U.S. DEPARTMENT OF COMMERCE

AGENCY FINANCIAL REPORT

FISCAL YEAR

2016

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

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

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U.S. Department of Commerce

Agency Financial Report

Fiscal Year

2016

THE DEPARTMENT AT A GLANCE

HISTORY AND ENABLING LEGISLATION

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

MISSION

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

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

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

STRATEGIC GOALS

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

LOCATION

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

EMPLOYEES

As of September 30, 2016, the Department had approximately 46 thousand employees.

BUDGET AUTHORITY

The Department's FY 2016 net budget authority was approximately $10.35 billion.

INTERNET

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

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MESSAGE FROM SECRETARY PRITZKER

I am pleased to present the Department of Commerce's Agency Financial Report (AFR) for fiscal year (FY) 2016. The AFR is an opportunity for us to highlight the Department's accomplishments and challenges in FY 2016. This report also provides information on our financial management and performance.

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

In FY 2016, the Department continued to help American businesses and workers prosper, compete, and thrive. Exports set record highs. America was once again named the #1 place in the world for investment. More government data were made available. And the longest streak of private-sector job growth continued.

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

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

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

These data provide an accurate and transparent accounting of the Department's financial situation and high-level performance results. For the 18th year in a row, the independent auditors tasked with reviewing our financial statements have provided an unmodified opinion. However, the Department received a Significant Deficiency relating to needed improvement in financial information system general controls as a result of findings within the bureaus.

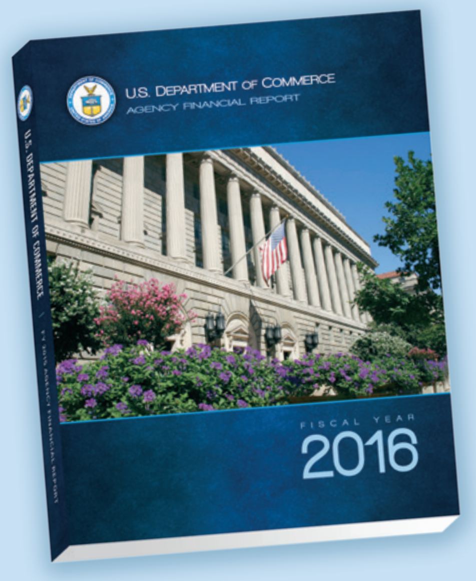
The Federal Managers' Financial Integrity Act of 1982 (FMFIA) and OMB Circular A-123 provide the framework within which Departmental and operating unit managers may determine whether adequate internal controls are in place and operating as they should. We rely on a wide range of studies conducted by programmatic and administrative managers, the Office of Inspector General, the Government Accountability Office, and others to assist in this effort. Based on activities undertaken during FY 2016, the Department is able to provide an unmodified statement of assurance that its internal controls and financial management systems meet the objectives of FMFIA.

More detailed performance information and results will be released in the Annual Performance Report in February 2017.

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

Penny Pritzker
U.S. Secretary of Commerce
November 14, 2016

HOW TO USE THIS REPORT



This Agency Financial Report (AFR) for the fiscal year ended September 30 (FY) 2016 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 2018 Congressional Budget in conjunction with performance plan information as the "FY 2018 Annual Performance Report" for each bureau and will post it on the Department's website at *http://www.osec.doc.gov/bmi/budget/.*

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

This report is organized into the following major components:

Statement from the Secretary of Commerce

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

Management's Discussion and Analysis (MD&A)

This section provides an overview of the financial and summary-level performance information contained in the Performance Summary, Financial Section, and Other Information. The MD&A includes an overview of the summary of the performance process and current status of systems, internal control weaknesses, information on the Department's financial management, and analysis of FY 2016 financial condition and results.

Financial Section

This section contains details of the Department's finances in FY 2016. A message from the Department's Chief Financial Officer (CFO) is followed by the independent auditors' report, audited financial statements and notes, and required supplementary information.

Other Information

This section provides an overview of spending, a summary of the top management challenges, improper payments information, a federal real property "Freeze the Footprint" report, a schedule of civil monetary penalties' adjustments for inflation, and a glossary of acronyms.

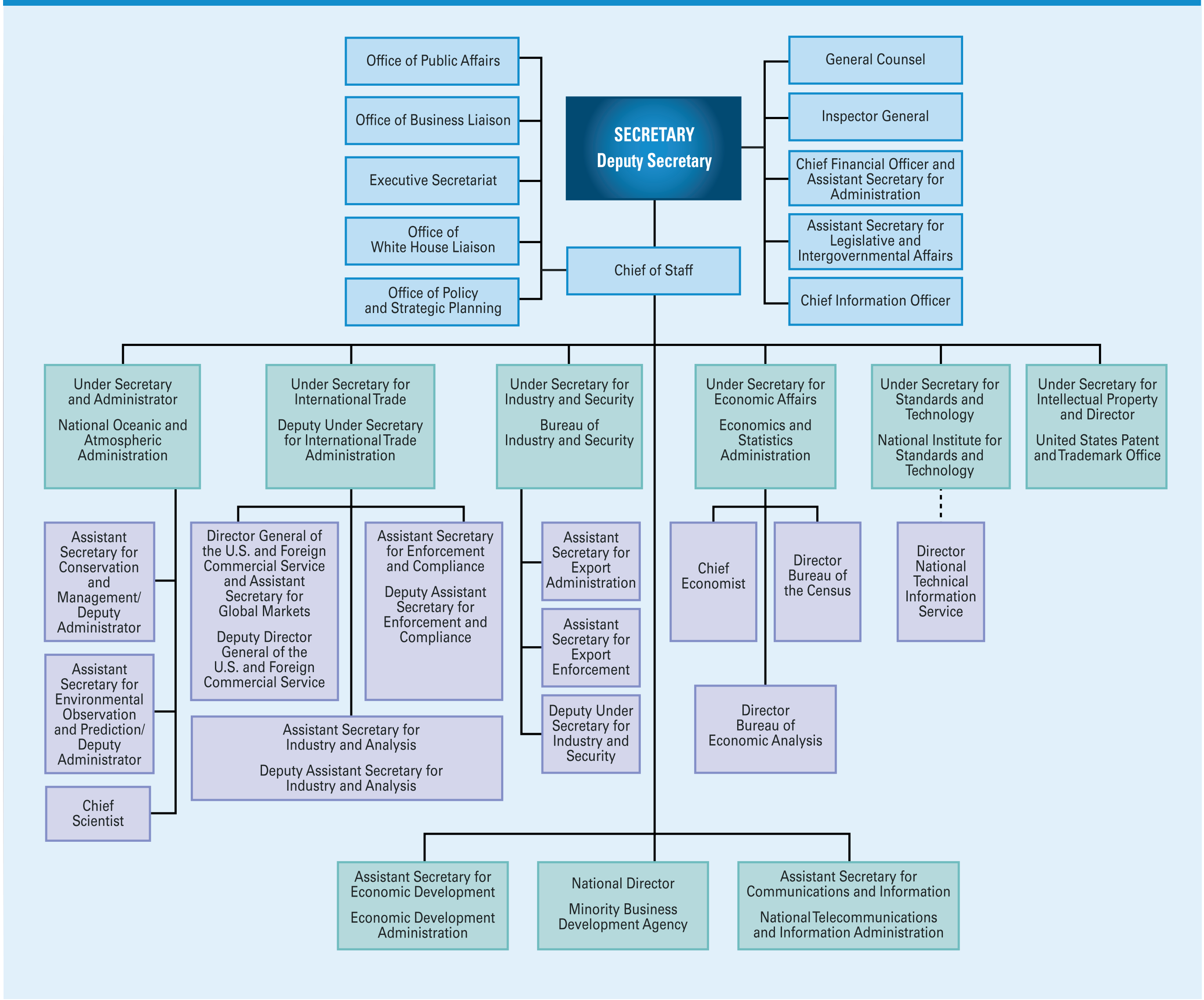
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 THE FY 2014 – FY 2018 STRATEGIC PLAN

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

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

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

ROUTINE MONITORING OF THE STRATEGIC PLAN

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

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

ANNUAL STRATEGIC REVIEW PROCESS

Apart from the SPRI and Goal Lead reviews of strategic objectives, in FY 2016 the Department conducted an annual strategic review as required by OMB Circular A-11. FY 2015 was the first year federal agencies conducted these reviews to the letter of new guidance from OMB and the Federal Performance Improvement Council. The Department's reviews were conducted in the following three steps:

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

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

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

SUMMARY OF STRATEGIC GOALS AND OBJECTIVES

1 TRADE AND INVESTMENT

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

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

2 INNOVATION

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

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

3 ENVIRONMENT

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

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

4 DATA

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

Maximize the positive impacts of Commerce data on society

5 OPERATIONAL EXCELLENCE

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

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

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

FY 2016 PERFORMANCE SUMMARY

OVERVIEW

The performance indicators below are a representative sample of the 170 indicators that are tracked. The indicators that are presented were selected based on significance, the availability of FY 2016 data, and accessibility (easy to understand without a technical background). The Department's full set of performance metrics, trends and results are in the Annual Performance Plan/Report that is part of the annual budget submission to Congress. Because the Department's strategic plan is a significant departure from past plans; many supporting indicators were established in the last few years and have limited trend data. Further, because of the publication date of this report, full year data on FY 2016 are not available on all measures.

