smallest area compatible with proper care and management of the objects to be protected.
- Endangered Species Act (1973): A 1973 federal law, amended in 1978 and 1982, to protect troubled species from extinction. USFWS decided whether to list species as threatened or endangered. Federal agencies must avoid jeopardy to and aid the recovery of listed species. Similar responsibilities apply to non-federal entities.
- Fish And Wildlife Coordination Act (1934): Provides the basic authority for the National Marine Fisheries Service (NMFS) and USFWS involvement in evaluating impacts to fish and wildlife from proposed water resource development projects. It requires that fish and wildlife resources receive equal consideration to other project features. It also requires that federal agencies that construct, license, or permit water resource development projects must first consult with NMFS and USFWS and state fish and wildlife agencies regarding the impacts on fish and wildlife resources and measures to mitigate these impacts.
- Magnuson-Stevens Fishery Conservation and Management Act (1976; amended 2006): Calls for assessment and consideration of ecological, economic, and social impacts of fishing regulations on fishery participants and fishing communities in marine fishery management plans.

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. To minimize the effects of fishing on Essential Fish Habitat, and more specifically to address concerns about the impacts of bottom trawling on benthic habitat (particularly on coral communities) in the Aleutian Islands, the North Pacific Fishery Management Council took action to prohibit all bottom trawling in the Aleutians, except in small discrete "open" areas. Over 95 percent of the management area is closed to bottom trawling. Additionally, six Habitat Conservation Zones with especially high density coral and sponge habitat were closed to all bottom-contact

fishing gear (longlines, pots, trawls). To improve monitoring and enforcement of the Aleutian Island closures, a vessel monitoring system is required for all fishing vessels in the Aleutian management area. NMFS implements this closure area through the Fishery Management Plan for Groundfish of the Bering Sea and Aleutian Islands Management Area and in federal regulations at 50 U.S.C. 679.22(a)(14), *Aleutian Islands Habitat Conservation Area*.

NOAA Habitat Blueprint: NOAA has responsibility for protecting habitat for fish, threatened and endangered species, marine mammals, and other natural resources within the coastal zone. 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, as follows:

- 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-Geus Watershed, GU
- Biscayne Bay, FL
- Northeast Reserves and Culebra Island, PR

Work at these Habitat Focus Areas is completed via grant proposals that take a landscape-scale or watershed approach to implementing on the ground conservation efforts. Proposals must align with specific Habitat Focus Areas priorities. Project types, including habitat restoration/conservation, science/research, long-term monitoring, technology/tool development, and outreach/education, vary by Habitat Focus Area. All projects support NOAA's core missions of conserving coastal and marine habitats to support sustainable fisheries, protected resources, and coastal community resilience. Collaboration is encouraged with conservation partners and communities.

Heritage Assets

Heritage assets are unique for their historical or natural significance, cultural, educational, or artistic importance, or 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 acquisition, improvement, reconstruction, or renovation of a multi-use heritage asset is capitalized as General PP&E and is depreciated over its estimated useful life.

NOAA's line and staff offices are responsible for reviewing their real property portfolios and reporting real property heritage assets to NOAA's Office of Finance via quarterly data call submissions. NOAA's Real Property Management Division will review these submissions with the Office of Finance for final determination as to whether or not the reported items should be included as heritage assets.

NOAA has established policies for personal property 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 for personal property heritage assets. In carrying out these policies and procedures, the Working Committee:

- Maintains a nationwide inventory of personal property 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 personal property heritage assets;
- Tracks and updates each loan of NOAA personal property heritage assets, including assigning current values and inventory numbers, and reporting the current conditions of personal property heritage assets;
- Determines the feasibility of new asset loans, such as meters, standard tide gauges, portraits, and books for exhibit loans; and
- Collects personal property heritage assets of historic, cultural, artistic, or educational significance to NOAA.

Non-collection-type Heritage Assets:

Non-collection-type heritage assets maintained by NOAA currently include the following:

- NMFS Galveston Laboratory (building)¹
- NMFS St. George Seal Skin Processing Plant (building/land)¹
- NMFS St. George Cottage (building/land)¹
- NMFS St. Paul Old Clinic/Hospital (building)¹
- NMFS Woods Hole Science Aquarium (building)¹
- Office of Oceanic and Atmospheric Research (OAR) Air Resources Lab in Oak Ridge, TN (building)¹
- OAR Great Lakes Environmental Research Laboratory/ Lake Michigan Field Station (building)¹
- National Environmental Satellite, Data, and Information Service Buildings (10) in Gilmore Creek, Fairbanks, AK^{1,2}
- Northwest Fisheries Science Center Buildings (3) in Seattle, WA^{1,2}
- Western Regional Center Hangars (2) in Seattle, WA (buildings)^{1,2}
- NMFS Rookeries (7) in St. George, AK (land)²
- NMFS Rookeries (5) in St. Paul, AK (land)²

¹ Multi-use heritage asset.

² Newly identified heritage asset during FY 2019.

Information regarding deferred maintenance and repairs for NOAA's multi-use heritage assets is included in the *Required Supplementary Information (Unaudited)* section.

Collection-type Heritage Assets:

NOAA:

NOAA's 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 artifacts include, but are not limited to: books, journals, publications, photographs, motion pictures, manuscripts, records, nautical chart plates, 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. NOAA's Logistics Office continually conducts inventories of NOAA's collection-type heritage assets.

NOAA's collection-type heritage assets include the following:

NOAA Central Library: Many of NOAA's heritage assets are maintained by the NOAA Central Library. The holdings include 17th century works of Francis Bacon and Robert Boyle, 18th century works of Daniel Bernouilli, Daniel Defoe, and Pierre Boucher, 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.

Thunder Bay Sanctuary Research Collection: The Thunder Bay National Marine Sanctuary (TBNMS) is jointly managed by NOAA and the State of Michigan to protect and interpret a nationally significant collection of shipwrecks and other maritime heritage resources. In 2004, TBNMS 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 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 ship photograph negatives of 19th and 20th century Great Lakes ships. The collection also includes copies of vessel ownership documents, contemporary ship photographs, books, and other items documenting the Great Lakes history.

National Centers for Environmental Information: The demand for high-value environmental data and information has dramatically increased in recent years. The National Centers for Environmental Information (NCEI) is designed to improve NOAA's ability to meet that demand. The Consolidated and Further Continuing Appropriations Act, 2015, Public Law 113-235, approved the consolidation of NOAA's existing three National Data Centers: the National Climatic Data Center, the National Geophysical Data Center, and the National Oceanographic Data Center into NCEI.

NCEI hosts and provides access to one of the most significant archives on Earth, with comprehensive oceanic, atmospheric, and geophysical data. From the depths of the ocean to the surface of the sun and from million-year-old ice core records to near-real-time satellite images, NCEI is the Nation's leading authority for environmental information. It currently houses 37 petabytes of data comprised from land-based stations, ships, buoys, weather balloons, radars, satellites, sophisticated weather and climate models, and environmental recorders like tree rings and Earth cores. By preserving, stewarding, and maximizing the utility of the federal government's billion-dollar investment in high-quality environmental data, NCEI is committed to providing products and services to businesses, governments, academia, as well as the general public. NCEI's collection of heritage assets includes books, manuals, slides, thermometers, gauges, radiosondes, and laboratory equipment.

Florida Keys National Marine Sanctuary Collection: The Florida Keys National Marine Sanctuary (FKNMS) collection-type heritage assets include artifacts from shipwreck and wrecking events occurring in the Florida Keys over a 500-year period. FKNMS is an abundant mixture of natural and cultural, historical resources.

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, and objects 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. The collection-type heritage assets listed in the table that follows is a subset of the total collection within the Museum and History Program.

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.

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 in place 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 tables summarize the Department’s Collection-type Heritage Assets activity and balances.

**Collection-type Heritage Assets: Collections
(In Actual Quantities)**

Category	Description of Assets	Quantity of Items Held September 30, 2018	FY 2019 Additions	FY 2019 Withdrawals	Quantity of Items Held September 30, 2019
NOAA Central Library:					
Circulating Collection	Books, journals, and other publications	1	N/A ¹	N/A ¹	1
Rare Book Room Collection	Books and other 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
Total		3	–	–	3

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

**Collection-type Heritage Assets: Individual Items
(In Actual Quantities)**

Category	Description of Assets	Quantity of Items Held September 30, 2018	FY 2019 Additions	FY 2019 Withdrawals	Quantity of Items Held September 30, 2019
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 Central Library – Other	Artifacts, documents, and other items	29	–	–	29
National Centers for Environmental Information	Artifacts, books, documents, and other items	66	–	–	66
Florida Keys National Marine Sanctuary	Artifacts	253	–	–	253
NOAA Others	Artifacts, artwork, books, films, instruments, maps, and records	3,164	–	–	3,164
NIST Artifacts and Scientific Measures	National Bureau of Standards ¹ /NIST scientific instruments, equipment, and objects	1,393	17	–	1,410
NIST Historical Books and Manuscripts	Books/manuscripts of historical scientific interest by prominent scientists, by National Bureau of Standards/NIST authors, and of National Bureau of Standards/NIST staff, faculties, and artifacts	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		111,412	17	–	111,429

¹ National Bureau of Standards is the former name of NIST.

NOTE 25. DISCLOSURE ENTITY

The Department's FY 2019 and FY 2018 evaluations of SFFAS 47, *Reporting Entity*, determined that the organization discussed below should be included, as a disclosure entity, in the Department's notes to the financial statements.

The **Corporation for Travel Promotion (CTP), also doing business as Brand USA**, was established by the Travel Promotion Act of 2009 (TPA) as the Nation's first public-private partnership to spearhead a globally coordinated marketing effort to promote the United States as a premier travel destination and to communicate U.S. visa and entry policies. CTP is a non-profit corporation that was incorporated in the District of Columbia and began operations in May 2011. As the destination marketing organization for the United States, CTP's mission is to increase incremental international visitation, spend, and market share to fuel the Nation's economy and to enhance the image of the U.S. worldwide. CTP's programs, activities, and operations are managed and primarily supported from its office in Washington, DC.

TPA set forth that the Secretary of Commerce shall appoint all 11 members of CTP's board of directors (after consultation with the Secretary of Homeland Security and the Secretary of State) and can remove board members with good cause. TPA's accountability measures included that CTP's board of directors shall establish annual objectives for the corporation for each fiscal year subject to approval by the Secretary of Commerce (after consultation with the Secretary of Homeland Security and the Secretary of State), that CTP shall provide an annual budget to the Secretary of Commerce, that CTP shall undergo annual financial audits of its operations, and that CTP shall submit an annual report to the Secretary of Commerce for transmittal to Congress.

The Travel Promotion, Enhancement, and Modernization Act of 2014 amended TPA, and its provisions included requirements for CTP to establish performance metrics and to establish a competitive procurement process.

The Department does not provide any funding to CTP. CTP currently receives federal funding, under a matching requirement, from the federal government's Travel Promotion Fund, which receives a designated portion of each fee collected by the federal government from international visitors who visit the United States under the Visa Waiver Program. The Travel Promotion Fund is not part of the Department and is not included in the Department's financial statements. The Travel Promotion, Enhancement, and Modernization Act of 2014 extended the sunset date of the federal government's designated fee (for deposit to the Travel Promotion Fund) from September 30, 2015 (under TPA) to September 30, 2020. ITA receives and processes, including supporting documentation, requests from CTP for funding from the Travel Promotion Fund. CTP will receive from the Travel Promotion Fund a matching portion of designated fees, equal to the amount collected from non-federal sources, not to exceed \$100.0 million annually, less any sequestrations. TPA's current matching requirement, in effect since the Travel Promotion, Enhancement, and Modernization Act of 2014 amended TPA, is that CTP shall provide matching amounts from non-federal sources that in the aggregate equals 100 percent of the amount transferred to CTP from the Travel Promotion Fund. In-kind matching contributions cannot account for more than 70 percent of the matching requirement.

CTP is included in the Department's financial reporting as a disclosure entity because it meets the inclusion principle of an organization that is controlled by the federal government with risk of loss or expectation of benefit—including because the Secretary of Commerce appoints all 11 members of the board of directors and can remove board members with good cause, while the federal government receives financial and/or nonfinancial benefits from CTP as a result of CTP furthering the federal government's objectives regarding increasing U.S. economic activity and economic benefits to the Nation.

Assets, liabilities, revenue, expenses, gains, and/or losses of CTP have no impact on the Department's financial statements.

The primary financial and/or nonfinancial exposures to the federal government regarding CTP appear to relate to the federal government's interest in ensuring that CTP is eligible for the federal funds it requests and receives from the Travel Promotion Fund, including CTP's proper meeting of matching requirements, and that CTP carries out its operations in accordance with the provisions of TPA, as amended. TPA, as amended, established several previously discussed accountability measures for CTP that will help the federal government monitor CTP's compliance with its provisions.

NOTE 26. DISCLOSURE PUBLIC-PRIVATE PARTNERSHIPS

The Department's FY 2019 evaluation of SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*, identified the following three public-private partnerships (P3) for disclosure.

First Responder Network Authority Contract with AT&T Inc.

The First Responder Network Authority (FirstNet), an independent authority within NTIA since its inception in 2012, was created to develop, deploy, and enhance wireless broadband communications for first responders—to give public safety 21st century communication tools to help save lives, solve crimes, and keep U.S. communities and emergency responders safe. To do that, Congress has tasked FirstNet with the responsibility to ensure the deployment and operation of a nationwide interoperable broadband network to meet the communication needs of public safety. This network must be designed to be reliable, functional, safe, and secure, and to provide optimal levels of operational capability at all times. This will help ensure benefits such as lower costs, consumer-driven economies of scale, and rapid evolution of advanced communication capabilities. See Note 22, *Funds from Dedicated Collections*, for more information on FirstNet.

The Nationwide Public Safety Broadband Network (NPSBN) will be built out, deployed, operated, and maintained under a P3 between FirstNet and AT&T Inc., under a 25-year contract awarded by FirstNet to AT&T in March 2017. The service will cover all 50 U.S. states, five territories, and the District of Columbia, including rural communities and tribal nations. The statutory authority for FirstNet to enter into the contract with AT&T is section 6206 of the Middle Class Tax Relief and Job Creation Act of 2012 (Act). For purposes of the information disclosed in this Note, due to the long length of the contract through 2042 and because FirstNet cannot reasonably estimate at this time what events might occur after the contract end date, the 25-year contract period is also treated as the expected life of this P3 arrangement.

FirstNet, under the terms of the contract and task orders issued thus far, provides to AT&T 20 MHz of federally-owned Band 14 spectrum that Congress allocated to FirstNet under the Act. The Act mandates that the Band 14 spectrum be utilized for the deployment of the NPSBN. The subsequent task orders issued to AT&T provides for \$6.5 billion in firm-fixed-price (FFP), success-based payments for the buildout of the NPSBN, with AT&T contract performance for all payment milestones under these task orders scheduled for completion March 2023 at Final Operational Capability. In return, AT&T will buildout, deploy, operate, and maintain the NPSBN over 25 years, consistent with the terms of an indefinite delivery/indefinite quantity contract awarded on March 27, 2017. AT&T will bring operational expertise, financial stability, and network assets valued at up to \$180 billion. AT&T has publicly indicated that it will invest about \$40 billion over the life of the contract to buildout, operate, deploy, and maintain the NPSBN, and together with FirstNet will help ensure that the NPSBN evolves with the needs of public safety. The Band 14 spectrum is nationwide, high-quality spectrum dedicated for primary and priority use by public safety via the NPSBN. When the Band 14 spectrum is not in use by public safety, it will be available for commercial use by AT&T. In addition, AT&T has made all of its LTE bands available to public safety on the NPSBN.

Payments made in FY 2019 by FirstNet to AT&T for success-based payment milestones under the FFP buildout Task Orders total \$1.47 billion. Costs incurred by FirstNet for the buildout of the NPSBN are recorded as an asset (less accumulated amortization) and include (a) costs incurred for completed and accepted AT&T contract performance for the buildout of the NPSBN; and (b) accrued costs for estimated, unbilled AT&T contract performance progress for buildout of the NPSBN. See Note 22, *Funds from Dedicated Collections – NTIA's Network Construction Fund*, for more information.

AT&T, under the contract terms, is required to make annual payments to FirstNet over the 25-year contract period totaling \$18.00 billion, including the annual payment received in FY 2019 of \$120.0 million. Payments received from AT&T and that are retained by FirstNet are required by Section 6208 of the Act to be used only for constructing, maintaining, operating, or improving the NPSBN.

Payments by both parties are made directly to the other party. The contract with AT&T has a contract ceiling for the entire 25-year period of performance of \$100.00 billion. Any other costs incurred by FirstNet associated with future, additional task orders shall be task-order dependent. No estimates can be made at this time as to any further payments to AT&T that might occur under any future task orders under the contract.

The contract incorporates, by reference, Federal Acquisition Regulation (FAR) clauses for (a) termination by the U.S. government for convenience (FAR 52.249-2, *Termination for Convenience of the Government (Fixed-Price)*); and (b) termination for default by the contractor (FAR 52-249-8, *Default (Fixed Price Supply and Service)*). The contract is a multiple-year vehicle and therefore does not contain the FAR clause 52.217-9, *Option to Extend the Term of the Contract*. The contract, however, contains FAR Clause 52.217-8, *Option to Extend Services*, which allows for continued performance of any services within the limits and at the rates specified in the contract for a period not to exceed six months.

FirstNet oversees and monitors the contract with AT&T to ensure it delivers on the requirements associated with deploying and operating the NPSBN through various mechanisms, including subscriber adoption targets, successful milestone completion, disincentives, and other mechanisms outlined in the contract. FirstNet oversees the verification and validation of the contractual requirements, as well as some products and services—in accordance with the terms of the contract—before they are deployed so that first responders will have the proven tools they need in disasters and emergencies. Through its Innovation and Test Lab in Boulder, CO, FirstNet is testing capabilities unique to public safety. FirstNet's P3 with AT&T will provide first responders with access to mission-critical capabilities over the NPSBN, including priority and preemption features that give first responders their own “fast lane” on the NPSBN to communicate and share information during emergencies, large events, or other situations when commercial networks could become congested.

Contractual risks of loss to the federal government primarily relate to (a) AT&T's satisfactory performance under the terms of the contract and in accordance with the terms and conditions contained in subsequent task orders; and (b) that the contract may be subject to (1) future renewal(s) of the license of the federally-owned spectrum that Congress allocated to FirstNet under the Act; and (2) FirstNet reauthorization.

As previously mentioned, the task orders issued thus far under the contract for buildout of the NPSBN are FFP awards (FAR Subpart 16.2, *Firm-Fixed-Price*). This type of arrangement provides for a price that is not subject to any adjustment on the basis of the contractor's cost experience during performing. This award type places maximum risk upon the contractor and full responsibility for all costs and resulting profit or loss. However, even in an FFP type environment, risks can be categorized within three distinct types: cost, schedule, and technical performance.

In an FFP-type arrangement, the “cost risk” shifts from the government to the contractor—in this instance, from FirstNet to AT&T. An FFP-type award reduces price uncertainty especially within the NPSBN contract as the pricing structure was negotiated and is incorporated into the award. Additionally, the contract identifies the contractual requirement pertaining to payments to FirstNet that are also based on an FFP-type arrangement. The payment amounts from AT&T to FirstNet were negotiated and are also contained in the resultant award to including the timing of such payments.

With regard to any scheduling and/or technical performance risk, AT&T provides mobile, broadband, video, and other communications services to U.S.-based consumers and nearly 3 million companies globally—from the smallest business to nearly all the Fortune 1000—with highly secure, smart solutions. AT&T revenues from these services totaled more than \$144 billion in 2018. Since contract award, AT&T has successfully performed all required milestones and has delivered performance ahead of schedule. Moreover, public safety personnel across the country continue to turn to the NPSBN to advance their routine and emergency responses. Nearly 9 thousand public safety agencies and organizations have subscribed to the NPSBN, accounting for over 750 thousand connections in service.

AT&T is moving quickly and expediting its deployment of the required nationwide coverage targets completed ahead of schedule. This helps ensure reliable connections to critical information, communication, and coordination, which essentially helps public safety adoption targets. Therefore, although there is some risk pertaining to schedule and/or performance, the risk does not appear to be significant at this time based on AT&T's performance since award.

This contract is modernizing and improving public safety communications by leveraging private sector resources, infrastructure, and cost-saving synergies to deploy, operate, and maintain the NPSBN. The P3 approach gives a fully-funded, self-sustaining network that will serve public safety for years to come. This business model is built upon the efficient use of resources, infrastructure, cost-saving synergies, and incentives.

NOAA Partnerships with 11 Regional Associations (RA) under the federal program for the U.S. Integrated Ocean Observing System (IOOS)

NOAA partners with 11 RAs under the federal program for IOOS. IOOS is governed by the Integrated Coastal and Ocean Observation System Act of 2009 (ICOOS Act), which authorized the establishment of a National Integrated Ocean Observing System (System) and codified a governance structure within which the System will operate. The Act explicitly vests authority in NOAA as the lead federal agency for implementation and administration of the System, and tasked NOAA to establish an IOOS Program Office. NOAA is additionally required to carry out its responsibilities in consultation with federal agency and regional partners.

IOOS is a federal-regional partnership working to provide new tools and forecasts to improve safety, enhance the economy, and protect the environment. Integrated ocean information is available in near real time, as well as retrospectively. Easier and better access to this information is improving the Nation's ability to understand and predict coastal events—such as storms, wave heights, and sea level change. Such knowledge is needed for everything from retail to development planning. Regional IOOS partners are essential to building and supporting IOOS. They provide increased observations, distinctive knowledge, and critical technological abilities, and apply these toward the development of products to meet regional and local needs.

IOOS is comprised of 11 RAs, which guide development of and stakeholder input to regional observing activities. The federal government, through the ICOOS Act, established the fundamental purpose and mission of the RAs with respect to its role in IOOS. RAs serve the Nation's coastal communities, including the Great Lakes, Caribbean, and Pacific Islands and territories. RAs design, maintain, and operate regional coastal observing systems. Each RA is managed by a board of directors drawn from stakeholders in the region. RAs work with agencies, industry, scientists, and others to tailor an observing system to address specific regional issues. The 11 RAs are:

- Alaska Ocean Observing System (AOOS)
- Caribbean Coastal Ocean Observing System (CARICOOS)
- Central and Northern California Ocean Observing System (CeNCOOS)
- Gulf of Mexico Coastal Ocean Observing System (GCOOS)
- Great Lakes Observing System (GLOS)
- Mid-Atlantic Regional Association Coastal Ocean Observing System (MARACOOS)
- Northwest Association of Networked Ocean Observing Systems (NANOOS)
- Northeastern Regional Association of Coastal Ocean Observing Systems (NERACOOS)
- Pacific Islands Ocean Observing System (PacIOOS)
- Southern California Coastal Ocean Observing System (SCCOOS)
- Southeast Coastal Ocean Observing Regional Association (SECOORA)

Furthermore, all 11 RAs are currently voluntarily certified by NOAA to be Regional Information Coordination Entities (RICE), for which an RA, in order to be RICE-certified, is required to implement specific practices regarding data collection, governance, and management. The relevant federal regulations are located at Title 15, *Commerce and Foreign Trade*, Part 997, *Regional Information Coordination Entities*, of the Code of Federal Regulations (CFR).

Subsection 26, *Civil liability*, item (a), which is subject to conditions and restrictions set forth in items (b) through (d), states in full:

“For purposes of determining liability arising from the dissemination and use of observation data gathered pursuant to the ICOOS Act and these regulations, any non-Federal asset or regional information coordination entity incorporated into the System by contract, lease, grant, or cooperative agreement that is participating in the System shall be considered to be part of the National Oceanic and Atmospheric Administration. Any employee of such a non-Federal asset or regional information coordination entity, while operating within the scope of his or her employment in carrying out the purposes of this subtitle, with respect to tort liability, is deemed to be an employee of the Federal Government.”

NOAA currently has in place, as of September 30, 2019, separate cooperative agreements for each of the 11 RAs, each for the performance period of June 1, 2016 through May 31, 2021, totaling \$168.3 million. The cooperative agreements are with the fiscal sponsor for the RA; in a few cases, the RA also serves as its own fiscal sponsor. Payments are made by NOAA to the fiscal sponsor of the RA. NOAA breaks down a multi-year project period into “funding periods”—receipt by an RA of any NOAA financial assistance beyond the current funding period is contingent upon the availability of funds and satisfactory performance under the cooperative agreement and is at the sole discretion of NOAA. NOAA reserves the right to terminate funding for the award at any time throughout the award period should NOAA determine that a recipient is not meeting project milestones. NOAA’s total expenses under the cooperative agreements with the 11 RAs for FY 2019 is \$29.3 million.

The cooperative agreements’ funding provided by NOAA to the 11 RAs is estimated by NOAA to be the predominate source of funding for each of the RAs, although the RAs may also receive some funding from other sources. NOAA does not have specific information on the dollar amounts of any additional funding received by the 11 RAs.

NOAA periodically conducts a competitive process (currently every five years) in which it requests proposals for NOAA funding for coordinated regional efforts that further the IOOS in sustaining and enhancing comprehensive regional coastal observing systems in 11 IOOS regions, and that build upon progress made to-date on the development of the regional coastal observing systems. NOAA expects successful awardees to serve as an RA responsible for operating the regional coastal observing system. Any organization, including the current awardee, may submit a proposal to serve as an RA; accordingly, an organization that currently serves as an RA may or may not be selected in the next competitive cycle. For purposes of the Department’s evaluation of the expected lives of the NOAA partnerships with the RAs, because NOAA intends to continue the funding of and partnerships with RAs (successful awardees), NOAA’s partnerships with RAs are considered to have expected lives that exceed five years.

Risk of loss under the partnerships with the 11 RAs primarily relates to NOAA being subject to the above discussed Subsection 26, *Civil liability*, of 15 CFR Part 997.

Any further possible risks of loss regarding the 11 RAs appear to relate to each RA’s compliance with award provisions and satisfactory performance under the award. These risks of loss are mitigated in part because of NOAA’s significant, continued involvement and monitoring of an RA’s compliance with award requirements and performance under the award—RAs are required to report on progress and performance over the life of the cooperative agreement; and because NOAA breaks down a multi-year cooperative agreement into “funding periods” as previously discussed.

Furthermore, standard Departmental terms and conditions for these cooperative agreements include provisions for unsatisfactory performance or non-compliance with award provisions, internal controls, and audits, including provisions for the following:

- Failure to perform the work in accordance with award terms and maintain satisfactory performance as determined by the Department may result in implementation of additional award conditions pursuant to Title 2 of the CFR, *Grants and Agreements*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Subsection 207, *Specific conditions*, or other appropriate enforcement action as specified in 2 CFR Part 200, Subsection 338, *Remedies for noncompliance*. Possible enforcement actions include temporarily withholding award payments pending correction of a deficiency, changing payment method to reimbursement only, disallowance of award costs, and wholly or partially suspending or terminating award.
- 2 CFR Part 200, Subsection 339, *Termination*, through Subsection 342, *Effects of suspension and termination*, apply to an award that is terminated prior to the end of period of performance due to recipient's material failure to comply with award terms and conditions.
- Each recipient must comply with standards for internal controls described at 2 CFR Part 200, Subsection 303, *Internal Controls*.
- An audit of the award may be conducted at any time.

NIST Energy Savings Performance Contract with Johnson Controls Government Systems LLC

NIST, in June 2015, awarded a FFP, multi-year, energy savings performance contract (ESPC) award of \$44.5 million to Johnson Controls Government Systems LLC (Johnson Controls or Contractor) for energy savings improvements for its Gaithersburg, MD campus.

ESPCs, per the U.S. Department of Energy, allow federal agencies to conduct energy projects with limited to no up-front capital costs, minimizing the need for Congressional appropriations. An ESPC is a working relationship between an agency and an energy service contractor. The contractor conducts a comprehensive energy audit for the federal facility and identifies improvements to save energy. In consultation with the agency, the contractor designs and constructs a project that meets the agency's needs and arranges the necessary funding. The contractor guarantees that the improvements will generate energy cost savings sufficient to pay for the project over the term of the contract. The cost of an ESPC project must be covered by the energy, water, and related cost savings generated at the project site. The ESPC's cost savings must be verified and documented annually. After the contract ends, any additional cost savings accrue to the agency.

This NIST ESPC project, with a contract period of performance through January 2041, primarily provides for energy conservation measures (ECMs) for (a) electrical power generation and steam system improvements, and operational changes, for NIST's central steam plant on campus; and (b) capital improvements and operational changes for NIST's chiller plant on campus. The contract also includes Contractor costs for proposal development for energy surveys, including preliminary assessment, investment grade audit, and the final proposal; and Contractor project direct costs for executing the scope of the award. This contract was made pursuant to 42 U.S.C Section 8287, *Authority to enter into contracts*, which addresses ESPCs awarded by federal agencies. For purposes of the information disclosed in this Note, the contract period is also treated as the expected life of this P3 arrangement.

ECMs include measures to increase energy efficiency of energy-consuming systems, in order to reduce water consumption and improve the efficiency of energy production systems that generate electrical and/or thermal energy. Johnson Controls is responsible for providing all labor, materials, and capital to install ECMs and provide operations and maintenance as specified in the contract.

Each ECM set forth in the contract for delivery by the Contractor includes a sites-specific Measurement and Verification (M&V) plan that specifies the M&V requirements and procedures that shall apply to the ECM based on various factors, such as type of ECM, projected value of energy savings, certainty/uncertainty of savings being achieved, and the intended risk allocation between NIST and the Contractor. The M&V plans are the primary vehicle that NIST will use to first document and then to periodically evaluate the performance expectations of the ESPC. The M&V plans state where and how energy, water, and related cost savings are going to occur and how they are to be calculated and verified. The Contractor will conduct annual M&V activities to verify operation of the installed equipment/systems and calculate the previous year’s energy and water consumption reductions and cost savings, and compare verified, guaranteed, and actual savings. Furthermore, the Contractor will submit a post-installation report to NIST, which should verify that installed ECMs will meet the required standards of service and the guaranteed annual energy and water consumption reductions and related cost savings as specified in the contract. Inspections and measurements conducted by the Contractor for this post-installation report may be witnessed by NIST. Lastly, the Contractor shall prepare and submit annual M&V reports to NIST, including data and calculations that demonstrate that continued ECMs performance achieves the guaranteed annual energy and water consumption reductions and related cost savings as specified in the contract.

Key financial data for this contract is shown below:

	FY 2019
Award Amount, as Amended ¹	\$ 44,656
Principal Financed ²	\$ 49,998
Total Estimated Cost Savings ³	\$ 128,088
Total Guaranteed Cost Savings ³	\$ 120,068
Total Payments to Contractor ³	
Principal	\$ 49,998
Performance Period Expenses (includes Contractor Profit)	42,254
Interest Expense	27,595
Total	\$ 119,847

¹ Total Implementation Costs.

² Total Implementation Costs plus Total Financing Procurement Price.

³ Implementation Period plus Post-acceptance Performance Period (22 Years).

The implementation period payment(s) to the financier, which proceeds after project acceptance by NIST, is estimated by NIST to be made in January 2020, and post-acceptance performance period monthly payments to the financier, currently scheduled to be paid over 22 years, are estimated by NIST to begin thereafter. General Property, Plant, and Equipment items purchased by NIST through this contract that meet NIST’s capitalization thresholds will be capitalized (see Note 1.M, *General Property, Plant, and Equipment, Net*, for NIST’s capitalization thresholds).