1. TRADE AND INVESTMENT

The Agency Priority Goal (APG) in the Trade and Investment goal area is "Percentage of Global Markets' clients that achieved their export objectives." Global Markets is part of the International Trade Administration (ITA) and assists U.S. business to start exporting or increase exports. This measure reflects Global Markets' emphasis on customer service. In FY 2016, the target of 73 percent was exceeded; 78 percent achieved their objectives. The percentage of clients highly likely to recommend Global Markets assistance, 86 percent, compares favorably to the service ratings of well-regarded private sector companies.

In FY 2016, ITA increased emphasis on enforcement of trade agreements and conventions. They far exceeded their target of responding to 259 business petitions regarding unfair practices; they worked with 655 businesses. The "export impact of prevention, reduction or removal of trade barriers" depends largely on the issues and industries that are problematic in a given year.

Performance Measure	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Target	FY 2016 Actual
Percentage of Global Markets clients that achieved their export objectives	67%	68%	67%	73%	73%	73%	78%
Percentage of clients highly likely to recommend Global Markets	79%	82%	78%	83%	84%	81%	86%
Number of clients assisted by Global Markets	20,143	18,945	18,126	17,593	25,029	23,000	26,852
Number of antidumping and countervailing duty petition counseling sessions	N/A	N/A	N/A	N/A	N/A	259	655
Export impact of prevention, reduction or removal of trade barriers – Dollars of business created or retained	N/A	N/A	$1.8B	$151M	$3.6B	$1.7B	$26.2B

2. INNOVATION

The Department supports innovation with cutting-edge research by the scientists at the National Institute of Standards and Technology (NIST). The NIST indicator below shows that their publications are cutting-edge and highly cited. The National Telecommunications and Information Administration (NTIA) provides highly used research and information on broadband use and developments. The third measure in the matrix below refers to the Department work on industry driven skills training.

Performance Measure	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Target	FY 2016 Actual
Relative citation impact of NIST authorized publications	1.63	1.31	1.58	1.53	1.7	1.5	2.0
Number of times NTIA research publications are downloaded	N/A	N/A	N/A	7,707	8,960	7,500	8,800
Number of NIST Manufacturing Extension Partnership centers partnering with skills training providers	N/A	N/A	N/A	54	54	53	53

The U.S. Patent and Trademark Office (USPTO) continues to reduce the patent backlog and the time required for a patent determination (another APG). Their efforts to improve cycle-time and patent quality help reduce the time from invention to commercialization of a product.

Performance Measure	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Target	FY 2016 Actual
Patent first action pendency (months)	28.0	21.9	18.2	18.4	17.3	14.8	16.2
Patent total action pendency (months)	33.7	32.4	29.1	27.4	26.6	25.4	25.3
Patent backlog	669,625	608,283	584,998	605,646	553,221	N/A	537,655

3. ENVIRONMENT

The National Oceanic and Atmospheric Administration (NOAA) has an innovative APG aimed at accelerating the speed of science. They set a target for moving seven advances in research to advances in operations. They missed the target and moved four to applications but aiming high using an unprecedented measure has produced learning and new strategies.

NOAA also advances U.S. resilience to extreme weather and works with individual communities toward that end. As shown in the metric below many hometowns are benefiting from increased resilience. Like NIST, NOAA has an admirable record for peer-reviewed research; NOAA research focuses on weather, climate, and the oceans. As indicated in the last measure in the matrix below they also have an admirable record of success supporting populations of endangered species.

Performance Measure	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Target	FY 2016 Actual
Number of research and development capabilities transitioning to applications (from TRL 8 to TRL 9[1]) to improve efficiency, accuracy, or precision of forecasts	N/A	N/A	N/A	N/A	N/A	7	4
Percentage of U.S. coastal states and territories demonstrating annual improvement in resilience to weather and climate hazards	43%	46%	57%	54%	60%	60%	74%
Annual number of peer-reviewed publications related to environmental understanding and prediction	1,210	1,800	1,676	1,759	1,860	1,500	1,697
Number of protected species designated as threatened, endangered or depleted with stable or increasing population levels	29	29	30	37	31	31	31

[1] TRL = Technology Readiness Level

NOAA skill and lead time for predicting weather can and does save lives. They have a multi-year APG to extend the reliable lead time for weather predictions to 9.5 days. They are using "super-computing" to perfect the models that will achieve the goal.

Performance Measure	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Target	FY 2016 Actual
Length of forecast considered useful	9.05	9.46	9.34	9.29	9.25	9.5	N/A
U.S. temperature forecast skill	22	29	26	26	25	25	24
Winter storm warning – Lead time (hours)	20	18	22	22	21	20	21

4. DATA

The Data goal area has a much different emphasis than in the past. The Department has viewed its statistical and environmental data as a product. The FY 2014 – FY 2018 Strategic Plan presents data as a national asset that can increase competitiveness and save lives (weather data). In FY 2014, the new Chief Data Officer joined the Department to create a vision and a plan to put the Department ahead of the breakneck speed of information technology (IT) advances. In FY 2015, his new team began working with several bureaus on new applications that make Department data more accessible and useful.

The Census Bureau has met its annual milestones toward its key goal. They are aiming for a 2020 Decennial Census that cost less per housing unit (when adjusted for inflation) than the 2010 Census, while maintaining high quality and timeliness for all its many survey and data products. Census and the Bureau of Economic Analysis (BEA) continued to meet their deadlines for data releases that are the basis of critical government and business decisions.

Performance Measure	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Target	FY 2016 Actual
Percentage of key activities for cyclical census programs completed on time to support effective decision-making by policymakers, businesses, and the public	90%	90%	90%	90%	100%	90%	100%
Percentage of key data products for Census Bureau programs released on time to support effective decision-making of policymakers, businesses, and the public (Economic Indicators)	100%	100%	100%	100%	100%	100%	100%
Percentage of key data products for Census Bureau programs released on time to support effective decision-making of policymakers, businesses, and the public (Other Key Products: Econ, Geo, and Demo)	90%	90%	90%	86%	87%	90%	84%
BEA timely releases of economic statistics	62	62	62	65	65	65	74[1]

1 Target was exceeded because additional datasets were released.

5. OPERATIONAL EXCELLENCE

There are many "granular" measures in the Operational Excellence goal area that establishes strategies for mission support, e.g., measures of customer satisfaction with individual processes and services, cycle-times, and cost effective new practices. The strategic measures are milestones for creating a new framework for organizational development, a common IT architecture, and enterprise-wide support services. Plans in these areas are on track and in line with government-wide initiatives. As these proceed, the Department monitors employee survey results (see below) to assess if the culture supports excellence. The survey data below is the percent of staff who responded positively on the questions in the index. Both index scores are above the federal average. Environmental responsibility is monitored through a sustainability index and enterprise acquisition practices are monitored through staff feedback and savings. Each measure shows notable progress.

Performance Measure	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Target	FY 2016 Actual
Federal Employee Viewpoint Survey – Employee Engagement Index	70	70	70	70	68	N/A	69
Federal Employee Viewpoint Survey – Results Oriented Culture Index	61	61	61	61	60	N/A	60
Commerce Sustainability Scorecard rank among Chief Financial Officer agencies	N/A	N/A	24/24	15/24	5/25	Top 10	N/A
Savings achieved through effective acquisition practices	N/A	N/A	$29M	$18.1M	$17M	N/A	$26M

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 2016, 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, 2016 was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

In addition, the Department conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, the Department can provide reasonable assurance that its' internal control over financial reporting as of June 30, 2016 was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting. Furthermore, no material weaknesses related to internal control over financial reporting were identified between July 1 and September 30.