The contract incorporates, by reference, FAR clauses for (a) cancellation under multi-year contracts (FAR 52.217-2, *Cancellation Under Multiyear Contracts*); (b) termination by the U.S. government for convenience (FAR 52.249-2, *Termination for Convenience of the Government (Fixed-Price)*); and (c) termination for default by the contractor (FAR 52-249-8, *Default (Fixed-Price Supply and Service)*; and FAR 52.249-10, *Default (Fixed- Price Construction)*).

The contract includes monthly financial schedules, should circumstances of NIST cancellation or termination for convenience of the contract occur, for (a) Financing Termination Liability Amounts¹, ranging from \$51.5 million prior to the first post-acceptance period monthly payment to \$130 thousand for the second to last monthly payment; and (b) Total Cancellation Ceiling Amounts² ranging from \$52.0 million prior to the first post-acceptance period monthly payment to \$131 thousand for the second to last monthly payment.

Contractual risks of loss to the federal government primarily relate to (a) the Contractor's ongoing satisfactory performance throughout the project lifecycle to ensure that the project is successful as designed; and (b) that the success of this ESPC project is also dependent on the newly installed equipment being properly operated and maintained—the savings calculations are based on the equipment operating as installed and as specified by Johnson Controls.

Johnson Control's management approach is designed to support NIST throughout the project lifecycle, and the contract sets forth numerous Contractor responsibilities to help ensure that the project is successful as designed, and that the installed equipment operates as intended.

Because this ESPC project is an FFP-type, maximum cost risk is with Johnson Controls. For that reason, the Contractor carefully controls the ECM investment costs so that they do not exceed their recovery through the NIST payments. The Contractor has implemented a budget plan and will frequently monitor costs and address any developing cost problems.

With regard to any scheduling and/or technical performance risk, Johnson Controls is responsible for ensuring that energy savings are met throughout the performance period. NIST will not be penalized for delays caused directly by Johnson Controls or its subcontractors. The annual M&V data reviews will be used to ensure that the project proceeds as designed and to identify any actions needed to be carried out by either party as appropriate.

There have been delays in the project; however, the ESPC project is proceeding satisfactorily, as project acceptance by NIST occurred in early November 2019. Therefore, although there is some risk pertaining to schedule and/or performance, the risk does not appear to be significant at this time based on Johnson Controls' performance since award.

NOTE 27. RECLASSIFICATION OF BALANCE SHEET, STATEMENT OF NET COST, AND STATEMENT OF CHANGES IN NET POSITION FOR FR COMPILATION PROCESS

To prepare the Financial Report of the U.S. Government (FR), the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Balance Sheet, Reclassified Statement of Net Cost, and a Reclassified Statement of Changes in Net Position for each agency, which are accessed using GTAS. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the FR statements. This note shows the Department's FY 2019 Consolidated Statements financial statements and the Department's reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated FR line items. A copy of the 2018 FR can be found at the Reports, Statements & Publications page within the Bureau of Fiscal Service website and a copy of the 2019 FR will be posted to this site as soon as it is released.

¹ Remaining Unamortized Principal Balance plus a 3.0 percent Termination Liability Prepayment Charge.

² Maximum termination liability.

The term “non-federal” is used in this note to refer to federal government amounts that result from transactions with non-federal entities. These include transactions with individuals, businesses, non-profit entities, and state, local, and foreign governments.

Reclassification of Consolidated Balance Sheet to Line Items Used for the Government-wide Balance Sheet As of September 30, 2019

Department of Commerce Consolidated Balance Sheet		Difference	Line Items Used to Prepare Government-wide Balance Sheet	
Financial Statement Line	Amount		Amount	Reclassified Financial Statement Line
ASSETS				ASSETS
Intragovernmental:				Intragovernmental:
Fund Balance with Treasury	\$ 29,957,914		\$ 29,957,914	Fund Balance with Treasury
Investments, Net	7,569,381		7,545,969	Federal Investments
<i>Total Investments, Net</i>	7,569,381		23,412	Interest Receivable – Investments
Accounts Receivable	99,372		7,569,381	<i>Total Reclassified Investments, Net</i>
Advances and Prepayments	21,846		99,372	Accounts Receivable
Total Intragovernmental	37,648,513		21,846	Advances to Others and Prepayments
Cash	11,208		37,648,513	Total Intragovernmental
Accounts Receivable, Net	45,031		11,208	Cash and Other Monetary Assets
Direct Loans and Loan Guarantees, Net	398,770		45,031	Accounts and Taxes Receivable, Net
Inventory, Materials, and Supplies, Net	129,990		398,770	Loans Receivable, Net
General Property, Plant, and Equipment, Net	16,481,013		129,990	Inventories and Related Property, Net
Cost Contribution to Buildout of Nationwide Public Safety Broadband Network, Net	3,408,729		16,481,013	Property, Plant, and Equipment, Net
Other	87,296		3,496,025	Other Assets
<i>Total Other Assets</i>	3,496,025		3,496,025	<i>Total Reclassified Other Assets</i>
TOTAL ASSETS	\$ 58,210,550		\$ 58,210,550	TOTAL ASSETS
LIABILITIES				LIABILITIES
Intragovernmental:				Intragovernmental:
Accounts Payable	\$ 141,357		\$ 162,634	Accounts Payable
<i>Total Accounts Payable</i>	141,357		4	Accounts Payable, Capital Transfers
Debt to Treasury	395,369		162,638	<i>Total Reclassified Accounts Payable</i>
Unearned Revenue	343,124		395,369	Loans Payable
Liability to General Fund of the U.S. Government for Deficit Reduction	7,569,382		337,094	Advances from Others and Deferred Credits
Custodial Payable	3,702		7,591,828	Other Liabilities (Without Reciprocals)
Other	114,631		9,023	Liability to the General Fund for Custodial and Other Non-Entity Assets
<i>Total Other Liabilities</i>	8,030,839		71,613	Benefit Program Contributions Payable
Total Intragovernmental	8,567,565		8,009,558	<i>Total Reclassified Other Liabilities</i>
			8,567,565	Total Intragovernmental

(continued on next page)

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Department of Commerce Consolidated Balance Sheet		Difference	Line Items Used to Prepare Government-wide Balance Sheet	
Financial Statement Line	Amount		Amount	Reclassified Financial Statement Line
Accounts Payable	\$ 2,179,776		\$ 2,179,776	Accounts Payable
Federal Employee Benefits Liabilities	927,714		1,011,821	Federal Employee and Veteran Benefits Payable
Environmental and Disposal Liabilities	146,257		146,257	Environmental and Disposal Liabilities
Accrued Payroll and Annual Leave	685,310			
Accrued Grants	140,196			
Capital Lease Liabilities	-			
Unearned Revenue	1,336,127			
Other	34,687		2,112,213	Other Liabilities
<i>Total Other Liabilities</i>	2,196,320		2,112,213	<i>Total Reclassified Other Liabilities</i>
TOTAL LIABILITIES	\$ 14,017,632		\$ 14,017,632	TOTAL LIABILITIES
NET POSITION				NET POSITION
Unexpended Appropriations – Funds from Dedicated Collections	\$ -		\$ 17,409,208	Net Position – Funds from Dedicated Collections
Unexpended Appropriations – All Other Funds	11,314,698		26,778,553	Net Position – Funds Other Than Those from Dedicated Collections
Cumulative Results of Operations – Funds from Dedicated Collections	17,361,051			
Cumulative Results of Operations – All Other Funds	15,517,169			
TOTAL NET POSITION	\$ 44,192,918	\$ 5,157¹	\$ 44,187,761	TOTAL NET POSITION
TOTAL LIABILITIES AND NET POSITION	\$ 58,210,550	\$ 5,157¹	\$ 58,205,393	TOTAL LIABILITIES AND NET POSITION

Due to differences in the USSGL Crosswalk for the Consolidated Balance Sheet and the USSGL Crosswalk for the Reclassified Balance Sheet, some lines presented on the face of the financial statement are different and will not contain the same values. The reconciliation is completed at the USSGL level to confirm that individual USSGL balances reported by the Department are in balance with GTAS.

¹ The difference of \$5.2 million is due to differences in the presentation of the Department’s Consolidated Balance Sheet versus the Combined Reclassified Balance Sheet. Difference will be resolved when the Bureau of Fiscal Service compiles the FR as the Reclassified presentation will be updated to reflect the Department’s presentation.

Reclassification of Consolidated Statement of Net Cost to Line Items Used for the Government-wide Statement of Net Cost

For the Year Ending September 30, 2019

Department of Commerce Consolidated Statement of Net Cost		Difference	Line Items Used to Prepare Government-wide Statement of Net Cost	
Financial Statement Line	Amount		Amount	Reclassified Financial Statement Line
Total Gross Departmental Costs	\$ 14,957,439			<i>Non-federal Costs</i>
			\$ 11,592,199	Non-federal Gross Cost
			45,500	Gains/Losses from Changes in Actuarial Assumptions
			11,637,699	<i>Total Non-federal Costs</i>
				<i>Intragovernmental Costs</i>
			1,022,096	Benefit Program Costs
			346,178	Imputed Costs
			1,622,524	Buy/Sell Costs
			15,088	Borrowing and Other Interest Expense
			313,854	Other Expenses (without Reciprocals)
			3,319,740	<i>Total Intragovernmental Costs</i>
<i>Total Gross Costs</i>	14,957,439		14,957,439	<i>Total Reclassified Gross Costs</i>
Total Earned Revenue	(4,381,245)		(3,634,210)	Non-federal Earned Revenue
				<i>Intragovernmental Revenue</i>
			(745,855)	Buy/Sell Revenue
			(1,180)	Borrowing and Other Interest Revenue
			(747,035)	<i>Total Intragovernmental Earned Revenue</i>
<i>Total Earned Revenue</i>	(4,381,245)		(4,381,245)	<i>Total Reclassified Earned Revenue</i>
NET COST OF OPERATIONS	\$ 10,576,194	\$ -	\$ 10,576,194	NET COST OF OPERATIONS

**Reclassification of Consolidated Statement of Changes in Net Position to Line Items Used for Government-wide Statement of Operations and Changes in Net Position
For the Year Ending September 30, 2019**

Department of Commerce Consolidated Statement of Changes in Net Position		Difference	Line Items Used to Prepare Government-wide Statement of Operations and Changes in Net Position	
Financial Statement Line	Amount		Amount	Reclassified Financial Statement Line
Net Position, Beginning Balances	\$ 41,893,535	\$ -	\$ 41,893,535	Net Position, Beginning of Period
			24,402	Non-federal Non-exchange Revenue Other Taxes and Receipts
			24,402	Total Non-Federal Non-Exchange Revenue
			169,723	Federal Securities Interest revenue Including Associated Gains and Losses
			1,162,636	Collections transferred into a TAS Other Than the General Fund of the U.S. Government – Nonexchange
			1,322,359	Total Federal Non-Exchange Revenue
Unexpended Appropriations: Beginning Balance	9,091,775			
Budgetary Financing Sources:				Budgetary Financing Sources:
Appropriations Received	12,376,732		12,302,520	Appropriations Received as Adjusted (Rescissions and Other Adjustments)
Rescissions/Sequestrations of Appropriations	(13,240)			
Cancellations and Other Adjustments	(60,973)			
Appropriations Used	(10,083,103)		(10,083,103)	Appropriations Used
Appropriations Transferred In/Out, Net	3,507		(10,083,103)	Appropriations Expended
			190,943	Non-expenditure Transfers-in of Unexpended Appropriations and Financing Sources
			(2,011)	Non-expenditure Transfers-out of Unexpended Appropriations and Financing Sources
			5,885	Expenditure Transfers-in of Financing Sources
			536	Other Budgetary Financing Sources
Total Budgetary Financing Sources	2,222,923		12,497,873	Total Budgetary Financing Sources
Unexpended Appropriations – Ending Balance	11,314,698			
Cumulative Results of Operations: Beginning Balance	32,801,760			
Budgetary Financing Sources:				
Appropriations Used	10,083,103			
Non-exchange Revenue	194,421			
Donations and Forfeitures of Cash and Cash Equivalents	411			
Transfer In of Auction Proceeds from Federal Communications Commission	1,155,251			
Transfers In/(Out) Without Reimbursement, Net	198,695			

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Department of Commerce Consolidated Statement of Changes in Net Position		Difference	Line Items Used to Prepare Government-wide Statement of Operations and Changes in Net Position	
Financial Statement Line	Amount		Amount	Reclassified Financial Statement Line
Other Financing Sources (Non-Exchange):			Other Financing Sources (Non-Exchange):	
Donations and Forfeitures of Property Equivalents	\$ 217			Accrual for Non-entity Amounts to be Collected and Transferred to the General Fund of the U.S. Government
Imputed Financing Sources from Cost Absorbed by Others	346,178		\$ (5,611)	
Financing Sources Used for Recognizing Liability to General Fund of the U.S. Government for Deficit Reduction (Note 22 – NTIA's Public Safety Trust Fund)	(1,324,946)		346,178	Imputed Financing Sources
Other Financing Sources/(Uses), Net	(676)		(1,324,783)	Other Non-entity Amounts to be Collected and Transferred to the General Fund of the U.S. Government
Total Financing Sources	10,652,654		11,513,657	Total Financing Sources
Net Cost of Operations	(10,576,194)		(10,576,194)	Net Cost of Operations
Net Change	76,460			
Cumulative Results of Operations – Ending Balance	32,878,220			
NET POSITION	\$ 44,192,918	\$ 5,157¹	\$ 44,187,761	NET POSITION
Consolidated Statement of Custodial Activity			Non-exchange Statement of Custodial Activity	
Total Custodial Revenue:			Total Custodial Collections:	
Cash Collections – Fines and Penalties	\$ 11,000		\$ 26,593	Other Taxes and Receipts
Cash Collections – Other	12,266			
Accrual Adjustment	3,328			
Total Custodial Revenue	26,594	1	26,593	Total Reclassified Non-exchange Custodial Collections
Disposition of Custodial Revenue:			Disposition of Custodial Revenue:	
Transferred to Others	335		335	Custodial Collections Transferred to a TAS Other than the General Fund
Increase/(Decrease) in Amounts Yet to be Transferred to Other Federal Entities	3,328		3,326	Accrual for Custodial Collections Yet to be Transferred to a TAS Other than the General Fund
Transferred to the General Fund of the U.S. Government	22,931		22,930	Non-Entity Custodial Collections Transferred to the General Fund
Total Disposition of Custodial Revenue	26,594	3²	26,591	Total Reclassified Disposition of Non-exchange Custodial Collections
NET CUSTODIAL ACTIVITY	\$ –	\$ (2)²	\$ 2	NET CUSTODIAL ACTIVITY

Due to differences in the USSGL Crosswalk for the Consolidated Statement of Changes in Net Position and the USSGL Crosswalk for the Reclassified Statement of Operations and Changes in Net Position, the lines presented on the face of the statement are different and will not contain the same values. The reconciliation is completed at the USSGL level to confirm that individual USSGL balances reported by the Department are in balance with GTAS.

¹ The difference of \$5.2 million is due to differences in the presentation of the Department's Consolidated Balance Sheet versus the Combined Reclassified Balance Sheet. Difference will be resolved when the Bureau of Fiscal Service compiles the FR as the Reclassified presentation will be updated to reflect the Department's presentation.

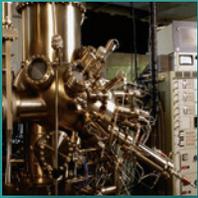
² Rounding



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 toward 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 comprise 91 percent of the Department's General PP&E, Net balance as of September 30, 2019.

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 schedules its surveys for real property on a cyclical basis, with each appropriate asset being surveyed every five years. NOAA completed a condition survey of the entire applicable real property inventory in FY 2011. In FY 2015, NOAA started completing a new round of facility condition assessments (FCA), and plans to complete assessments of the applicable inventory by the end of FY 2020. NOAA plans to continue a five-year assessment cycle so that the entire applicable inventory is assessed approximately every five years.

NOAA performs condition assessment surveys for capitalized NOAA-owned buildings, structures with acquisition cost over \$200 thousand, and heritage assets. For financial reporting purposes, NOAA does not report on DM&R for:

- Owned real property that has been permanently removed from service or which NOAA is planning to permanently remove from service within five years;
- Structures with acquisition cost under \$200 thousand; and
- Land and Stewardship Land as land does not have deferred maintenance.

NOAA prioritizes maintenance and repair projects to sustain its PP&E in good operating condition, including maintaining warranties. As work becomes deferred, NOAA will prioritize those projects that will remedy fire and life safety deficiencies and minimize risk of mission failure.

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.

In measuring DM&R, FCAs report physical deficiencies that cannot be remedied with normal operating maintenance, excluding de minimis conditions that generally do not present a material physical deficiency to the subject property. Actionable items are typically considered to be (1) existing or potential unsafe conditions; (2) building or fire code violations as revealed by municipal agencies; or (3) conditions that if left unremedied, have the potential to result in or contribute to critical element or system failure in the near term, or shall result most probably in a significant escalation of its remedial cost.

The September 30, 2019 DM&R amounts are composed of DM&R for the applicable inventory from FCAs completed in FY 2015, FY 2016, FY 2017, FY 2018, and FY 2019. DM&R estimates have been escalated based on the date of the FCA estimate and changes since then to the "Engineering News-Record" construction cost index. If an asset has yet to be assessed, the DM&R estimate from the Integrated Facilities Inspection Program in FY 2011 was utilized and escalated. All data has been escalated through September 2019.

Specific to personal property, DM&R relates solely to capitalized personal property meeting the \$200 thousand threshold criteria. DM&R on capitalized personal property is reported with an estimated project cost of \$25 thousand or more.

With the exception of NOAA's vessels, most of NOAA's capitalized personal property, such as weather systems, is required to be maintained on a regular basis as the public relies on information from these systems for their safety and livelihood. It is imperative that NOAA ensures that the systems are functioning properly. Therefore, maintenance on these systems is rarely deferred. Capitalized personal property is normally maintained through maintenance contracts, when appropriate.

NOAA performs Condition Assessment Surveys to determine the status of ships according to the priorities shown below:

- Urgent and Immediate:** Program has stopped until maintenance is performed.
- Important:** Maintenance must be performed within six months or program will stop.
- Medium:** Maintenance must be performed within two years or program will stop.
- Low:** Maintenance must be performed within five years or program will stop.
- Very Low:** Maintenance can be delayed indefinitely. No threat to program.

The following table shows NOAA's DM&R as of September 30, 2019 and September 30, 2018:

(In Thousands)

Asset Category	Deferred Maintenance and Repairs as of September 30, 2019	Deferred Maintenance and Repairs as of September 30, 2018
Buildings	\$ 84,062	\$ 94,798
Multi-use Heritage Assets	20,122	545
Ships	15,924	26,095
Other Personal Property	-	25
Total	\$ 120,108	\$ 121,463

The substantial increase in DM&R for NOAA's Multi-use Heritage Assets as shown above results primarily from newly reported DM&R for two Western Regional Center hangars (buildings) in Seattle, WA, which were added as multi-use heritage assets to NOAA's stewardship PP&E reporting in FY 2019.

For more information on NOAA's multi-use heritage assets, see Note 24, *Stewardship Property, Plant, and Equipment*.

NIST:

NIST measures DM&R (related to real property) using FCA surveys, which are periodic visual inspections of PP&E to determine their current condition, and estimates the costs to correct identified deficiencies. NIST accomplishes its FCAs by contract. NIST originally scheduled its surveys on a cyclical basis with each appropriate asset being surveyed once every three years. For DM&R reporting purposes, NIST completed a baseline condition survey of the entire applicable inventory for the Gaithersburg, MD campus in 2011 and for the Boulder, CO campus in 2013. A third of the Gaithersburg inventory was reassessed in the third quarter of FY 2013, in the third quarter of FY 2014, and in the first quarter of FY 2015. A third of the Boulder inventory was reassessed in the second quarter of FY 2015, in the fourth quarter of FY 2016, and in the first quarter of FY 2017.

Deficiencies can be added to the respective campus' backlog in years when contractor inspections are not scheduled. During the scheduled on-site assessment, the contract inspector estimates the remaining useful life of various components that comprise a building's mechanical, electrical, or architectural system, and records this information in the assessment software program. When a particular building system nears the end of its useful life, a new self-generated (by the software program) facility deficiency is added to the backlog list.

With the end of the Gaithersburg FCAs contract in 2016 and the end of the Boulder contract in mid FY 2018, NIST's current contract encompasses both campuses, unlike in the past where FCAs were conducted through separate, individual campus-focused contracts. The Federal Real Property Council's latest guidance requires facility assessments for each facility every five years if using condition assessments for reporting DM&R needs. NIST, in coordination with the Department, migrated its facility condition assessments data over to the U.S. Army Corps of Engineer's BUILDER Sustainment Management System (SMS). The BUILDER SMS uses a knowledge-based philosophy that does not rely on fixed frequencies of inspections or assessments. It is widely accepted and being used by all branches of the U.S. Department of Defense, the National Nuclear Security Administration within the U.S. Department of Energy, and other Executive Branch offices of the U.S. government. During FY 2018, NIST's existing database of backlog deficiencies was migrated from VFA facility software to the Army Corps of Engineers' BUILDER SMS. At the end of FY 2019, NIST awarded the replacement facility condition assessment and Capital Asset Management contract to a firm that is well versed in BUILDER SMS. The work to be performed in FY 2020 will include the consulting firm reviewing and becoming familiar with the deficiency backlog that was migrated to BUILDER SMS and newly assessing the condition of NIST's facilities and their sustainability at its two main campuses and two radio stations. NIST does not make a distinction between active or inactive assets for reporting DM&R. NIST will perform facility condition assessments surveys for capitalized NIST-owned buildings (including those fully depreciated).

DM&R relates to capitalized, non-capitalized, and fully depreciated real property. DM&R for real property is reported for individual items with DM&R estimates greater than \$25 thousand. Items estimated to cost \$25 thousand or less are shared with the facility managers for correction as emergency/service calls or minor work orders. Examples of the types of items that do not exceed the \$25 thousand threshold include minor repairs to interior finishes and doors, caulk replacement, crack repairs, minor pipe and valve leaks, and minor mechanical and electrical repairs and replacements.

NIST prioritizes maintenance and repair projects to sustain its real property 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 since real property 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, operational support, or capacity) and the distress type, the appropriate risk matrix is applied and a risk-rank assigned. A ranking can be adjusted to take into account current projects underway, prioritization of future candidate projects, and budgetary funding outlook.

Acceptable real property 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 considered good, between 90 and 85 is considered fair, and below 85 is considered poor.

DM&R has increased from \$675.8 million as of September 30, 2018 to \$774.4 million as of September 30, 2019. This increase is primarily due to (1) newly identified deficiencies mostly comprising utilities infrastructure, hazardous materials, mechanical, and life safety; and (2) a 5 percent inflation correction factor applied to estimates.

The following table shows NIST's DM&R as of September 30, 2019 and September 30, 2018:

(In Thousands)

Assets Category	Deferred Maintenance and Repairs as of September 30, 2019	Deferred Maintenance and Repairs as of September 30, 2018
Buildings	\$ 603,236	\$ 544,733
Site Utilities and Infrastructure	171,210	131,027
Total	\$ 774,446	\$ 675,760

B Combining Schedule of Budgetary Resources by Major Budget Account

The table on the following pages illustrates the Department's FY 2019 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, 2019 (In Thousands)**

	Combined Total	Census Bureau Periodic Censuses and Programs	EDA Economic Development Assistance Programs	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 Fund	Other Budget Accounts
BUDGETARY RESOURCES:										
Unobligated Balance From Prior-years Budget Authority, Net	\$ 5,361,688	\$ 1,077,977	\$ 544,892	\$ 513,418	\$ 533,491	\$ -	\$ 42,899	\$ 76,120	\$ 477,519	\$ 2,095,372
Appropriations	12,560,110	3,547,832	852,500	3,909,459	1,777,267	-	-	-	-	2,473,052
Borrowing Authority	29,485	-	-	-	-	-	-	-	-	29,485
Spending Authority From Offsetting Collections	5,391,377	-	(5)	268,939	705	-	900	48	3,374,157	1,746,633
TOTAL BUDGETARY RESOURCES	\$ 23,342,660	\$ 4,625,809	\$ 1,397,387	\$ 4,691,816	\$ 2,311,463	\$ -	\$ 43,799	\$ 76,168	\$ 3,851,676	\$ 6,344,542
STATUS OF BUDGETARY RESOURCES:										
New Obligations and Upward Adjustments	\$ 17,873,423	\$ 3,435,109	\$ 651,684	\$ 4,140,533	\$ 1,949,962	\$ -	\$ 35,413	\$ 7,057	\$ 3,341,784	\$ 4,311,881
Unobligated Balance, End of Year										
Apportioned, Unexpired Accounts	5,031,699	1,171,591	745,464	462,276	345,018	-	6,254	68,904	509,892	1,722,300
Exempt From Apportionment, Unexpired Accounts	718	-	-	-	-	-	-	-	-	718
Unapportioned, Unexpired Accounts	63,763	-	239	-	-	-	2,132	207	-	61,185
Unobligated Balance, End of Year, Unexpired Accounts	5,096,180	1,171,591	745,703	462,276	345,018	-	8,386	69,111	509,892	1,784,203
Unobligated Balance, End of Year, Expired Accounts	373,057	19,109	-	89,007	16,483	-	-	-	-	248,458
Total Unobligated Balance, End of Year	5,469,237	1,190,700	745,703	551,283	361,501	-	8,386	69,111	509,892	2,032,661
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 23,342,660	\$ 4,625,809	\$ 1,397,387	\$ 4,691,816	\$ 2,311,463	\$ -	\$ 43,799	\$ 76,168	\$ 3,851,676	\$ 6,344,542
OUTLAYS, NET:										
Outlays, Net	\$ 11,305,497	\$ 2,286,465	\$ 221,754	\$ 3,625,535	\$ 1,540,968	\$ 765	\$ 1,504,058	\$ 7,624	\$ (79,169)	\$ 2,197,497
Distributed Offsetting (Receipts)/Outlays, Net	(38,995)	-	-	-	-	-	-	-	-	(38,995)
AGENCY OUTLAYS, NET	\$ 11,266,502	\$ 2,286,465	\$ 221,754	\$ 3,625,535	\$ 1,540,968	\$ 765	\$ 1,504,058	\$ 7,624	\$ (79,169)	\$ 2,158,502

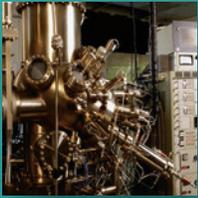
For more information on the NTIA Digital Television Transition and Public Safety Fund, NTIA Network Construction Fund, NTIA Public Safety Trust Fund, and USPTO Salaries and Expenses Fund, see Note 22 to the financial statements, *Funds from Dedicated Collections*.



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 2015 through FY 2019 were as follows:

(In Millions)

Program	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	Total
EDA:						
Public Works	\$ 123.4	\$ 136.2	\$ 121.3	\$ 113.8	\$ 101.0	\$ 595.7
Economic Adjustment Assistance	14.4	23.6	16.3	25.4	32.5	112.2
Assistance to Coal Communities	25.6	24.6	20.3	8.5	–	79.0
Disaster Recovery	318.2	66.5	7.7	15.6	8.8	416.8
EDA Subtotal	481.6	250.9	165.6	163.3	142.3	1,203.7
NOAA:						
National Estuarine Research Reserves	1.1	2.3	1.2	1.6	0.7	6.9
Coastal and Estuarine Land Conservation Program	0.1	–	–	0.5	0.2	0.8
NOAA Subtotal	1.2	2.3	1.2	2.1	0.9	7.7
Total	\$ 482.8	\$ 253.2	\$ 166.8	\$ 165.4	\$ 143.2	\$ 1,211.4

EDA:

EDA's investments in non-federal physical property, other than Disaster Recovery, 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.

Assistance to Coal Communities: This program competitively awards grants to coalitions of regionally-driven economic development and workforce development organizations anchored in impacted coal communities. These grants enable grantees to take deliberate and measured steps to build economic resilience, industry diversification, and promote new job creation opportunities. Some of these grants include construction of physical property owned by state and local governments. Competitive projects are tightly linked to existing economic and workforce development strategic plans. These activities should result in more competitive and resilient “pipelines” of skilled workers moving into new job opportunities. Eligible activities include helping communities: organize themselves to respond on behalf of affected workers and businesses; strengthen or develop targeted industry clusters; prepare and train the existing workforce for new jobs; and help and execute coordinated economic and workforce development activities based on communities’ strategic plans.

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.

NOAA:

National Estuarine Research Reserves (NERR): NERR system consists of 29 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, 2019, encompassed approximately 1.4 million acres of estuarine waters, wetlands, and uplands. The most recent reserve, He’eia, HI, was designated on January 19, 2017. 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 210 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 no mechanism in place 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. The amount of Coastal Zone Management Funds expended by the U.S. government is zero.

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 2015 through FY 2019:

(In Millions)

Program	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	Total
Educational Partnership Program	\$ 16.0	\$ 15.3	\$ 14.1	\$ 14.3	\$ 14.3	\$ 74.0
Ernest F. Hollings Undergraduate Scholarship Program	5.4	5.9	5.7	5.8	5.5	28.3
National Estuarine Research Reserve Program	1.8	1.7	1.5	1.5	1.5	8.0
National Sea Grant College Program	1.2	0.9	1.1	0.9	0.7	4.8
Other Programs	-	0.3	0.2	0.2	0.4	1.1
Total	\$ 24.4	\$ 24.1	\$ 22.6	\$ 22.7	\$ 22.4	\$ 116.2

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 2019, EPP Cooperative Science Centers awarded approximately 74 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 United States. In FY 2019, the program added 130 students.

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. NERRS funding increased by \$2 million in FY 2019 to implement a Graduate Research Fellowship program with national workforce benefits and to name the program in memory of Margaret A. Davidson. As a result of this funding increase, each of the 29 NERRS estuarine reserves will allocate a portion of their NERRS allotted funds, and the Science Collaborative will provide learning tools on the Science Collaborative Science process, all in support of the Margaret A. Davidson Graduate Research Fellowship program.

National Sea Grant College Program: Sea Grant is a nationwide network, administered through NOAA, of 34 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; provide information to improve management decisions in coastal, ocean, and Great Lakes policy; and 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. During FY 2019, the program awarded 60 fellowships: 17 fellowships funded by the National Sea Grant College Program, and 43 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. During FY 2019, NOAA's National Marine Fisheries Service's (NMFS) Sea Grant Graduate Fellowship Program began funding 12 new fellows. A total of 72 current fellows have funding through at least 2019. Participants in this program can receive up to three years of funding.

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 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 2015 through FY 2019:

(In Millions)

Program	FY 2019				FY 2018	FY 2017	FY 2016	FY 2015	Total
	Basic	Applied	Development	Total					
NIST Laboratories Program	\$ 291.9	\$ 457.4	\$ 9.9	\$ 759.2	\$ 733.2	\$ 734.2	\$ 756.0	\$ 717.2	\$ 3,699.8
Manufacturing USA, Advanced Manufacturing Technology Consortia, and Technology Innovation Program	0.1	6.4	6.3	12.8	7.6	8.6	14.4	5.2	48.6
Public Safety Communications Research Program	–	41.4	–	41.4	36.2	21.7	–	–	99.3
Total	\$ 292.0	\$ 505.2	\$ 16.2	\$ 813.4	\$ 777.0	\$ 764.5	\$ 770.4	\$ 722.4	\$ 3,847.7

NIST Laboratory Program:

The NIST Laboratory Program works at the frontiers of measurement science, ensuring the U.S. system of measurements is firmly grounded on sound scientific and technical principles. NIST laboratories address increasingly complex measurement challenges, ranging from the very small (quantum devices) to the very large (vehicles and buildings), and from the physical (resilient infrastructure) to the virtual (cybersecurity). As new technologies develop and evolve, NIST’s measurement research and services remain central to innovation, productivity, trade, national security, and public safety.