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

Ellen Herbst

Ellen Herbst
Chief Financial Officer and
Assistant Secretary for Administration
Department of Commerce
November 14, 2016

Penny Pritzker

Penny Pritzker
Secretary of Commerce
November 14, 2016

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA) OF 1982

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

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

During FY 2016, the Department reviewed its management control system in accordance with the requirements of FMFIA, and OMB and Departmental guidelines.

SECTION 2 OF FMFIA – INTERNAL MANAGEMENT CONTROLS

Section 2 of FMFIA requires that federal agencies report, on the basis of annual assessments, any material weaknesses that have been identified in connection with their internal and administrative controls. The efficiency of the Department's operations is continually evaluated using information obtained from reviews conducted by the 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 2016 that were key to the organization provide assurance that Department systems and management controls comply with standards established under FMFIA.

Based on their FY 2016 evaluations, the Department's 12 bureaus submitted, signed, and certified 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.

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 2016, the financial systems in the Department are compliant with GAO principles and standards, the requirements of the Chief Financial Officers (CFO) Act, and OMB requirements.

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA) OF 1996

Under FFMIA, the Department is required to have financial management systems that comply with federal financial management system requirements, federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level. In FY 2016, the Department remained in compliance with FFMIA.

REPORT ON AUDIT FOLLOW-UP

The Inspector General Act, as amended, requires that the Secretary report to Congress on the final action taken for Inspector General audits. This report covers Commerce Department audit follow-up activities for FY 2015.

SUMMARY OF ACTIVITY ON AUDIT REPORTS
OCTOBER 1, 2014 THROUGH SEPTEMBER 30, 2015

	NUMBER OF OPEN REPORTS			POTENTIAL MONETARY BENEFITS	
	Monetary[1]	Nonmonetary[2]	Total	Disallowed Costs[3]	Funds to Be Put to Better Use[4]
Beginning Balance	12	28	40	$ 19,277,332	$ 224,342,502
New Reports	0	14	14	–	–
Total Reports Open During the Period	12	42	54	19,277,332	224,342,502
Reports Closed	7	8	15	3,805,139	221,564,007
Ending Balance	5	34	39	$ 15,472,193	$ 2,778,495

1 "Monetary reports" are those in which OIG has found that there are potential monetary benefits to be achieved through implementation of its recommendations.

2 "Nonmonetary reports" do not contain findings identifying potential monetary benefits.

3 "Disallowed costs" are questioned costs that management has sustained or agreed should not be charged to the government.

4 "Funds to be put to better use" are funds that could be used more efficiently if management took action to implement and complete the recommendation. Audits with "funds to be put to better use" may be non-federal audits of individual grant awards or performance audits of grant programs or other programs. Thus, the amount of "funds to be put to better use" among audits can vary widely.

Notes:
- Changes to the non-federal audit process were implemented in part as a result of OMB's *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards.* Effective December 26, 2014, OIG discontinued review of non-federal audit reports.
- With the FY 2016 Agency Financial Report, the Department has changed the reporting period to the previous fiscal year.
- This report does not reflect implementation of individual recommendations, but only closure of complete reports (i.e., implementation of all recommendations).

BIENNIAL REVIEW OF FEES

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

The Department conducts a review of its programs at least biennially, with some bureaus conducting annual reviews. With the exception of the National Technical Information Service (NTIS), all bureaus in the Department are in compliance with the requirement to adjust its fees to meet the Circular A-25 Revised requirement of full-cost recovery for user charges.

Due to a change in services provided in FY 2017 in support of their new strategic direction, the NTIS will complete a review of all user charges in 2017. The last NTIS review was conducted in 2014. In June of 2015, Secretary Pritzker set a new focus for NTIS to expand access to the Department's and the broader federal government's data resources with a focus on data concerning the nation's economy, population, and environment. In support of this new strategic direction, NTIS has been phasing out projects and products that are not aligned with the new mission. This had a significant impact on the type/number of products that NTIS charges a user fee for.

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 2016 and future initiatives are discussed further below.

FINANCIAL MANAGEMENT SYSTEMS

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

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

During FY 2016, the Department accomplished the following initiatives:

- Began the requirements, design, development, testing, and deployment of interfaces between CBS and E2 in support of the Department-wide implementation of E2 (travel management system). These interfaces include authorizations, vouchers, centrally billed accounts, and audit functionality;
- Began planning and assessment for the Department's approach to meet the Digital Accountability and Transparency Act (DATA Act) requirements;
- Participated in the Common Core effort, led by Treasury's Office of Financial Innovation and Transformation, to optimize functional, technical, and operations components of each Federal Shared Service Provider financial management system solution. The Business Application Solutions (BAS) project remains on hold while the Department works with the Office of Management and Budget (OMB) and Treasury to determine a path forward;

- Implemented system changes to address the government-wide Treasury Accounting Symbol modification to handle beginning balance attributes and Adjusting Entry modifications to CBS;
- Deployed Visa and Passport system to facilitate issuance of visas and passports for Department officials' foreign travel;
- Completed several technical CBS upgrades, including the upgrade of the CSC Portal to WebCenter; began the upgrade of the CBS Portal to WebCenter; began the Oracle 12c Database Upgrade;
- Deployed online dashboards, tools, processes, and standardized templates improving the efficiency, effectiveness, governance, management, and delivery of the Chief Financial Officer and Assistant Secretary for Administration (CFO/ASA) capabilities and services; and
- Conducted operations and maintenance activities for the Department's CFO/ASA Dashboard application. The CFO/ASA Dashboard provides a Department-wide, executive-level overview of the Department's highest priority and highest risk mission and administrative initiatives.

In FY 2017 and beyond, the Department will continue its efforts to enhance its financial systems. The Department plans to accomplish the following:

- Continue working with OMB and Treasury to determine the next steps for the BAS project;
- Complete the design, development, and testing of the interfaces between the Department's travel system and the Department's financial management system (CBS), modifications to meet the DATA Act requirements;
- Implement a Department-wide relocation system and its interface with CBS; and
- Complete technical upgrades, including upgrading the database to Oracle 12c, and upgrading CBS Portal to WebCenter.

FINANCIAL REPORTING AND POLICY

The Department accomplished the following initiatives during FY 2016:

- Bureaus identified and reported improper payments data to the Department quarterly, including recaptures of improper payments data, identified reasons for improper payments, and continually implemented appropriate actions to minimize future improper payments;
- Each of the Department's bureaus/reporting entities updated or prepared their scheduled improper payment risk assessments covering all programs/activities as required by OMB Circular A-123, *Management's Responsibility for Internal Control*, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*. These improper payment risk assessments of the entity's programs/activities also include assessments of the control, procurement, and grants management environments, and are now in the continuous process stage of being updated every three years, unless significant changes occur, in which case an assessment will be updated quicker;
- A contractor completed an annual payment recapture audit of Department-wide grants and other cooperative agreements, and completed annual payment recapture audits of contracts/obligations for the Bureau of Industry and Security and the National Technical Information Service (payment recapture audits of contracts/obligations are performed annually for the Department's bureaus/reporting entities, on a rotational basis). The payment recapture audits identified improper payments (overpayments) of $122 thousand, for which appropriate action was subsequently taken by the Department to resolve the improper payments, and recapture was not applicable;

- A contractor prepared a Statistical Sampling and Estimation Plan for the National Oceanic and Atmospheric Administration (NOAA) Disaster Relief Appropriations Act FY 2015 disbursements in order to yield a statistically valid improper payments estimate, and performed the FY 2015 disbursements testing, which yielded a statistically valid improper payments estimate of $51 thousand for FY 2015 disbursements; and

- Adjusted the Department's civil monetary penalties for inflation in 2016, under a revised methodology effective for 2016 which provided for initial catch up adjustments for inflation in 2016, in accordance with the Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Debt Collection Improvement Act of 1996 and the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015.