The NIST Laboratory Program provides industry, academia, and other federal agencies with:

- World class research capabilities in measurement science, forming the foundation of our global system of weights and measures, and enabling innovation;
- Basic and applied measurements, calibrations, and standards impacting every aspect of our economy and lives from the accuracy of airplane altimeters, to the reliability of clinical measurements, to the strength of the encryption technologies that protect our digital lives and businesses;
- Unbiased technical support for the development of industry-led, open, consensus-based documentary standards and specifications driving the deployment of advanced technology solutions and facilitating global commerce; and
- Unique, cutting-edge user facilities helping over 3,000 scientists from academia and industry move the state of the art forward in advanced materials, nanotechnology, bioscience, and other emerging technology areas.

NIST’s mission is essential for U.S. commerce and global competitiveness. The Nation’s founders knew the importance of weights and measures, and that standards and technology are fundamental to effective commerce and trade, representing a critically important role of the federal government. Article 1, Section 8 of the Constitution gives the U.S. government the power to “fix the Standard of Weight and Measures,” and Congress established the National Bureau of Standards (renamed NIST in 1988) to do just that. This role makes NIST, a National Metrology Institute, responsible for the dissemination of the fundamental units of measurement, the basis of international trade and commerce, and which enables scientific progress. NIST is the best in the world at performing its metrology mission. Other nations of the world are now seeking to gain advantage over the United States’ leadership in standards, technology, and trade by making substantial investments in the work and facilities of their own National Metrology Institutes, such as those in China and Germany.

A clear example of the fundamental and infrastructural nature of NIST's mission space is NIST's work in the dissemination of the time and frequency standards. The dissemination of the time standard, traceable to NIST's atomic clock in Boulder, CO, underpins a tremendous amount of activity in our modern commercial system. For example, NIST official time is used to time-stamp hundreds of billions of dollars in U.S. financial transactions each working day. NIST time is also disseminated to industry and the public through the Internet Time Service, which receives about 40 billion automated requests per day to synchronize clocks in computers and network devices. Additionally, other technological breakthroughs that we now take for granted are dependent upon the accuracy and precision of NIST's atomic clocks. This includes cellular telephones, Global Positioning System (GPS) satellite receivers, and the electric power grid.

Manufacturing USA:

The Manufacturing USA program serves to increase U.S. global competitiveness by creation of an effective public-private manufacturing research infrastructure for U.S. industry and academia to solve industry-relevant problems. Manufacturing USA consists of industry-led institutes with one-time federal start-up funding plus matching non-federal funds over a five to seven-year period, after which institutes are intended to be self-sustaining. The institutes form a network for manufacturing innovation which have common goals, but unique technical concentrations, that can benefit an entire industry sector. In an institute, industry, academia, and government partners leverage existing resources, collaborate, and co-invest to nurture manufacturing innovation and accelerate commercialization. As sustainable manufacturing innovation hubs, the institutes create, showcase, and deploy new capabilities, new products, and new processes that an entire industry sector can use to improve commercial production. The institutes build workforce skills at all levels and enhance manufacturing capabilities in companies large and small. Institutes draw together the best talents and capabilities from all the partners to build the proving grounds where innovations flourish and help advance American domestic manufacturing. While the institutes provide a network for stakeholders to leverage existing resources, collaborate, and co-invest—the development of commercial applications is left to the private sector which now have tools (manufacturing processes) to make their products. This program was first appropriated funds of \$25 million in FY 2016, pursuant to the Revitalize American Manufacturing and Innovation Act of 2014. The FY 2017 appropriations were also \$25 million. The FY 2018 and FY 2019 appropriations were both at \$15 million, \$10 million to continue to fund the National Institute for Innovation in Manufacturing Biopharmaceuticals and \$5 million to continue the program coordination and network support of Manufacturing USA institutes (currently standing at 15 institutes).

NIST Public Safety Communications Research Program:

As part of the Middle-Class Tax Relief and Job Creation Act of 2012, NIST received through FY 2017 one-time (non-recurring) mandatory budgetary resources of \$300.0 million from the National Telecommunications and Information Administration (NTIA) to help develop cutting-edge wireless technologies for public safety users. In partnership with industry and public safety organizations, NIST will continue to conduct research and develop new standards, technologies, and applications to advance public safety communications in support of NTIA's First Responder Network Authority's efforts to build an interoperable nationwide broadband network for first responders.

NOAA:

NOAA's R&D investments by program from FY 2015 through FY 2019 were as follows:

(In Millions)

Program	FY 2019				FY 2018	FY 2017	FY 2016	FY 2015	Total
	Basic	Applied	Development	Total					
Environmental and Climate	\$ -	\$ 425.7	\$ 110.8	\$ 536.5	\$ 488.6	\$ 452.5	\$ 405.5	\$ 298.4	\$ 2,181.5
Fisheries	-	43.9	14.9	58.8	60.1	57.7	53.4	50.3	280.3
Weather Service	-	1.9	20.2	22.1	19.5	20.7	18.7	42.7	123.7
Other	-	114.4	17.5	131.9	144.5	68.1	70.4	30.0	444.9
Total	\$ -	\$ 585.9	\$ 163.4	\$ 749.3	\$ 712.7	\$ 599.0	\$ 548.0	\$ 421.4	\$ 3,030.4

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 (OAR) is NOAA's primary R&D 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 to predict severe weather events and hazardous conditions that threaten life, property, and economic well being. OAR research laboratories then develop high-resolution regional and global weather prediction models and software applications for forecasters that transfer into operations at NOAA's National Weather Service to significantly improve services to the public. These products are helping to evolve the National Weather Service into providing decision support to users in addition to weather forecasts.

Fisheries: NOAA's NMFS supports sustainable fisheries and protected resources management specifically improving aquaculture, improvements to fishery data collection and assessment, protected species science, techniques for reducing bycatch and other adverse impacts, adapting to climate change and other long-term ecosystem change, and socioeconomic research. Other examples of R&D are process-oriented studies to understand mechanisms that control reproductive success, population genetics and stock structure, animal behavior, biophysical modeling, and the functional value of habitat.

Weather Service: The National Weather Service conducts applied research and development to support integrated water prediction, with advances to the initial operational capability for the National Water Model, tsunami modeling for more accurate predictions, and with development of the Next Generation Global Prediction System (NGGPS). NGGPS, a global prediction system to address growing service demands, will increase the accuracy of weather forecasts out to 30 days. The goal is to expand and accelerate critical weather forecasting research to operation through accelerated development and implementation of current global weather prediction models, improved data assimilation techniques, and improved software architecture and system engineering. Improvements to hurricane forecasts are being transitioned into operations; NGGPS as the backbone for the National Weather Service's environmental predictions will support these and all high-impact weather forecasts.

Other Programs: As a national lead for coastal stewardship, NOAA's National Ocean Service (NOS) supports research and development on the cartographic, hydrographic, and oceanographic sciences that underpin mapping, observing, and modeling efforts. This R&D leads to new technologies, models, and products and tools. NOS conducts applied research and delivers scientific information for disaster response and management, protection, and restoration of ocean and coastal resources. Finally, NOS research contributes to the national effort to make the coast more resilient to natural and man-made changes. NOAA's National Environmental Satellite Data and Information Service, Center for Satellite Applications and Research accelerates the transfer of satellite observations of land, atmosphere, ocean, and climate from scientific R&D into routine operations, enabling NOAA to offer state-of-the-art data, products, and services to decision-makers.

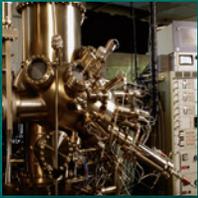
NOAA's Spectrum Efficient National Surveillance Radar Program includes R&D activities to determine the feasibility of improving the efficiency and effectiveness of the spectrum use by federal radar operations. The primary focus is making available a minimum of 30 MHz in the 1300-1350 MHz band for reallocation to shared federal and non-federal use through updated radar technology.

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OTHER INFORMATION

(Unaudited)



OFFICE OF INSPECTOR GENERAL SUMMARY ON TOP MANAGEMENT AND PERFORMANCE CHALLENGES



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

October 16, 2019

INFORMATION MEMORANDUM FOR SECRETARY ROSS

FROM: Peggy E. Gustafson
Inspector General

SUBJECT: *Top Management and Performance Challenges Facing the Department of Commerce in Fiscal Year 2020*
Final Report No. OIG-20-001

The Office of Inspector General is required by statute¹ to report annually the most serious management and performance challenges facing the Department of Commerce. Attached is our final report on the Department's top management and performance challenges for fiscal year 2020.

For each challenge identified within this memorandum, please find brief descriptions of the issues discussed in greater detail in the report:

Challenge 1: Conducting an Accurate 2020 Census Enumeration While Realizing Expected Efficiency and Estimated Cost-Effectiveness

- Successfully implementing and integrating all operations and information technology (IT) systems, as well as completing performance and scalability testing in time for the 2020 Census
- Ensuring data quality
- Motivating hard-to-count populations to respond to the decennial census
- Effectively monitoring contracts to validate performance, control cost, and achieve 2020 Census goals

¹ 31 U.S.C. § 3516(d).



Challenge 2: Ensuring the Success of Current and Future Satellite Programs

- Responding to acquisition and development challenges of next-in-series satellites
- Quantifying cost efficiencies of the proposed Polar Weather Satellites program
- Mitigating frequency interference risks to environmental satellite missions
- Making progress toward an optimal next-generation satellite system architecture
- Determining the Department's role in space traffic management

Challenge 3: Deploying a Nationwide Public Safety Broadband Network (NPSBN)

- Obtaining and maintaining public safety participation
- Ensuring the successful performance of the contract awarded to AT&T
- Effectively and efficiently reinvesting capital to upgrade and modernize the NPSBN

Challenge 4: Managing an Increasing Demand for Intellectual Property Rights

- Ensuring a thorough, timely, and fair patent examination and review process
- Strengthening the integrity of the trademark register
- Improving the management of IT systems and operations

Challenge 5: Continuing to Improve the Department's Cybersecurity Posture

- Securing cloud IT infrastructure to ensure a successful decennial census
- Implementing compensating security controls to protect the Department's legacy systems
- Improving incident handling capability at the Enterprise Security Operations Center
- Working closely with bureaus to implement the Department's continuous monitoring capability

Challenge 6: Refining Processes and Enhancing Capacity for Trade Enforcement Efforts

- Refining existing processes for adjudicating Section 232 exclusion requests to ensure requests for existing and future products are processed objectively and timely
- Ensuring processes and staff capacity to address new covered transactions subject to foreign investment reviews

Challenge 7: Effectively Managing the Significant Increase in Disaster Relief Funding to EDA

- Balancing the threat of agency elimination with the execution of increased disaster relief fund responsibilities
- Acquiring and maintaining sufficient staff with appropriate proficiency

Challenge 8: Preparing the Acquisition Workforce to Administer and Monitor Departmental Resources

- Developing and maintaining a competent acquisition workforce to support the Department's mission
- Improving effectiveness in the planning and governing of the National Oceanic and Atmospheric Administration's ship fleet recapitalization acquisitions
- Improving contract administration to ensure proper contract closure
- Improving control of contract and grant file management
- Training contracting officer's representatives and other contract administrators in accordance with regulatory requirements and contract terms

We remain committed to keeping the Department's decision-makers informed of problems identified through our audits and investigations so that timely corrective actions can be taken. The final version of the report will be included in the Department's *Annual Financial Report*, as required by law.²

² *Ibid.*

We appreciate the cooperation received from the Department, and we look forward to working with you and the Secretarial Officers in the coming months. If you have any questions concerning this report, please contact me at (202) 482-4661.

The complete OIG Report, *Top Management and Performance Challenges Facing the Department of Commerce* can be found at the following website: <https://www.oig.doc.gov/Pages/Top-Management-and-Performance-Challenges-Facing-the-Department-of-Commerce-in-FY-2020.aspx>

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Presented below is a summary of financial statement audit and management assurances for FY 2019. Table 1 relates to the Department’s FY 2019 financial statement audit, which resulted in an unmodified opinion with no material weaknesses. Table 2 presents the number of material weaknesses reported by the Department under Section 2 of the Federal Managers’ Financial Integrity Act (FMFIA)—either with regard to internal controls over operations or financial reporting, and Section 4, which relates to internal controls over financial management systems; as well as the Department’s compliance with the Federal Financial Management Improvement Act (FFMIA).

Table 1. Summary of Financial Statement Audit

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

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	2	0	2	0	0

Table 2. Summary of Management Assurances

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA § 2)						
Statement of Assurance: Unmodified						
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: Unmodified						
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		

PAYMENT INTEGRITY

The Improper Payments Information Act (IPIA) of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010 and the Improper Payments Elimination and Recovery Improvement Act 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 Enterprise Risk Management and Internal Control* (July 15, 2016), Appendix C, *Requirements for Payment Integrity Improvement* (June 26, 2018), defines an improper payment¹ and 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.

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 2020 and beyond, the Department will continue its efforts to ensure the integrity of its disbursements.

On February 9, 2018, the President signed into law the Bipartisan Budget Act of 2018, which provided supplemental appropriations to many federal agencies for disaster relief purposes, among others. The Economic Development Administration (EDA) was appropriated \$600.0 million and the National Oceanic and Atmospheric Administration (NOAA) was appropriated \$400.1 million. Pursuant to OMB Memorandum M-18-14, *Implementation of Internal Controls and Grant Expenditures for the Disaster-Related Appropriations* (March 30, 2018), the Department would have been required to submit a statistical sampling and estimation plan to OMB by June 30, 2019 for each of EDA and NOAA FY 2018 disbursements, to calculate and report an annual improper payments estimate, had EDA or NOAA disbursements exceeded \$10.0 million. However, disbursements for each bureau did not exceed \$10.0 million. Accordingly, the Department did not submit statistical sampling and estimation plans to OMB. The Department, effective with its FY 2020 Agency Financial Report (AFR), will begin reporting on the disaster funds received by EDA and NOAA if disbursements for a fiscal year exceed \$10.0 million for that bureau.

¹ **Excerpts:** An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts are overpayments or underpayments that are made to eligible recipients (including inappropriate denials of payment or service, any payment that does not account for credit for applicable discounts, payments that are for an incorrect amount, and duplicate payments). An improper payment also includes any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for goods or services not received (except for such payments authorized by law). In addition, when an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment should also be considered an improper payment. A "questioned cost" should not be considered an improper payment until the transaction has been completely reviewed and is confirmed to be improper.

The term "payment" in this guidance means any disbursement or transfer of Federal funds (including a commitment for future payment, such as cash, securities, loans, loan guarantees, and insurance subsidies) to any non-Federal person, non-Federal entity, or Federal employee, that is made by a Federal agency, a Federal contractor, a Federal grantee, or a governmental or other organization administering a Federal program or activity. The term "payment" includes disbursements made pursuant to prime contracts awarded under the Federal Acquisition Regulation and Federal awards subject to the 2 C.F.R. Part 200 – Uniform Administrative Requirements, Costs Principles and Audit Requirements for Federal Awards (Uniform Guidance) that are expended by recipients.

I. Improper Payments Risk Assessments.

The Department annually conducts an assessment of the effectiveness of internal control over financial reporting, in compliance with OMB Circular A-123, Appendix C. 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 FY 2019 address 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.

The following table summarizes the Department’s program/activity improper payments risk assessments performed in FY 2019; none of these improper payments risk assessments performed (or performed in prior fiscal years) revealed any programs or activities considered susceptible to significant improper payments.

PROGRAMS/ACTIVITIES ASSESSED FOR RISK OF IMPROPER PAYMENTS DURING FY 2019 RISK ASSESSMENT CYCLE

Program/Activity	Program/Activity
Census Bureau	National Institute for Standards and Technology
Survey of Program Dynamics	Contracts/Purchase Orders
State Children’s Health Insurance Program	Purchase Card
Decennial Census	Payments to Employees
Enterprise Data Collection and Dissemination Systems (EDCADS)/Census Enterprise Data Collection and Processing	National Oceanic and Atmospheric Administration
EDCADS/Center for Enterprise Dissemination Services and Consumer Innovation	Purchase Orders and Contracts
EDCADS/Administrative Records Clearinghouse	National Telecommunications and Information Administration
EDCADS/Decennial Applicant, Personnel, and Payroll Systems	Broadband Technology Opportunities Program
EDCADS/Census Hiring and Employment Check Office	State and Local Grant Implementation
Economic Development Administration	Non-FirstNet Activity included in (a) Public Safety Trust Fund and (b) Network Construction Fund
Public Works	National Technical Information Service
International Trade Administration	Collect and Disseminate Technical Information – Clearinghouse Program
Global Markets	Office of the Secretary
Minority Business Development Agency	Departmental Management
Minority Business Development Grants	

II. Overpayments Identified in FY 2019 and FY 2019 Recaptures of Overpayments.

- a. When applicable, for all programs and activities that expend \$1 million or more annually, agencies shall describe any action the agency has taken or plans to take to recover improper payments and intends to take to prevent future improper payments.**

The Department has extensive payment integrity monitoring, minimization, recapturing, and corrective actions efforts in place, including the identification of improper payments through bureau post-payment reviews, the Office of Inspector General (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, sample reviews of Department-wide sustained disallowed costs (SDC), and Department-wide sample testing of disbursements under internal controls testing.

A type of improper payment that the Department's applicable bureaus experience is the improper drawdown(s) (i.e., payment(s) to recipient) of funds by a recipient against a Departmental grant or cooperative agreement award in the Automated Standard Application for Payments (ASAP). ASAP is a secure, web-based, all electronic payment and information application operated by the U.S. Department of the Treasury (Treasury) that allows recipients to drawdown funds from accounts preauthorized by federal agencies. A recipient can normally drawdown on its authorized funds with little or no oversight by the Department prior to drawdown if the drawdown is in accordance with the conditions of the grant/cooperative agreement. Since these drawdowns are at the discretion of the recipient, it is difficult for the Department to control an improper drawdown(s) by a recipient. The recipient, however, will often report the overpayment to the Department and promptly return the funds to the Department via ASAP. Improper payments for grants/cooperative agreements are also detected during post-award closeout procedures and similar action is taken to recapture an overpayment from a recipient. When a recipient establishes a history of improper drawdowns against its awards, or for several other valid reasons, bureau financial assistance personnel can place the recipient on "Agency Review" within ASAP to help prevent future improper payments.

A standard procedure is for bureau financial assistance personnel to review recipients' periodic Standard Form (SF) 425, *Federal Financial Report*, submissions to the Department, and when an overpayment is discovered, the recipient is promptly notified and requested to return the overpayment to the Department via ASAP. Overpayments can also be recaptured from recipients via other methods if recapture via ASAP is not appropriate. These bureaus now require that project officers sign and date progress reports after review, and place the signed documents in the grant files. In-house training is also being provided to bureau financial assistance personnel on performing comprehensive reviews of the SF 425 submissions from recipients.

To ensure that proper review and approval procedures are being followed, bureaus have established a peer-to-peer review process where financial assistance specialists review their partners' financial assistance files. The results of these reviews are shared and discussed with other bureau financial assistance specialists. Bureaus' supervisory staff conduct desk audits of financial assistance specialists to ensure that procedures are followed in a timely manner. Bureaus also schedule periodic audits or reviews of financial assistance files to ensure that all procedures are being followed. Bureau financial assistance offices continue to make considerable investments in vendor-provided training certification programs for their financial assistance personnel on the full range of federal financial assistance policy, including technical requirements such as the preparation of SF 425s.

Two additional types of improper payments encountered by the Department are: (a) improper payments identified as a result from an audit, review, or investigation by the Department's OIG; and (b) improper payments identified as a result from an audit of a federal grant/cooperative agreement award under the Single Audit Act of 1984, as amended. It is often difficult, or not possible, for the Department to identify, prior to payment, the types of improper payments that are identified in these audits,

reviews, or investigations. One bureau financial assistance office's efforts to help prevent incorrect overhead rates being billed by a grant/cooperative agreement recipient include (a) overhead rates are reviewed through the review of a recipient's approved Negotiated Indirect Cost Rate Agreements and line item budget; and (b) overhead costs will not be allowable costs against an award unless permitted under the award, and specifically included as a line item in the award's approved budget. Furthermore, at the time of award closeout, a final comprehensive SF 425 must be submitted by the recipient within 90 days after award expiration. If overhead costs were included as a line item in the award's approved budget, the SF 425 must include the cumulative total of overhead costs charged to the award. This SF 425 requires the review and approval of the bureau's financial assistance office. This bureau's financial assistance office has also taken steps to help ensure recipients do not overdraw their awards. Award funds are monitored through the review of interim Federal Financial Cash Flow Reports to ensure that (a) recipients are expending funds at an appropriate rate; (b) federal disbursements are comparable with the period covered by requests for payment; (c) reports submitted by the recipient agree with the bureau's accounting records for payments made; and (d) recipients are not maintaining excess cash on hand. The financial assistance office obtains a cash flow tracking report monthly, which serves as an internal control for monitoring recipients' cash on-hand balances.

Another bureau finance office indicated an additional reason for improper payments to vendors: a lack of resources that can sometimes lead to short staffing in the accounts payable processing operations. As a result of increased workload, individual technicians can be more prone to data entry and other types of errors that result in improper payments. In response to this condition, the bureau planned to hire additional accounts payable staff and provide periodic training to staff to address prior errors.

For an identified overpayment that is not promptly recaptured, the Department's policy is to establish a receivable for the overpayment and the Department then pursues the overpayment through the normal debt collection management process. See the *Receivables with the Public and Debt Collection Management* subsection of the *Financial Management and Analysis* subsection of *Management's Discussion and Analysis* in this report for more information on the Department's debt collection management process for receivables from the public.

The Department last performed in September 2018 a periodic review of the statuses of recent Department-wide SDCs of \$10 thousand or more, and intends to perform another review in FY 2020. SDCs 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 SDCs provided by the contractor are utilized by the Department for its comprehensive payment integrity and overpayment recapture efforts, including reporting, monitoring, recapturing, and corrective actions; the statuses are further followed up on by the Department as appropriate.

- b. All programs and activities that expend \$1 million or more annually shall be considered for payment recapture audits. See OMB Circular A-123, Appendix C, Part III.C, *Payment Recapture Audits*, for more information about payment recapture audits. An agency shall discuss payment recapture audit efforts, if applicable. The discussion should describe:**
- i. the actions and methods used by the agency to recoup overpayments;**
 - ii. a justification of any overpayments that have been determined not to be collectable; and**
 - iii. 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).**

- c. If the agency has excluded any programs or activities from review under its payment recapture audit program because the agency has determined a payment recapture audit program is not cost-effective, the agency must 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). See OMB Circular A-123, Appendix C, Part III.C.6, *What should an agency do if it determines that a payment recapture audit program would not be cost-effective*, for additional information regarding payment recapture audit cost-effectiveness.**

In conformity with IPIA, as amended, the Department had been performing from 2005 through June 2017, primarily with contractor assistance, annual payment recapture audits of closed contracts/obligations for many of the Department's bureaus/reporting entities on a rotational basis. From 2012 through June 2017, 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 had not yet been completed. Annual payment recapture auditing was additionally performed by a contractor, effective 2011, for Department-wide grants and other cooperative agreements (i.e., financial assistance). Per OMB Circular A-123, Appendix C, intragovernmental transactions were 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, 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. The latest audit report at that time regarding the adequacy of the internal controls of NFC as a servicing organization revealed no significant issues. Further, no significant payroll related improper payments had been identified by the bureaus. The Department will continue to reevaluate whether payment recapture auditing should be performed, if considered cost-effective, for payroll and other payments to employees.

In March 2018, the Department completed a cost/benefit analysis for contracts/obligations and for grants and other cooperative agreements and determined that it is not able to conduct a cost-effective payment recapture audit program (one in which the benefits, including recaptured amounts, exceed the costs) for the above noted categories. Since 2005 through June 2017, the cumulative amount subject to review in the payment recapture audits performed was \$17.53 billion, and \$5.85 billion was reviewed by the payment recapture auditors. The cumulative adjusted overpayments subject to recapture that were identified was only \$113 thousand, which was fully recaptured. This cumulative recaptured amount of \$113 thousand fell below the cumulative contractor costs for the payment recapture audits performed of \$582 thousand, before taking into consideration the significant staff time incurred across the Department to support the individual payment recapture auditor and the payment recapture audit program.

The Department continues to periodically evaluate if there are any categories of disbursements for which payment recapture auditing could be or could become cost-effective.

Regarding 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 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.

d. For 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:

- i. report the amount recovered through recapture audits in that fiscal year including the percent such amounts represent of the total overpayments identified through payment recapture audits during that fiscal year.**
- ii. report amounts recovered through sources other than payment recapture audits in that fiscal year, including the percent such amounts represent of the total overpayments identified for recapture through sources other than payment recapture audits in the fiscal year. For example, agencies could report on improper payments identified through: statistical samples conducted under IPIA; agency post-payment reviews or audits; OIG reviews; Single Audit reports; self-reported overpayments; or reports from the public. Agencies may group amounts by program or activity or in total per the source of recapture, as appropriate.**

The following table summarizes the overpayments identified and verified as recaptured in FY 2019, through all sources.

OVERPAYMENTS IDENTIFIED AND RECAPTURED IN FY 2019

(In Millions)

Bureau/Reporting Entity	Overpayments Identified and Recaptured in FY 2019	
	Overpayments Identified	Overpayments Recaptured ¹
Census Bureau	\$ 0.162	\$ 0.013
DM/S&E	0.067	–
DM/WCF	0.055	0.051
EDA	0.082	0.002
ITA	0.015	–
MBDA	0.319	–
NIST	1.501	2.004
NOAA	0.216	0.210
NTIA	0.499	5.385
OIG	0.001	–
USPTO	1.365	0.258
Total	\$ 4.282	\$ 7.923

¹ Includes both (a) recaptures of overpayments during FY 2019 of overpayments that were reported in FY 2019; and (b) recaptures of overpayments during FY 2019 of overpayments that were previously reported in prior fiscal years.

III. Departmental Use of Treasury's Do Not Pay Portal for Payment Integrity.

Agencies should provide a brief narrative of the reduction in improper payments that is attributable to the Do Not Pay Initiative, as applicable. See OMB Circular A-123, Appendix C, Part V, *the Do Not Pay Initiative*, for a thorough overview of the roles and responsibilities of agencies to use centralized data sources such as the Treasury Working System and other government databases to prevent improper payments.

Pursuant to OMB Memorandum M-12-11 dated April 12, 2012, *Reducing Improper Payments through the "Do Not Pay List,"* the Department in 2013 implemented the Department's OMB-approved plan to perform periodic (primarily weekly) prepayment eligibility reviews of Do Not Pay portal databases for the Department's domestic, non-classified, non-employee-related, non-intragovernmental disbursements. The Department currently performs prepayment checking of the following Do Not Pay portal databases: (a) Death Master File (DMF) data from the Social Security Administration and from other sources; and (b) the U.S. General Services Administration's System for Award Management (SAM) Exclusion Records.

The prepayment checking performed by the Department excludes prepayment eligibility reviews of grantees under ASAP, as Treasury performs continuous monitoring of the Do Not Pay portal of ASAP grantees. Bureau payment and acquisition offices, as appropriate, follow up on any vendors initially matched to the Do Not Pay portal databases checked, and perform further research as necessary to follow through and resolve any 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 prepayment 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 identify and minimize improper payments.

IV. PaymentAccuracy.gov Website.

Treasury, in coordination with the U.S. Department of Justice and OMB, established the PaymentAccuracy.gov website, located at <https://paymentaccuracy.gov>, to create a centralized location to publish information about U.S. government improper payments made to individuals, organizations, and contractors. This website also provides a centralized place where suspected incidents of fraud, waste, and abuse can be reported, and contains information about (1) current and historical rates and amounts of improper payments; (2) why improper payments occur; and (3) what agencies are doing to reduce and recapture improper payments. The website also contains extensive information, guidance, and links to other useful resources for addressing improper payments.

This website contains additional information and data about the Department's improper payments, including improper payments information included in previous Departmental AFRs that is no longer included in the FY 2019 AFR.

FRAUD REDUCTION REPORT

Fraud risk management is an important aspect of the Department's strategy to achieve its mission and goals. Fraud prevention, detection, monitoring, and response are key to managing fraud risk and is continually being integrated in the culture and controls throughout the Department. Several key control strategies have been implemented since FY 2018.

Fraud risk has been identified as one of 10 categories of risk by the Department's Enterprise Risk Management (ERM) Framework. The Department's ERM Framework is designed to facilitate a risk-based approach to fraud risk assessment at different levels within the organization. Management uses the U.S. Government Accountability Office (GAO) Fraud Risk Management Framework leading practices as a guide to combat fraud, increase emphasis on prevention, and put into place corrective actions to address identified deficiencies. The Department also utilizes several processes and sources to identify, manage, and mitigate fraud risks. These processes and sources include, but are not limited to, the Agency Risk Profile, GAO High-Risk List, and Mission Critical Programs and Activities List.

Analyses of risks, including fraud risks, are also an integral process of the Department's financial internal control program. The Department annually performs an assessment of the risks at the entity and process levels. At the entity level, the Department and components assess exposures and controls around fraud risk. How the Department anticipates, identifies, and responds to fraud is considered during the assessment. Existing Departmental policies and procedures are also examined to ensure that they adequately meet their objective. At the process level, inherent and control risks are assessed for each of the Department's key business processes and sub-processes. The process level assessment includes evaluations such as the Department's payroll, contracts, purchase card, and grants management business cycles. The results of these assessments aid in identifying types and levels of risks within the Department and informs the mitigation process.

Business process workshops are also held annually in which interdisciplinary teams, including task owners and the Internal Control Senior Assessment Team, come together to identify and examine the control activity and control design around key business processes. During these workshops, key control objectives and activities are discussed and control gaps are identified and addressed. Internal control test steps are also discussed and/or modified.

Finally, the Department is an active participant with the Office of Management and Budget and other agencies in the government-wide working group for the implementation of the Fraud Reduction and Data Analytics Act (FRDAA) of 2015. The Department continues to explore ways to refine and enhance its processes to better deter, detect, and reduce instances of fraud. For example, the Department established an enterprise-wide data analytics program to perform, collect, and analyze data to detect and monitor for potential fraud. The data analytics program involves the development of continuous monitoring processes, data science techniques, analytics and visualizations, to be applied to sensitive programs and financial data in order to identify trends, anomalies, and other meaningful patterns that may signify potential internal control weakness or indicators of fraud, waste, and abuse. In FY 2019, the Department completed extensive analysis of travel data taken from the Department's recently implemented travel system. The Department continues to expand its data analytics program to enhance the capabilities and scope of additional analysis. Lastly, the Department has developed and presented to the financial community within the Department a fraud awareness training program. The program is designed to provide attendees with a clear understanding of the definition and primary causes of fraud, to provide a greater appreciation of the impact fraud has on programs within the Department, and to help strengthen controls around preventing fraud.

REDUCE THE FOOTPRINT

On March 25, 2015, OMB issued Memorandum 2015-01, *Implementation of OMB Memorandum M-12-12 Section 3: Reduce the Footprint*, to clarify existing policy to dispose of excess properties as well as promote more efficient use of real property assets. Memorandum 2015-1 superseded OMB Procedures Memorandum 2013-02, *Implementation of OMB Memorandum M-12-12 Section 3: Freeze the Footprint*, and provided further guidance for the requirements that stemmed from Section 3 of OMB M-12-12, *Promoting Efficient Spending to Support Agency Operations*, which instructed federal departments and agencies to reduce the total square footage of their domestic office and warehouse inventory relative to an established baseline.