In FY 2017 and beyond, the Department plans to accomplish the following:

- Adjust the Department's civil monetary penalties for inflation in 2017, 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;

- Implement, effective FY 2017, the Federal Accounting Standards Advisory Board's (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) 48, *Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials*, which permits reporting entities to apply an alternative valuation method in establishing opening balances for inventory, operating materials and supplies, and stockpile materials;

- Evaluate and implement as necessary, effective FY 2019, FASAB's SFFAS 49, *Public-Private Partnerships Disclosure Requirements*, which establishes a Public-Private Partnership definition and identifying risk-based characteristics that need to exist before considering the Public-Private Partnership arrangement or transaction for disclosure. The standard exempts certain arrangements or transactions from the standard's specific disclosure requirements, although such items are subject to other federal accounting standards, as appropriate; and

- Upgrade the Corporate Database as dictated by changes to financial reporting requirements and technology advancements.

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 grant and cooperative agreement programs in order to strengthen compliance. Additionally, OAM is overseeing the migration of all of its grant-making units to the NOAA's fully automated grants management system, Grants Online. Targeted efforts by OAM continue to transform the decentralized Department grants management community into an effective and efficient partnership.

OAM's Grants Management Division (GMD) 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/GMD collaborates with partners in the Department's financial assistance community to review and update the Department's Grants and Cooperative Agreements Manual (Manual) as well as develop updated Financial Assistance Standard Terms and Conditions (STC) consistent with the issued guidance—both the Manual and the STCs undergo annual reviews and updates.

The International Trade Administration (ITA), Minority Business Development Administration, National Telecommunications and Information Administration (as well as the First Responder Network Authority), and the Census Bureau have successfully migrated to NOAA's Grants Online to manage their respective grants throughout the award's lifecycle. The Economic Development Administration and the National Institute of Standards and Technology (NIST) are in the process of migrating to Grants Online and they are expected to complete their migration in FY 2018.

OAM/GMD is participating in an intergovernmental work group lead by OMB to review policy governing the Catalog of Federal Domestic Assistance (CFDA). Specifically, the work group is studying the feasibility of linking CFDA entries to Treasury Account Symbols and program activity and to what extent CFDA listings can be associated with authorizing statutes.

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

In support of the Department's focus in standardizing policies and procedures for its financial assistance programs and thus strengthen compliance, OAM/GMD tracks the number of expired grants which remain unclosed for more than 180 days. The Department has made significant progress in this area over the past three years, with the total number of unclosed grants in this category dropping from 703 at the start of calendar year 2013 to 108 by July of 2016. To ensure this issue remains a top priority, each operating unit provides OAM/GMD with a monthly report and also provides an update at the Department's bi-monthly Grants Council meetings.

HUMAN CAPITAL

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

In FY 2016, the Department continued its drive towards implementing the Enterprise Services (ES) Initiative, recognized by the Secretary, Deputy Secretary, and executive leadership to be a proven means of achieving the objective of Operational Excellence, one of the five priority areas of the Department's Strategic Plan designed to help the Department meet its long-term goals and objectives. The ES Initiative will transform the way the Department delivers mission enabling services by implementing intra-departmental, multi-function enterprise service operations (in Human Resources, Information Technology, Acquisitions, and Financial Management) to the Office of the Secretary and the Department's 12 bureaus.

While full implementation of ES is pending reprogramming decisions, ES has been successful in delivering several critical services in Acquisitions and Information Technology, based on the authority and approvals that the Department does have, yielding enterprise-wide benefits and cost savings for the Department. In support of transforming the Department's Human Resources program, the Department awarded a contract to a vendor to perform a full range of Human Resources transactional services, allowing HR professionals to focus on the high value, strategic services important to client bureaus in meeting their mission. Efforts will continue in FY 2017 and beyond to transition additional services and functions (e.g., Financial Management) to ES service delivery model.

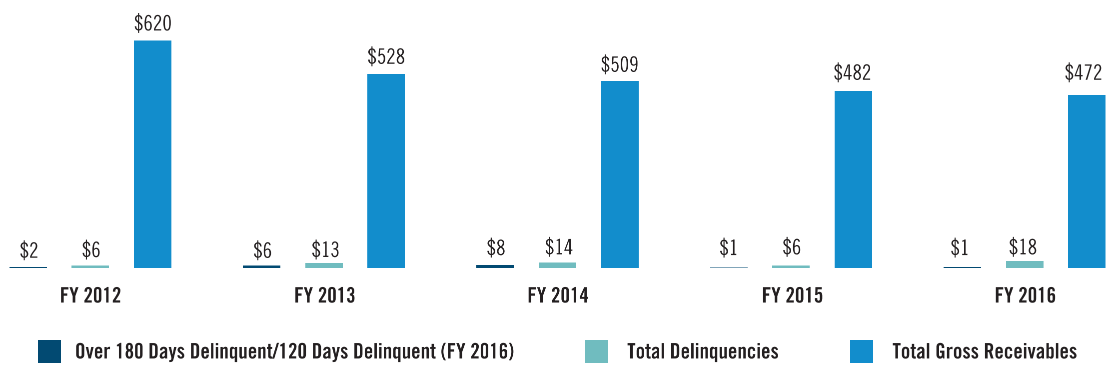
Also in FY 2016, the Department hosted 31 Pathway Program interns (an increase from 14 interns in FY 2015) as accountants, budget analysts, and auditors including 24 new hires and four who were converted to permanent positions. Trainees were located within finance and accounting offices in the Bureau of Economic Analysis, Census Bureau, ITA, NIST, and the Office of Inspector General (OIG). To maintain a highly skilled financial management workforce, the Department's retention and succession strategies include the increased use of telework. In FY 2016, approximately 61 percent of accounting and budgeting employees engaged in telework, an increase of seven percentage points from 54 percent in FY 2015. Telework is used by the Department to position itself as an "employer of choice" in attracting qualified employees, facilitating employee work/life balance, increasing employee satisfaction and engagement, and potentially increasing employee productivity.

RECEIVABLES WITH THE PUBLIC AND DEBT COLLECTION MANAGEMENT

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

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

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

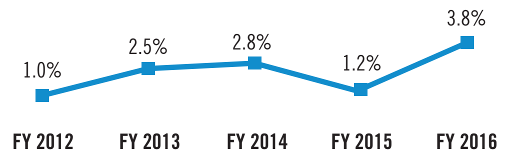


The Digital Accountability and Transparency Act of 2014 (DATA Act) was enacted starting from first quarter FY 2016 to report to Congress any instance in which federal agencies fail to refer legally enforceable non-tax debts that are greater than 120 days delinquent to the Treasury Offset Program (TOP) for administrative offset.

The Department's total gross receivables with the public decreased $10 million, or 2.0 percent, from $482 million as of September 30, 2015 to $472 million as of September 30, 2016, 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 1.2 percent as of September 30, 2015 to 3.8 percent as of September 30, 2016. Receivables with the public over 180 days delinquent/120 days delinquent (FY 2016), as a percentage of total gross receivables with the public, remained the same from 0.3 percent as of September 30, 2015 to 0.3 percent as of September 30, 2016.

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

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

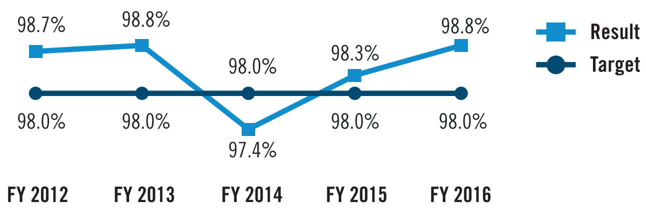


PAYMENT PRACTICES

PROMPT PAYMENT

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

TIMELY VENDOR PAYMENTS *(Percentage)*



The Department's prompt payment performance increased from 98.3 percent in FY 2015 to 98.8 percent in FY 2016. The number of invoices paid late decreased from 4,480 in FY 2015 to 3,064 in FY 2016. FY 2014 prompt payment performance was lower than all other fiscal years due to unusual processing delays caused by the October 2013 furlough of financial management staff. The Department continues to focus on improving its prompt payment percentage by working closely with its bureaus to identify opportunities for new or improved business processes. Per OMB Memorandum M-15-19, *Improving Government Efficiency and Saving Taxpayer Dollars Through Electronic Invoicing* (July 17, 2015) federal agencies are required to transition to electronic invoicing for appropriate federal procurements by the end of FY 2018. The Department is currently exploring options to transition off its primary financial management system used by most of the bureaus and adopt a commercial off-the-shelf (COTS) product for those bureaus. As such, the Department would in large part adopt the COTS product's solution for an electronic invoice processing system, if available. The US Patent and Trademark Office is currently reviewing various electronic invoicing options and plans to have a solution in place by the end of FY 2018.