The Department's goals are to monitor and limit long-term growth of real property space by eliminating unneeded assets regardless of space type. In the five-year period between FY 2019 and FY 2023, the Department's goal is to reduce its office and warehouse inventory by 2.7 percent, or 334,000 square feet of its leased, owned, and U.S. General Services Administration (GSA) occupancies compared to its FY 2018 year-end inventory. These goals do not include the 2020 Decennial Census space because the Decennial 2020 space has a net zero impact on the five-year-period as a whole. The Census Bureau, working through GSA, began acquisition of the decennial locations in FY 2017, and continued the acquisition through FY 2019. However, these locations are short-term, and will be removed from the Department's inventory by the end of FY 2023.

The Department has determined the following to be its principle strategic approaches: focus on office utilization rate improvement to reduce space, consolidate underutilized assets, and dispose of all unneeded assets. Due to budget constraints, operating units will need to consider the use of GSA's Workplace Engagements for consolidations.

REDUCE THE FOOTPRINT BASELINE COMPARISONS

<i>(In Millions)</i>	FY 2015 Baseline	FY 2018 Actuals	Variance
Square Footage	12.12	12.23	(0.11) ¹

OPERATING COST OF DIRECT LEASED AND OWNED PROPERTIES

<i>(In Millions)</i>	FY 2015 Baseline	FY 2018 Actuals	Variance
Operations and Maintenance Costs	\$35.04	\$36.22	\$(1.18) ²

¹ The net increase in square feet from FY 2015 to FY 2018 is due to the start of Decennial 2020 Census acquisition of space.

² The net increase in operating and maintenance costs from FY 2015 to FY 2018 is due to renewal of leases at higher rates and the improvement of collection of operating and maintenance costs for owned properties that were previously charged to general contracts.

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 and the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, requires agencies to adjust their civil monetary penalties (CMP) for inflation to maintain their deterrent effect. A CMP is defined as any penalty, fine, or other sanction that is (1) for a specific monetary amount as provided by federal law, or has a maximum amount provided for by federal law; (2) assessed or enforced by an agency pursuant to federal law; and (3) assessed or enforced pursuant to an administrative proceeding or a civil action in the federal courts. The Department has been adjusting its CMPs for inflation since 1996 in accordance with the Federal Civil Penalties Inflation Adjustment Act of 1990, as amended. Effective 2017, agencies are required to make annual adjustments for inflation to CMPs, to take effect not later than January 15.

The Department published its 2019 adjustments for inflation to CMPs (Title 15, *Commerce and Foreign Trade*, Part 6, *Civil Monetary Penalty Adjustments for Inflation*, of the Code of Federal Regulations) in the Federal Register on February 7, 2019 (Vol. 84, No. 26, *Rules and Regulations*, pages 2445-2448). These adjustments for inflation to CMPs, which became effective on March 1, 2019, are also available at the Department's website at http://www.osec.doc.gov/ofm/OFM_Publications.html. The following table provides detailed information on each of the Department's CMPs as of March 1, 2019.

CMP Description	Statutory Authority	CMP Type	Year CMP Originally Enacted	Latest Year of CMP Non-inflation Adjustment (via Statute or Regulation)	Current CMP Level
Department of Commerce					
Penalty for each submission of a false, fictitious, or fraudulent claim for payment or benefits.	31 U.S.C. 3802(a)(1), Program Fraud Civil Remedies Act of 1986	Violation	1986	1986	Maximum \$11,463
Penalty for each submission of a false, fictitious, or fraudulent written statement.	31 U.S.C. 3802(a)(2), Program Fraud Civil Remedies Act of 1986	Violation	1986	1986	Maximum \$11,463
Penalty for each submission of a false, fictitious, or fraudulent claim for payment.	31 U.S.C. 3729(a)(1)(G), False Claims Act	Violation	1863	1986	Minimum \$11,463 Maximum \$22,927
Bureau of Economic Analysis					
Failure to furnish information required under chapter, whether required to be furnished in form of a report or otherwise, or to comply with rule, regulation, order, or instruction promulgated under chapter.	22 U.S.C. 3105(a), International Investment and Trade in Services Act	Failure to furnish information	1990	1990	Minimum \$4,735 Maximum \$47,357

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CMP Description	Statutory Authority	CMP Type	Year CMP Originally Enacted	Latest Year of CMP Non-inflation Adjustment (via Statute or Regulation)	Current CMP Level
Bureau of Industry and Security					
Violation of chapter or any regulation under chapter.	15 U.S.C. 5408(b)(1), Fastener Quality Act	Violation	1990	1990	Maximum \$47,357
Prohibited acts relating to inspections.	22 U.S.C. 6761(a)(1)(A), Chemical Weapons Convention Implementation Act	Violation	1998	1998	Maximum \$38,549
Recordkeeping violations.	22 U.S.C. 6761(a)(1)(B), Chemical Weapons Convention Implementation Act	Violation	1998	1998	Maximum \$7,710
Unlawful act described in section 1705(a).	50 U.S.C. 1705(b), International Emergency Economic Powers Act	Violation	1977	2007	Maximum \$302,584
Violation of section 22 U.S.C. 8124 or 22 U.S.C. 8141.	22 U.S.C. 8142(a), United States Additional Protocol Implementation Act	Violation	2006	2006	Maximum \$31,328
Violation of this subchapter or any regulation, order, or license issued under this subchapter.	50 U.S.C. 4819, Export Control Reform Act of 2018	Violation	2018	2018	Maximum \$300,000
Census Bureau					
Delinquency in filing export information.	13 U.S.C. 304, Collection of Foreign Trade Statistics	Violation	1962	2002	Each day's delinquency of a violation: Maximum \$1,394 Maximum per violation: \$13,948
Unlawful export information activities.	13 U.S.C. 305(b), Collection of Foreign Trade Statistics	Violation	1962	2002	Maximum \$13,948
International Trade Administration					
Violation of chapter or any regulation under chapter.	19 U.S.C. 81s, Foreign Trade Zone	Violation	1934	1934	Maximum \$2,924
Violation of protective orders issued pursuant to NAFTA or the U.S.-Canada Agreement.	19 U.S.C. 1677f(f)(4), U.S.-Canada Free Trade Agreement Protective Order	Violation	1988	1988	Maximum \$210,386

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CMP Description	Statutory Authority	CMP Type	Year CMP Originally Enacted	Latest Year of CMP Non-inflation Adjustment (via Statute or Regulation)	Current CMP Level
National Oceanic and Atmospheric Administration					
Noncompliance with the requirements of licenses or regulations issued under subchapter.	51 U.S.C. 60123(a), Land Remote Sensing Policy Act of 2010	Violation	2010	2010	Maximum \$11,562
Violation for receiving and using unenhanced Landsat data as specified.	51 U.S.C. 60148(c), Land Remote Sensing Policy Act of 2010	Violation	2010	2010	Maximum \$11,562
Violation from committing an act prohibited by section 773e.	16 U.S.C. 773f(a), Northern Pacific Halibut Act of 1982	Violation	1982	2007	Maximum \$242,069
Violation of provisions of chapter.	16 U.S.C. 783, Sponge Act	Violation	1914	1914	Maximum \$1,729
Fishing violation of section 957(a).	16 U.S.C. 957(d), Tuna Conventions Act of 1950	Violation	1962	1962	Maximum \$86,389
Subsequent fishing violation of section 957(a).	16 U.S.C. 957(d), Tuna Conventions Act of 1950	Subsequent Violation	1962	1962	Maximum \$186,070
Violation of section 957(b).	16 U.S.C. 957(e), Tuna Conventions Act of 1950	Violation	1962	1962	Maximum \$2,924
Subsequent violation of section 957(b).	16 U.S.C. 957(e), Tuna Conventions Act of 1950	Subsequent Violation	1962	1962	Maximum \$17,278
Import violation of section 957(c).	16 U.S.C. 957(f), Tuna Conventions Act of 1950	Violation	1962	1962	Maximum \$372,141
For chapter enforcement and additional prohibitions, see 16 U.S.C. 1826g.	16 U.S.C. 957(i), Tuna Conventions Act of 1950	Violation	2015	¹	Maximum \$189,427 ¹
For chapter enforcement, see 16 U.S.C. 1826g.	16 U.S.C. 959, Tuna Conventions Act of 1950	Violation	2015	¹	Maximum \$189,427 ¹
For chapter enforcement and additional prohibitions, see 16 U.S.C. 1826g.	16 U.S.C. 971f(a), Atlantic Tunas Convention Act of 1975	Violation	2015	¹	Maximum \$189,427 ¹
Act prohibited by section 973(c) as specified.	16 U.S.C. 973f(a), South Pacific Tuna Act of 1988	Violation	1988	1988	Maximum \$525,965
Violation of provision of chapter or any regulation or permit issued hereunder.	16 U.S.C. 1174(b), Fur Seal Act Amendments of 1983	Violation	1983	1983	Maximum \$25,037
Violation of provision of subchapter or of any permit or regulation issued thereunder.	16 U.S.C. 1375(a)(1), Marine Mammal Protection Act of 1972	Violation	1972	1972	Maximum \$29,239
For section enforcement and additional prohibitions, see 16 U.S.C. 1826g.	16 U.S.C. 1385(e), Dolphin Protection Consumer Information Act	Violation	1990	¹	Maximum \$189,427 ¹

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CMP Description	Statutory Authority	CMP Type	Year CMP Originally Enacted	Latest Year of CMP Non-inflation Adjustment (via Statute or Regulation)	Current CMP Level
National Oceanic and Atmospheric Administration (continued)					
Violation of chapter or any regulation or permit issued under chapter.	16 U.S.C. 1437(d)(1), National Marine Sanctuaries Act	Violation	1984	1992	Maximum \$178,338
Violation of provision of chapter or any provision of permit or certificate issued hereunder, or of any regulation issued to implement subsections as specified.	16 U.S.C. 1540(a)(1), Endangered Species Act of 1973	Violation	1973	1988	Maximum \$52,596
Violation of provision of any other regulation issued under chapter as specified.	16 U.S.C. 1540(a)(1), Endangered Species Act of 1973	Violation	1973	1988	Maximum \$25,246
Violation otherwise of provision of chapter, or regulation, permit, or certificate issued hereunder.	16 U.S.C. 1540(a)(1), Endangered Species Act of 1973	Violation	1973	1978	Maximum \$1,729
Violation of act prohibited by 16 U.S.C. 1857.	16 U.S.C. 1858(a), Magnuson-Stevens Fishery Conservation and Management Act	Violation	1976	1	Maximum \$189,427 ¹
Violation of unlawful act under 16 U.S.C. 2435.	16 U.S.C. 2437(a), Antarctic Marine Living Resources Convention Act of 1984	Violation	1984	1	Maximum \$189,427 ¹
Violation of chapter or any regulation promulgated under chapter, deemed to be violation of 16 U.S.C. 2431-2444.	16 U.S.C. 2465(a), Antarctic Protection Act of 1990	Violation	1990	1	Maximum \$189,427 ¹
Violation of conduct prohibited by any provision of chapter as specified; or, violation of subsections (d) or (f) of 16 U.S.C. 3372.	16 U.S.C. 3373(a)(1), Lacey Act Amendments of 1981	Violation	1981	1981	Maximum \$27,075
Violation of subsections (b) or (f) of 16 U.S.C. 3372, except as provided in section 3373(a)(1).	16 U.S.C. 3373(a)(2), Lacey Act Amendments of 1981	Violation	1981	1981	Maximum \$677
Violation of unlawful act under section 3606(a).	16 U.S.C. 3606(b)(1), Atlantic Salmon Convention Act of 1982	Violation	1982	1	Maximum \$189,427 ¹
For chapter enforcement and additional prohibitions, see 16 U.S.C. 1826g.	16 U.S.C. 3637(b), Pacific Salmon Treaty Act of 1985	Violation	1985	1	Maximum \$189,427 ¹
Violation of provision of an order or regulation issued under this chapter, or for failure or refusal to pay, collect, or remit any assessment required under chapter.	16 U.S.C. 4016(b)(1)(B), Fish and Seafood Promotion Act of 1986	Violation	1986	1986	Minimum \$1,146 Maximum \$11,463

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CMP Description	Statutory Authority	CMP Type	Year CMP Originally Enacted	Latest Year of CMP Non-inflation Adjustment (via Statute or Regulation)	Current CMP Level
National Oceanic and Atmospheric Administration (continued)					
For chapter enforcement and additional prohibitions, see 16 U.S.C. 1826g.	16 U.S.C. 5010, North Pacific Anadromous Stocks Act of 1992	Violation	1992	1	Maximum \$189,427 ¹
Applicable to regulations issued under this subsection, per section 308 (16 U.S.C. 1858) of Magnuson-Stevens Fishery Conservation and Management Act (MSFCMA), violation of section 307, <i>Prohibited acts</i> (16 U.S.C. 1857) of MSFCMA.	16 U.S.C. 5103(b)(2), Atlantic Coastal Fisheries Cooperative Management Act	Violation	1993	1	Maximum \$189,427 ¹
Violation of unlawful act under section 5154(b).	16 U.S.C. 5154(c)(1), Atlantic Striped Bass Conservation Act	Violation	1984	1	Maximum \$189,427 ¹
Violation of act prohibited by 16 U.S.C 5505.	16 U.S.C. 5507(a), High Seas Fishing Compliance Act of 1995	Violation	1995	1995	Maximum \$164,531
For chapter enforcement and additional prohibitions, see 16 U.S.C. 1826g.	16 U.S.C. 5606(b), Northwest Atlantic Fisheries Convention Act of 1995	Violation	1995	1	Maximum \$189,427 ¹
For chapter enforcement and additional prohibitions, see 16 U.S.C. 1826g.	16 U.S.C. 6905(c), Western and Central Pacific Fisheries Convention Implementation Act	Violation	2007	1	Maximum \$189,427 ¹
Violation of provision of chapter or of any regulation promulgated under chapter, enforced as if violation of section 307 (<i>Prohibited acts</i> ; 16 U.S.C. 1857) of MSFCMA.	16 U.S.C. 7009(c) and (d), Pacific Whiting Act of 2006	Violation	2007	1	Maximum \$189,427 ¹
Violation of provision of section 1978.	22 U.S.C. 1978(e), Fishermen's Protective Act of 1967	Violation	1971	1971	Maximum \$29,239
Subsequent violation of provision of section 1978.	22 U.S.C. 1978(e), Fishermen's Protective Act of 1967	Subsequent Violation	1971	1971	Maximum \$86,389
Violation of act prohibited by 30 U.S.C. 1461.	30 U.S.C. 1462(a), Deep Seabed Hard Mineral Resources Act	Violation	1980	1980	Maximum \$74,552
Violation of act prohibited by 42 U.S.C. 9151.	42 U.S.C. 9152(c), Ocean Thermal Energy Conversion Act of 1980	Violation	1980	1980	Maximum \$74,552

Footnote is shown at the end of this table.

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CMP Description	Statutory Authority	CMP Type	Year CMP Originally Enacted	Latest Year of CMP Non-inflation Adjustment (via Statute or Regulation)	Current CMP Level
National Oceanic and Atmospheric Administration (continued)					
Violation regarding prohibition on sale of billfish, which shall be treated as an act prohibited by 16 U.S.C. 1857.	16 U.S.C. 1827a, Billfish Conservation Act of 2012	Violation	2012	1	Maximum \$189,427 ¹
Violation of act prohibited by 16 U.S.C. 7406.	16 U.S.C. 7407(b), Port State Measures Agreement Act of 2015	Violation	2015	1	Maximum \$189,427 ¹
Violation of prohibited act under 16 U.S.C. 1826g(e).	16 U.S.C. 1826g(f), High Seas Driftnet Fishing Moratorium Protection Act	Violation	2015	1	Maximum \$189,427 ¹
Violation of chapter, enforced as a violation of section 308 (<i>Civil penalties and permit sanctions</i> ; 16 U.S.C. 1858) of MSFCMA.	16 U.S.C. 7705, Ensuring Access to Pacific Fisheries Act	Violation	2016	1	Maximum \$189,427 ¹
Violation of chapter, enforced as a violation of section 308 (<i>Civil penalties and permit sanctions</i> ; 16 U.S.C. 1858) of MSFCMA.	16 U.S.C. 7805, Ensuring Access to Pacific Fisheries Act	Violation	2016	1	Maximum \$189,427 ¹

¹ This National Oceanic and Atmospheric Administration maximum CMP, as prescribed by law, is the maximum CMP per 16 U.S.C. 1858(a), Magnuson-Stevens Fishery Conservation and Management Act CMP. The Latest Year of CMP Non-inflation Adjustment (via Statute or Regulation) for this maximum CMP is 1990.