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

BANKCARDS

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

LIMITATIONS OF THE FINANCIAL STATEMENTS

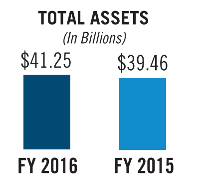
The principle financial statements in the financial section have been prepared to report the overall financial position and results of operations of the Department, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of the Department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

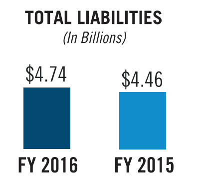
These financial statements should be read with the realization that they are for a component of the U.S. government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides the resources to do so.

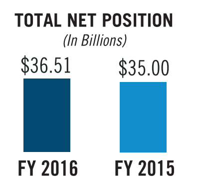
ANALYSIS OF FY 2016 FINANCIAL CONDITION AND RESULTS

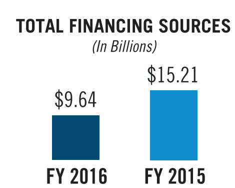
FINANCIAL HIGHLIGHTS

(Dollars in Thousands)	Percentage Change	FY 2016	FY 2015
Condensed Balance Sheets:			
As of September 30, 2016 and 2015			
ASSETS:			
Fund Balance with Treasury	1%	$ 25,872,055	$ 25,511,071
General Property, Plant, and Equipment, Net	9%	14,134,191	12,948,649
Direct Loans and Loan Guarantees, Net	-11%	453,956	512,463
Investment	N/A	333,013	–
Other	-8%	454,077	491,547
TOTAL ASSETS	**5%**	**$ 41,247,292**	**$ 39,463,730**
LIABILITIES:			
Unearned Revenue	-2%	$ 1,485,260	$ 1,510,571
Federal Employee Benefits	-1%	876,111	881,546
Accounts Payable	-7%	598,009	646,074
Accrued Payroll and Annual Leave	10%	557,966	505,168
Debt to Treasury	-6%	475,207	504,704
Liability to General Fund of U.S. Government for Deficit Reduction	N/A	334,054	–
Accrued Grants	-13%	125,498	144,925
Other	6%	284,949	269,860
TOTAL LIABILITIES	**6%**	**$ 4,737,054**	**$ 4,462,848**
NET POSITION:			
Unexpended Appropriations	2%	$ 5,840,085	$ 5,733,904
Cumulative Results of Operations	5%	30,670,153	29,266,978
TOTAL NET POSITION	**4%**	**$ 36,510,238**	**$ 35,000,882**
TOTAL LIABILITIES AND NET POSITION	**5%**	**$ 41,247,292**	**$ 39,463,730**
Condensed Financing Sources:			
For the Years Ended September 30, 2016 and 2015			
Appropriations Received, Net of Reductions	8%	$ 9,234,371	$ 8,535,185
Transfer In of Auction Proceeds from Federal Communications Commission	-55%	8,430,058	18,627,804
Transfer Out to General Fund of U.S. Government for Deficit Reduction	-38%	(7,781,010)	(12,618,990)
Financing Sources Used for Recognizing Liability to General Fund of U.S. Government for Deficit Reduction	N/A	(334,054)	–
Imputed Financing Sources from Cost Absorbed by Others	-4%	247,277	256,500
Other	-138%	(157,102)	413,685
TOTAL FINANCING SOURCES	**-37%**	**$ 9,639,540**	**$ 15,214,184**









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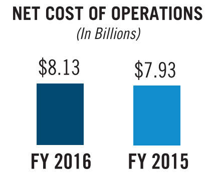
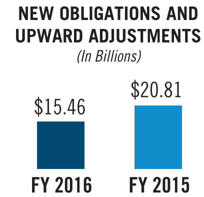
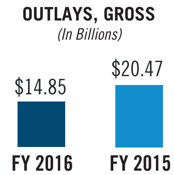
(Dollars in Thousands)	Percentage Change	FY 2016	FY 2015
Condensed Statements of Net Cost:			
For the Years Ended September 30, 2016 and 2015			
Condensed Statements of Net Cost:			
Gross Departmental Costs	2%	$ 12,164,110	$ 11,951,789
Less: Earned Revenue	0%	(4,033,926)	(4,020,707)
NET COST OF OPERATIONS	**3%**	**$ 8,130,184**	**$ 7,931,082**
Selected Budgetary Information:			
For the Years Ended September 30, 2016 and 2015			
New Obligations and Upward Adjustments	**-26%**	**$ 15,459,852**	**$ 20,805,228**
Outlays, Gross	**-27%**	**$ 14,853,358**	**$ 20,469,821**





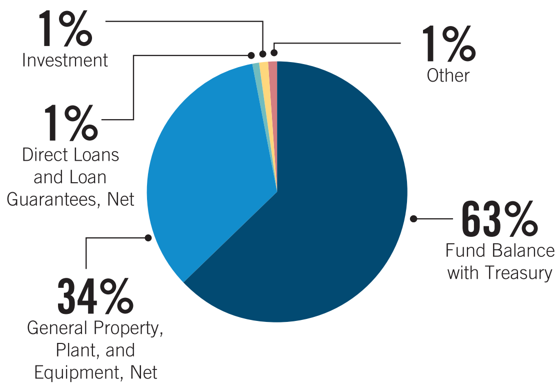


COMPOSITION OF ASSETS AND ASSETS BY RESPONSIBILITY SEGMENT

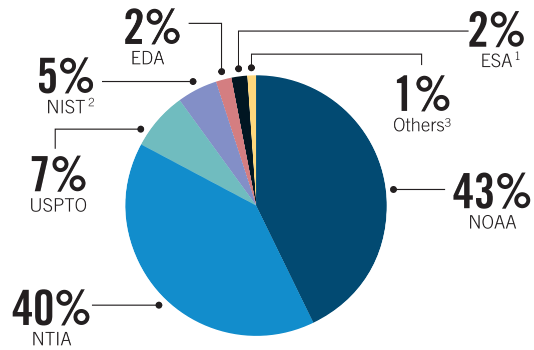
The composition (by percentage) and distribution (by responsibility segment) of the Department's assets remained consistent from September 30, 2015 to September 30, 2016.

Departmental assets amounted to $41.25 billion as of September 30, 2016. Fund Balance with the U.S. Department of the Treasury (Treasury) of $25.87 billion is the aggregate amount of funds available to make authorized expenditures and pay liabilities. General Property, Plant, and Equipment (PP&E), Net of Accumulated Depreciation, of $14.13 billion, includes $9.74 billion of Construction-in-progress, primarily of satellites and weather measuring and monitoring systems; $1.51 billion of Structures, Facilities, and Leasehold Improvements; $1.46 billion of Satellites/Weather Systems Personal Property; and $1.42 billion of other General PP&E. Direct Loans and Loan Guarantees, Net of Allowances for Subsidy Cost (Present Value) and Loan Losses, of $454.0 million, primarily relates to the National Oceanic and Atmospheric Administration's (NOAA) direct loan programs. Investment of $333.0 million, a new asset category as of September 30, 2016, represents NTIA Public Safety Trust Fund's investment in federal securities, consisting of an interest-bearing, market based Treasury note purchased from Treasury. Other Assets of $454.1 million primarily includes Advances and Prepayments of $172.4 million; Accounts Receivable, Net of Allowance for Uncollectible Accounts, of $153.5 million; and Inventory, Materials, and Supplies, Net of Allowance for Excess, Obsolete, and Unserviceable Items, of $114.1 million.

COMPOSITION OF THE DEPARTMENT'S ASSETS AS OF SEPTEMBER 30, 2016



ASSETS BY RESPONSIBILITY SEGMENT AS OF SEPTEMBER 30, 2016



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

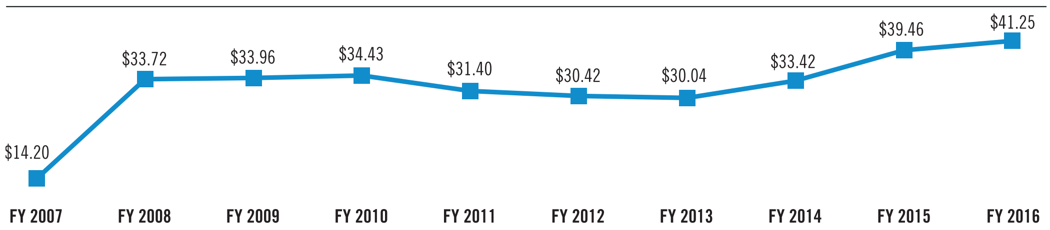
2 National Institute of Standards and Technology (NIST) includes NIST and the National Technical Information Service (NTIS).

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

TRENDS IN ASSETS

Departmental assets increased $1.85 billion, or 5 percent, from $39.46 billion as of September 30, 2015 to $41.25 billion as of September 30, 2016. Fund Balance with Treasury increased $361.0 million, or 1 percent, from $25.51 to $25.87 billion. General PP&E, Net increased $1.19 billion, or 9 percent, from $12.95 billion to 14.13 billion, primarily due to an increase in Construction-in-progress of $1.14 billion, in large part due to an increase in Construction-in-progress for NOAA's Geostationary Operational Environmental Satellites – R (GOES – R) and Joint Polar Satellite System (JPSS) of approximately $805.8 million and $760.3 million, offset by a decrease of approximately $219.9 million and $141.0 million related to the capitalization of the Deep Space Climate Observatory (DSCOVR) satellite and the Jason-3 Altimetry Mission Satellite, respectively. Direct Loans and Loan Guarantees, Net decreased by $58.5 million, or 11 percent, from $512.5 million to $454.0 million, primarily due to NOAA's $33.3 million decrease in allowance for subsidy resulting from net technical re-estimate accrual and lower subsidy rates on disbursed loans, as well as a decrease of $23.7 million in loan balance primarily due to a large number of loan prepayments received and fewer loan disbursements. Investment of $333.0 million is a new NTIA Public Safety Trust Fund asset as of September 30, 2016 as previously discussed. Other Assets decreased $37.5 million, or 8 percent, from $491.5 million to $454.1 million, in large part due to a decrease in advances to grantees for NTIA's Broadband Technology Opportunities Program of $67.7 million.

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



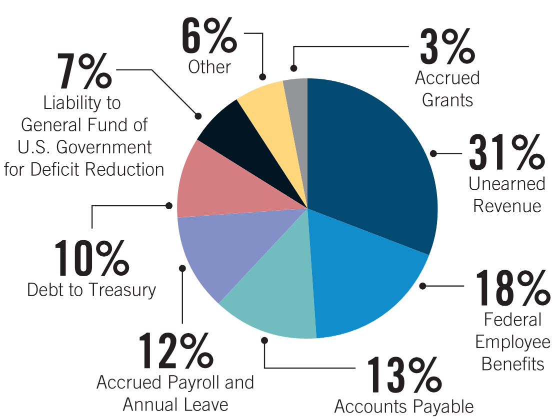
NOTE: *The significant fluctuation between FY 2007 and FY 2008 total assets was primarily due to NTIA proceeds of $18.96 billion from the Federal Communications Commission auction of licenses for recovered analog spectrum in FY 2008.*

COMPOSITION OF LIABILITIES AND LIABILITIES BY RESPONSIBILITY SEGMENT

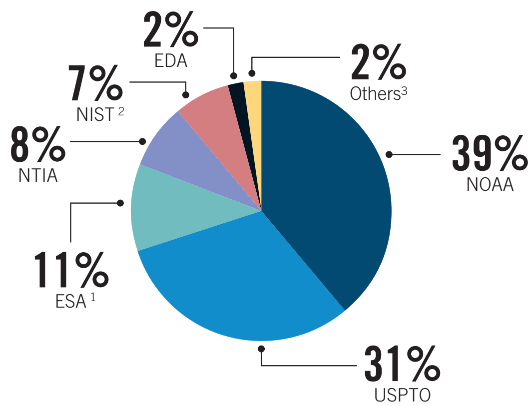
The composition (by percentage) and distribution (by responsibility segment) of the Department's liabilities changed somewhat from September 30, 2015 to September 30, 2016. Liabilities as of September 30, 2016 include a new liability of $334.1 million for NTIA Public Safety Trust Fund's Liability to General Fund of 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 the NTIA Public Safety Trust Fund be deposited in the General Fund of U.S. Government for deficit reduction after the end of FY 2022.

Liabilities of the Department amounted to $4.74 billion as of September 30, 2016. Unearned Revenue of $1.49 billion represents the portion of monies received from customers for which goods and services have not been provided or rendered by the Department, including customer deposits, and primarily relates to patent and trademark application and user fees that are pending action, and also includes monies collected in advance under reimbursable agreements. Federal Employee Benefits Liability of $876.1 million is comprised of the actuarial present value of projected benefits for the NOAA Corps Retirement System of $633.0 million and the NOAA Corps Post-retirement Health Benefits of $36.5 million, and the Department's Actuarial Federal Employees Compensation Act (FECA) Liability of $206.6 million, which represents the actuarial liability for future workers' compensation benefits. Accounts Payable of $598.0 million consists primarily of amounts owed for goods, services, or capitalized assets received, progress on contract performance by others, and other expenses due. Accrued Payroll and Annual Leave of $558.0 million includes salaries and wages earned by employees, but not disbursed as of September 30, 2016. Debt to Treasury of $475.2 million represents debt for NOAA's direct loan programs. Accrued Grants of $125.5 million relate to a diverse array of financial assistance programs and projects, including the Economic Development Administration's (EDA) accrued grants of $50.1 million for its grant investments that help communities generate jobs, retain existing jobs, and stimulate industrial and commercial growth; NOAA's accrued grants of $43.5 million for grants awarded to state and local governments, non-profits research institutions, and colleges and universities for research and conservation initiatives; and National Institute of Standards and Technology's (NIST) accrued grants of $27.6 million for its grant investments and cooperative agreements that fund programs in a variety of fields such as energy, food safety, and electronics research, strategic manufacturing technology, and the Hollings Manufacturing Extension Partnership. Other Liabilities of $284.9 million primarily include Environmental and Disposal Liabilities of $143.1 million, including $73.8 million for asbestos-related cleanup costs and $57.3 million for a nuclear reactor operated by NIST; Accrued Benefits of $53.1 million; Accrued FECA Liability of $28.6 million; Contingent Liabilities of $22.3 million for claims to be paid out of Treasury's Judgement Fund; and ITA's Foreign Service Nationals' Voluntary Separation Pay Liability of $11.5 million.

COMPOSITION OF THE DEPARTMENT'S LIABILITIES AS OF SEPTEMBER 30, 2016



LIABILITIES BY RESPONSIBILITY SEGMENT AS OF SEPTEMBER 30, 2016

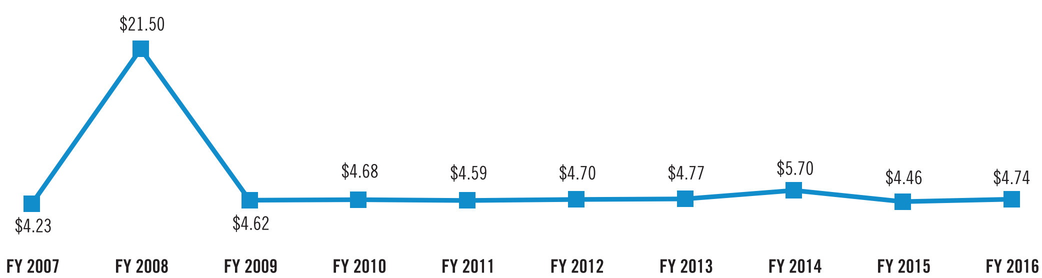


[1] ESA includes ESA, BEA, and the Census Bureau.
[2] NIST includes NIST and NTIS.
[3] Others includes DM, BIS, ITA, and MBDA.