UNDISBURSED BALANCES IN EXPIRED GRANT ACCOUNTS

Undisbursed balances in expired grant accounts include budget authority that is no longer available for new obligations but is still available for disbursement. The period of disbursement lasts for five years after the last unexpired year unless the expiration period has been lengthened by legislation. Specifically, one may not incur new obligations against expired budget authority, but one may liquidate existing obligations by making disbursements (section 20.4(c), *Period of availability of budget authority*, of the Office of Management and Budget's (OMB) Circular A-11 Revised dated June 28, 2019, *Preparation, Submission, and Execution of the Budget*).

OMB Memorandum M-16-18, *Financial and Performance Reporting on Undisbursed Balances in Expired Grant Accounts* (July 15, 2016), requires the following information to be reported in the Department's annual Agency Financial Report and annual performance plans/budgets for FY 2019 and subsequent fiscal years regarding undisbursed balances in expired grant accounts:

- (1) In the preceding three fiscal years, provide the total number of expired grant accounts with undisbursed balances for the Department and the total amount that has not been obligated to a specific grant or project remaining in the accounts;
- (2) Details on future action the Department will take to resolve undisbursed balances in expired grant accounts;
- (3) The method that the Department uses to track undisbursed balances in expired grant accounts; and
- (4) Process for identification of undisbursed balances in expired grant accounts that may be returned to the U.S. Department of the Treasury (Treasury).

Six bureaus report information under this guidance: Census Bureau, International Trade Administration (ITA), Minority Business Development Agency (MBDA), National Institute of Standards and Technology (NIST), National Oceanic and Atmospheric Administration (NOAA), and National Telecommunications and Information Administration (NTIA). NIST's Grants Management Division (GMD) manages all grants awarded by NIST as well as a portion of those grants funded by NTIA. NOAA's GMD manages all grants awarded by NOAA as well as those grants awarded by the Census Bureau, ITA and MBDA and the remainder of the NTIA awards.

Both NIST GMD and NOAA GMD have teams that are responsible for reviewing, closing out, and deobligating undisbursed balances in expired awards. As part of their routine grants management responsibilities, these offices review reports that identify expired awards with undisbursed balances of funds as well as expired awards that may have existing audit findings or other unresolved matters which require further coordination prior to deobligating funds and closing out an award.

During its reviews of expired awards with undisbursed obligations, NIST GMD reconciles the recipient's Standard Form (SF) 425, *Federal Financial Report*, against the amount of funding remaining in the payment system and in NIST's financial system. NIST GMD works with all relevant parties to resolve any discrepancies prior to the deobligation of funds and begins the deobligation process once it is determined that the recipient is not owed any further federal funding and that all relevant issues are resolved. The NIST grants specialist actively checks NIST's Grant Management Information System (GMIS) for awards eligible for closeout and begins closing awards with the largest de-obligated funded awards first. NIST has a Grants Management Officer (GMO) assigned to oversee the closeout process. This individual routinely obtains reports from GMIS to identify any awards that have expired and that are eligible for the closeout process. Additionally,

these reports identify if any undisbursed obligations remain in the award account. The GMO also collects regular status updates on all the awards in the closeout process, and advises on appropriate next steps to resolve any outstanding issues that may be preventing a deobligation or the closeout of an award. The status updates are reconciled against reports run from GMIS to help ensure that no awards warranting attention are missed during the process. If there is an unobligated balance, NIST's finance office uses the budget account to determine what unobligated funds, if any, may be returned to Treasury. Any funds that are returned to Treasury are typically returned to Treasury upon the budget account entering the cancelled phase. Over the past four years, NIST has made significant progress in reducing the backlog of closeouts and deobligations and any aged closeouts are being tracked and reported to the Department's Financial Assistance Policy and Oversight Division (FAPOD) to help ensure progress is made.

On a monthly basis, NOAA GMD obtains and reviews an Undisbursed Funds Chart to track expired grant awards with undisbursed obligations. The Undisbursed Funds Charts are also provided to the Department's FAPOD. Upon review and acceptance of the recipient's SF 425, NOAA GMD completes and submits a deobligation request to NOAA's finance office. After deobligation is completed, NOAA's finance office identifies the applicable budget account and determines what, if any, unobligated funds may be returned to Treasury.

Each bureau submits a monthly report to the Department's FAPOD detailing the current status of expired awards—number of expired awards not yet closed and undisbursed balances of funds in these awards. FAPOD consolidates these reports and presents the information during the Department's bi-monthly Grants Council meetings for review and analysis. Over the past four fiscal years, numerous lessons learned and business process improvements have been identified and implemented across the Department's grants offices. A direct impact of the Grants Council's oversight has been the Department's significant progress in reducing the backlog of closeouts and deobligations.

The table on the following pages presents, for each applicable budget account as of September 30 for the past three fiscal years, the number of expired grant awards with undisbursed obligations, the number of undisbursed obligations relating to expired grant awards, and the total unobligated balance.

(Numbers in Actual Amounts; Dollars in Thousands)

Bureau	Budget Account	As of September 30, 2019			As of September 30, 2018			As of September 30, 2017		
		Number of Expired Grant Awards with Undisbursed Obligations	Undisbursed Obligations for Expired Grant Awards	Total Unobligated Balance in Budget in Account	Number of Expired Grant Awards with Undisbursed Obligations	Undisbursed Obligations for Expired Grant Awards	Total Unobligated Balance in Budget in Account	Number of Expired Grant Awards with Undisbursed Obligations	Undisbursed Obligations for Expired Grant Awards	Total Unobligated Balance in Budget in Account
ITA	1250 Operations and Administration, ITA, Commerce	5	196 \$	53,098	5	34 \$	57,719	2	30 \$	69,579
MBDA	0201 Minority Business Development, MBDA	26	1,884	4,609	49	13,739	5,353	2	72	5,867
NIST	0500 Scientific and Technical Research and Services, NIST		1,082	17,104		1,679	29,609		1,037	10,268
	0513 Wireless Innovation Fund, NIST		73	158,502		-	195,107		-	239,241
	0515 Construction of Research Facilities, NIST		-	254,757		-	266,727		-	47,607
	0525 Industrial Technology Services, NIST		2,642	5,362		981	8,506		953	8,368
	0549 Scientific and Technical Research and Services, Recovery Act, NIST, Commerce		-	113		-	113		-	113
	4650 Working Capital Fund, NIST		2,853	154,951		210	133,548		308	117,090
	Total	209	6,650	590,789	312	2,870	633,610	157	2,298	422,687
NOAA	1450 Operations, Research, and Facilities, NOAA		12,535	551,283		17,041	466,461		15,043	344,422
	1451 Expenses, Pacific Coastal Salmon Recovery, NOAA		356	112		159	793		254	163
	1460 Procurement, Acquisition, and Construction, NOAA, Commerce		45	361,500		272	502,201		1,136	398,645

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(Numbers in Actual Amounts; Dollars in Thousands)

Bureau	Budget Account	As of September 30, 2019			As of September 30, 2018			As of September 30, 2017			
		Number of Expired Grant Awards with Undisbursed Obligations	Undisbursed Obligations for Expired Grant Awards	Total Unobligated Balance in Budget Account	Number of Expired Grant Awards with Undisbursed Obligations	Undisbursed Obligations for Expired Grant Awards	Total Unobligated Balance in Budget Account	Number of Expired Grant Awards with Undisbursed Obligations	Undisbursed Obligations for Expired Grant Awards	Total Unobligated Balance in Budget Account	
NOAA <i>(continued)</i>	2055 Fisheries Disaster Assistance, NOAA, Commerce		430 \$	-		59 \$	219,858		- \$	78	
	4316 Damage Assessment and Restoration Revolving Fund, NOAA	109		136,988	35		137,657	1		119,678	
	5139 Promote and Develop Fishery Products and Research Pertaining to American Fisheries, NOAA	673		750	395		2,089	228		3,706	
	5284 Limited Access System Administration Fund, NOAA	4		19,643	608		17,777	-		16,197	
	5362 Environmental Improvement and Restoration Fund, NOAA	-		-	1,285		-	-		8,222	
	5439 Western Pacific Sustainable Fisheries Fund, NOAA	-		125	240		-	-		17	
	Total	758	14,152	1,070,401	542	20,094	1,346,836	357	16,662	891,128	
	NTIA	0550 Salaries and Expenses, NTIA, Commerce	-		30,897	144		35,439	9		30,874
		0551 Public Telecommunication Facilities, Planning and Construction, NTIA, Commerce	-		1,109	39		855	39		852
		0554 Broadband Technology Opportunities Program, Recovery Act, NTIA, Commerce	-		174,717	-		169,792	-		169,784
4358 Network Construction Fund, NTIA, Commerce		-		8,387	1,012		40,329	154		5,539,480	
Total	1	-	215,110	4	1,195	246,415	7	202	5,740,990		
Total		999 \$	22,882 \$	\$1,934,007	912 \$	\$ 37,932	\$2,289,933	525 \$	\$ 19,264	\$7,130,251	

GLOSSARY OF ACRONYMS

Abbreviation	Title
A AFR	Agency Financial Report
APG	Agency Priority Goal
APPR	Annual Performance Plan and Report
ASAP	Automated Standard Application for Payments (Treasury)
ASR	Annual Strategic Review
B BAS	Business Application Solutions
BEA	Bureau of Economic Analysis
BIS	Bureau of Industry and Security
BRS	Blended Retirement System (NOAA Corps)
C 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)
CFR	Code of Federal Regulations
CMP	Civil Monetary Penalty
COTS	Commercial off-the-shelf [software]
CPI	Consumer Price Index
CSRS	Civil Service Retirement System (OPM)
CTP	Corporation for Travel Promotion (Disclosure Entity)
D DATA Act	Digital Accountability and Transparency Act of 2014
DM	Departmental Management
DM&R	Deferred Maintenance and Repairs
DMF	Death Master File
DOI	U.S. Department of the Interior
DOL	U.S. Department of Labor



Abbreviation	Title
E E2	Electronic Travel System, version 2 or E2 Solutions (travel management system)
ECM	Energy Conservation Measures (ESPCs)
EDA	Economic Development Administration
EPA	Environmental Protection Agency
EPP	Educational Partnership Program (NOAA)
ERM	Enterprise Risk Management
ES	Enterprise Services (DM)
ESA	Economics and Statistics Administration
ESPC	Energy Savings Performance Contract
F FACE	Financial Assistance Committee for E-Government
FAPOD	Financial Assistance Policy and Oversight Division
FAR	Federal Acquisition Regulation
FASAB	Federal Accounting Standards Advisory Board
FCA	Facility Condition Assessment (NIST and NOAA)
FCC	Federal Communications Commission
FCCS	Federal Claims Collections Standards
FCI	Facility Condition Index (DM&R)
FDI	Foreign Direct Investment
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
FFP	Firm-Fixed-Price
FirstNet	First Responder Network Authority (an independent authority within NTIA)
FKNMS	Florida Keys National Marine Sanctuary (NOAA)
FMFIA	Federal Managers' Financial Integrity Act of 1982
FR	Financial Report of the U.S. Government
FWC	Future Workers' Compensation
FY	Fiscal Year ended September 30

Abbreviation	Title
G	
G-Invoicing	Government Invoicing System (Treasury)
GAAP	Generally Accepted Accounting Principles
GAO	U.S. Government Accountability Office
GEMS	Grants Enterprise Management Solution
GMIS	Grant Management Information System (NIST)
GMO	Grants Management Officer (NIST)
GPRA	Government Performance and Results Act of 1993
GPRAMA	Government Performance and Results Modernization Act of 2010
Grants Manual	Grants and Cooperative Agreements Manual (Department of Commerce)
GSA	U.S. General Services Administration
H	
HCOP	Human Capital Operating Plan (OMB)
HR	Human Resources
I	
ICOOS Act	Integrated Coastal and Ocean Observation System Act of 2009
IFQ	Individual Fishing Quota Loans (a NOAA direct loan program)
IOOS	U.S. Integrated Ocean Observing System
IP	Intellectual Property
IPIA	Improper Payments Information Act of 2002
ISO	Information Services Office (NIST)
IT	Information Technology
ITA	International Trade Administration
IUS	Internal Use Software
M	
M&V	Measurement and Verification (ESPCs)
MBDA	Minority Business Development Agency
MD&A	Management's Discussion and Analysis
MSFCMA	Magnuson-Stevens Fishery Conservation and Management Act (NOAA Civil Monetary Penalties)
MSI	Minority Serving Institutions (EPP)



Abbreviation	Title
N NCEI	National Centers for Environmental Information (NOAA)
NERR	National Estuarine Research Reserves (NOAA)
NFC	National Finance Center (U.S. Department of Agriculture)
NGGPS	Next Generation Global Prediction System (NOAA)
NHTSA	National Highway Traffic Safety Administration (U.S. Department of Transportation)
NIST	National Institute of Standards and Technology
NMFS	National Marine Fisheries Service (NOAA)
NOAA	National Oceanic and Atmospheric Administration
NOS	National Ocean Service (NOAA)
NPSBN	Nationwide Public Safety Broadband Network
NTIA	National Telecommunications and Information Administration
NTIS	National Technical Information Service
O OAM	Office of Acquisition Management (DM)
OAR	Office of Oceanic and Atmospheric Research (NOAA)
OFM	Office of Financial Management (DM)
OIG	Office of Inspector General (DM)
OMB	Office of Management and Budget
OPM	U.S. Office of Personnel Management
OS	Office of the Secretary (DM)
P P3	Public–Private Partnership
PP&E	Property, Plant, and Equipment
R R&D	Research and Development
RA	Regional Association (Disclosure P3s – NOAA)
RFP	Request for Proposal
RICE	Regional Information Coordination Entity (Disclosure P3s – NOAA)
RT&C	Research Terms and Conditions

Abbreviation	Title
S S&E	Salaries and Expenses (DM)
SAM	System for Award Management (GSA)
SBR	Combined Statement of Budgetary Resources
SCNP	Consolidated Statement of Changes in Net Position
SDC	Sustained Disallowed Costs
SF 425	Standard Form 425, <i>Federal Financial Report</i>
SFFAS	Statement of Federal Financial Accounting Standards (FASAB)
SI	International System of Units
SMS	Sustainment Management System
ST&C	Standard Terms and Conditions
T TPA	Travel Promotion, Enhancement, and Modernization Act of 2014
Treasury	U.S. Department of the Treasury
TROR	Treasury Report on Receivables
TSP	Thrift Savings Plan
U USDA	U.S. Department of Agriculture
USFWS	U.S. Fish and Wildlife Service (DOI)
USSGL	United States Standard General Ledger
USPTO	U.S. Patent and Trademark Office
W WCF	Working Capital Fund (DM)
WIPO	World Intellectual Property Organization





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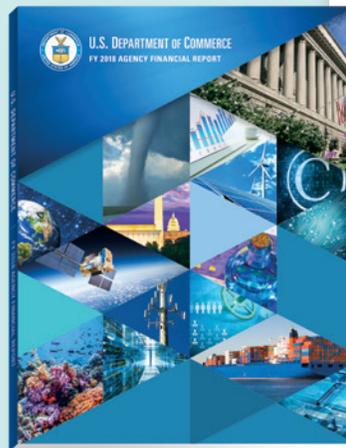
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