TRENDS IN LIABILITIES

Liabilities of the Department increased $274.2 million, or 6 percent, from $4.46 billion as of September 30, 2015 to $4.74 billion as of September 30, 2016. A new liability of $334.1 million as of September 30, 2016 is for NTIA Public Safety Trust Fund's Liability to General Fund of U.S. Government for Deficit Reduction as previously discussed. Accounts Payable decreased by $48.1 million, or 7 percent, from $646.1 million to $598.0 million, primarily due to NOAA's decreased Accounts Payable of $51.3 million, primarily resulting from decreased intragovernmental payables of $26.7 million for GOES – R and JPSS projects. Accrued Payroll and Annual Leave increased by $52.8 million, or 10 percent, from $505.2 million to $558.0 million, primarily due to two additional days of accrued payroll as of September 30, 2016. Accrued Grants decreased by $19.4 million, or 13 percent, from $144.9 million to $125.5 million, primarily due to a decrease of $12.4 million in accrued grants related to NIST's Manufacturing Extension Partnership program.

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

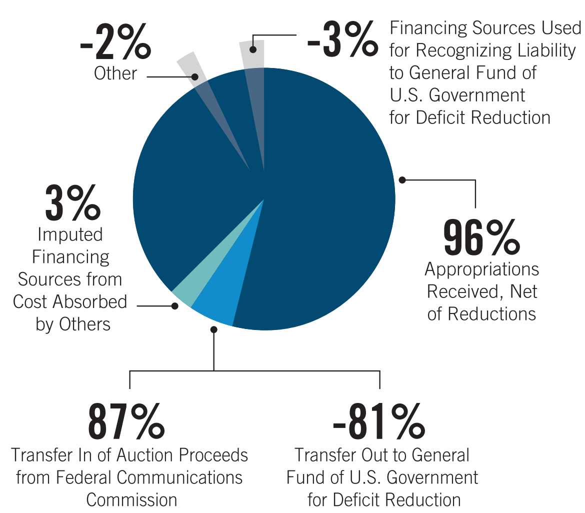


NOTE: *The significant fluctuation between FY 2007 and FY 2008 total liabilities was primarily due to NTIA's Spectrum Auction Proceeds Liability to the Federal Communications Commission (FCC) for auction proceeds for which licenses have not yet been granted by FCC as of September 30, 2008. During FY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

COMPOSITION OF AND TRENDS IN FINANCING SOURCES

The composition by percentage of the Department's financing sources, as reported in the Department's *Consolidated Statements of Changes in Net Position*, changed significantly from FY 2015 to FY 2016. For FY 2016, the NTIA Public Safety Trust Fund transfers in of auction proceeds from FCC was $8.43 billion as compared to $18.63 billion in FY 2015. For FY 2016, the NTIA Public Safety Trust Fund transfer out to General Fund of U.S. Government for deficit reduction was $7.78 billion as compared to $12.62 billion in FY 2015. The FY 2016 Financing Sources included a new use of financing sources for NTIA Public Safety Trust Fund's recognition of a $334.1 million liability to General Fund of U.S. Government for deficit reduction as of September 30, 2016 as previously discussed.

COMPOSITION OF THE DEPARTMENT'S FY 2016 FINANCING SOURCES



Total financing sources of the Department decreased $5.57 billion, or 37 percent, from $15.21 billion in FY 2015 to $9.64 billion in FY 2016. Appropriations Received, Net of Reductions increased

$699.2 million, or 8 percent, from $8.54 billion in FY 2015 to $9.23 billion in FY 2016. The largest increases in the Department's Appropriations Received were (a) Census Bureau's Periodic Censuses and Programs budget account (increase of $260.0 million, or 31 percent—from $840.0 million to $1.10 billion), resulting from increased appropriations received for the 2020 Decennial Census; (b) NOAA's Procurement, Acquisition, and Construction budget account (increase of $141.1 million, or 6 percent—from $2.18 billion to $2.32 billion), primarily due to an increase of $370.0 million in appropriations received to initiate the Polar Follow-on satellite program critical to ensuring the continuity of polar weather observations and to achieving robustness in the constellation as early as FY 2023, offset by decreases in appropriations received of $109.0 million and $107.3 million for GOES – R and JPSS satellite programs, respectively; (c) NOAA's Operations, Research, and Facilities budget account (increase of $104.5 million, or 3 percent—from $3.23 billion to $3.34 billion); and (d) NIST's Construction of Research Facilities budget account (increase of $68.7 million, or 137 percent—from $50.3 million to $119.0 million), to provide increased safety and capacity and to perform maintenance and major repairs to comply with scientific and engineering requirements and to keep pace with federal, state, and local health and safety regulations. The additional funding will increase the Safety Capacity, Maintenance and Major Repair program, and will contribute to funding the next phase of planned multi-year renovations.

Other Financing Sources decreased by $570.8 million, or 138 percent, from $413.7 million in FY 2015 to $(157.1) million in FY 2016, primarily due to (a) a decrease of appropriations transferred in from the Executive Office of the President totaling $263.7 million (from $263.7 million in FY 2015 to $0 in FY 2016) for NOAA's Procurement, Acquisition, and Construction budget account and NOAA's Operations, Research, and Facilities budget account. The FY 2015 appropriations transferred in were from auctions of eligible frequencies for which the funds are authorized to be used to pay for relocation or sharing costs of an eligible federal entity incurring such costs with respect from or sharing of those frequencies; (b) a reduction of $124.7 million in non-exchange revenue for NOAA's Damage Assessment and Restoration Revolving Fund primarily as a result of a $75.0 million revenue refund in FY 2016 related to the Deepwater Horizon oil spill; and (c) a NOAA decrease of $78.9 million in transfers in/out without reimbursement, net with the National Aeronautics and Space Administration related to Solar Irradiance, Data, and Rescue/Total Solar Irradiance activities.

COMPOSITION OF FY 2016 NET COST OF OPERATIONS AND NET COST OF OPERATIONS BY RESPONSIBILITY SEGMENT

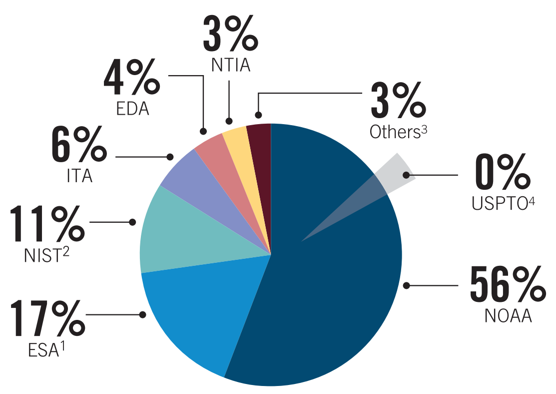
In FY 2016, the Department's Net Cost of Operations amounted to $8.13 billion, which consists of Gross Costs of $12.16 billion less Earned Revenue of $4.03 billion.

The distribution (by responsibility segment) of the Department's Net Cost of Operations remained consistent from FY 2015 to FY 2016.

Note: The Gross Costs and Earned Revenue amounts presented in the following paragraphs include transactions with other Departmental entities (intra-Departmental transactions). As a result, the Gross Costs amounts discussed below may not agree with the Gross Costs presented on the Department's FY 2016 *Consolidated Statement of Net Cost*, which excludes intra-Departmental transactions.

NOAA's FY 2016 Net Cost of Operations was $4.56 billion (Gross Costs of $4.81 billion less Earned Revenue of $244.7 million). NOAA's mission relates to science, service, and stewardship—to

FY 2016 NET COST OF OPERATIONS BY RESPONSIBILITY SEGMENT



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

[2] NIST includes NIST and NTIS.

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

[4] Actual for USPTO is –0.2%.

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

USPTO's FY 2016 Net Cost of Operations of $(13.8) million (Gross Costs of $3.12 billion less Earned Revenue of $3.13 billion) relates to its patents and trademark programs. USPTO is the federal agency for granting U.S. patents and registering trademarks. The strength and vitality of the U.S. economy depends directly on effective mechanisms that protect new ideas and investments in innovation and creativity. USPTO advises the President, the Secretary of Commerce, and federal agencies on intellectual property (IP) policy, protection, and enforcement; and promotes the stronger and more effective IP protection around the world. USPTO furthers effective IP protection for the Nation's innovators and entrepreneurs worldwide by working with other federal agencies to secure strong IP provisions in free trade and other international agreements. It also provides training, education, and capacity building programs designed to foster respect for IP and encourage the development of strong IP enforcement regimes by the Nation's trading partners.

The Economics and Statistics Administration's (ESA) FY 2016 Net Cost of Operations was $1.40 billion (Gross Costs of $1.70 billion less Earned Revenue of $295.6 million), which includes ESA, the Bureau of Economic Analysis (BEA), and the Census Bureau. ESA plays three key roles within the Department. ESA provides timely economic analysis, disseminates national economic indicators, and oversees BEA and the Census Bureau. BEA promotes a better understanding of the Nation's economy by providing timely, relevant, and accurate economic accounts data in an objective and cost-effective manner. The Census Bureau's FY 2016 Net Cost of Operations was $1.29 billion (Gross Costs of $1.58 billion less Earned Revenue of $289.3 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), demographic and economic surveys provided to survey sponsors, and economic indicators.

NIST's FY 2016 Net Cost of Operations was $926.3 million (Gross Costs of $1.27 billion less Earned Revenue of $345.0 million), which includes NIST and the National Technical Information Service (NTIS). NIST's FY 2016 Net Cost of Operations was $927.4 million (Gross Costs of $1.08 billion less Earned Revenue of $156.9 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 its NIST Laboratories program. The NIST Laboratories conducts world-class research, often in close collaboration with industry, which advances the Nation's technology infrastructure and helps American companies continually improve products and services. NTIS serves as the largest central resource for government-funded scientific, technical, engineering, and business related information available today. For more than 60 years, NTIS has assured businesses, universities, and the public timely access to approximately 3 million publications covering over 350 subject areas. NTIS promotes the Nation's economic growth by providing access to information that stimulates innovation and discovery.

ITA's FY 2016 Net Cost of Operations was $501.9 million (Gross Costs of $529.9 million less Earned Revenue of $28.0 million). ITA strengthens the competitiveness of American industry, promotes trade and investment, and ensures fair trade through the rigorous enforcement of the Nation's trade laws and agreements. ITA works to improve the global business environment and helps American organizations compete at home and abroad. ITA supports the President's recovery agenda and the National Export Initiative to sustain economic growth and support American jobs.

EDA's FY 2016 Net Cost of Operations was $291.0 million (Gross Costs of $295.8 million less Earned Revenue of $4.8 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.

NTIA's FY 2016 Net Cost of Operations was $207.7 million (Gross Costs of $242.1 million less Earned Revenue of $34.4 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.

FY 2016 Net Cost of Operations for Departmental Management (DM) was $119.1 million (Gross Costs of $412.1 million less Earned Revenue of $293.0 million), which includes Gifts and Bequests, Franchise Fund, Herbert C. Hoover Building Renovation Project, Office of Inspector General, Salaries and Expenses, and Working Capital Fund. DM's objective is to develop and provide policies and procedures for administrative planning, oversight, coordination, direction, and guidance to ensure implementation of the Department's mission.

FY 2016 Net Cost of Operations for the other Departmental bureaus was $136.1 million (Gross Costs of $137.4 million less Earned Revenue of $1.3 million), which is comprised of the Bureau of Industry and Security (BIS) and the Minority Business Development Agency (MBDA). BIS advances the Nation's national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and promoting continued strategic technology leadership by the United States. MBDA helps to create and sustain American jobs by promoting the growth and global competitiveness of businesses owned and operated by minority entrepreneurs.

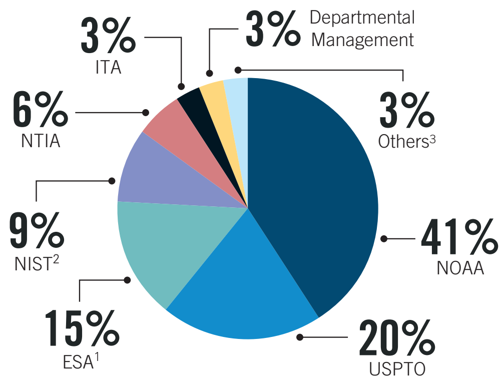
TRENDS IN NET COST OF OPERATIONS

The Department's Net Cost of Operations increased by $199.1 million, or 3 percent, from $7.93 billion in FY 2015 to $8.13 billion in FY 2016. Gross Costs increased slightly by $212.3 million, or 2 percent, from $11.95 billion in FY 2015 to 12.16 billion in FY 2016. Earned Revenue increased slightly by $13.2 million, or 0.3 percent, from $4.02 billion in FY 2015 to $4.03 billion in FY 2016.

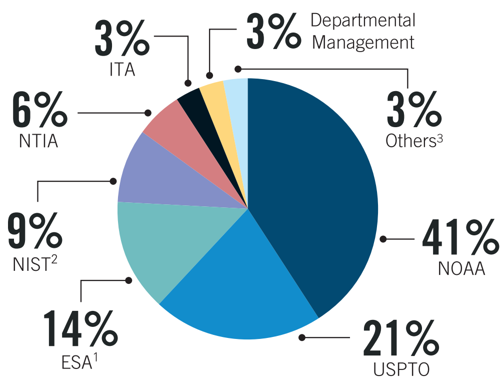
SELECTED BUDGETARY INFORMATION BY RESPONSIBILITY SEGMENT

The distribution (by responsibility segment) of the Department's Obligations Incurred, and Outlays, Gross, as reported in the Department's *Combined Statements of Budgetary Resources*, changed significantly from FY 2015 to FY 2016 primarily due to a large decrease of $6.03 billion in NTIA Public Safety Trust Fund's transfers out to NTIA's Network Construction Fund treated as Obligations Incurred and Outlays, Gross by the Public Safety Trust Fund (from $6.40 billion in FY 2015 to $366.2 million in FY 2016). As a result, NTIA's Obligations Incurred by responsibility segment percentage decreased from 33 percent in FY 2015 to 6 percent in FY 2016. Similarly, NTIA's Outlay, Gross by responsibility segment percentage decreased from 34 percent in FY 2015 to 6 percent in FY 2016.

FY 2016 OBLIGATIONS INCURRED BY RESPONSIBILITY SEGMENT



FY 2016 OUTLAYS, GROSS BY RESPONSIBILITY SEGMENT



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

TRENDS IN SELECTED BUDGETARY INFORMATION

The Department's New Obligations and Unpaid Adjustments decreased significantly by $5.35 billion, or 26 percent, from $20.81 billion in FY 2015 to $15.46 billion in FY 2016, and the Department's Outlays, Gross also decreased significantly by $5.62 billion, or 27 percent, from $20.47 billion in FY 2015 to $14.85 billion in FY 2016. These significant decreases were primarily due to a large decrease of $6.03 billion in NTIA's Public Safety Trust Fund Obligations Incurred, and Outlays, Gross as discussed above.

SUMMARY OF STEWARDSHIP INFORMATION

STEWARDSHIP ASSETS

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

NOAA maintains the following Stewardship Assets: Heritage Assets (Galveston Laboratory; National Marine Fisheries Service (NMFS) St. George Sealing Plant; NMFS Cottage M, St. George; NMFS St. Paul Old Clinic/Hospital; NMFS Woods Hole Science Aquarium; and Great Lakes Environmental Research Laboratory, Lake Michigan Field Station); 13 National Marine Sanctuaries; 5 Marine National Monuments (Marianas Trench, Pacific Remote Islands, Rose Atoll, Papahānaumokuākea, and the Northeast Canyons and Seamounts); Aleutian Islands Habitat Conservation Area; NOAA Habitat Blueprint (10 Habitat Focus Areas); and Collection-type Heritage Assets, primarily included in the NOAA Central Library (mainly books, journals, publications, photographs, and motion pictures) and Thunder Bay Sanctuary Research Collection (data cards, photograph negatives, document copies, photographs, books, and other items).

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

STEWARDSHIP INVESTMENTS

Stewardship investments are substantial investments made by the federal government for the benefit of the Nation, but are not physical assets owned by the federal government. Though treated as expenses when incurred to determine the Department's Net Cost of Operations, these items merit special treatment, so that users of federal financial reports know the extent of investments that are made for the long-term benefit of the Nation.

Investments in Non-federal Physical Property: These investments are for the purchase, construction, or major renovation of physical property owned by state and local governments. The Economic Development Administration (EDA) and NOAA have significant investments in non-federal physical property. EDA's investments in FY 2016 totaled $163.3 million and included its Public Works program ($113.8 million), Disaster Recovery ($15.6 million), Economic Adjustment Assistance program ($25.4 million), and Assistance to Coal Communities ($8.5 million). NOAA's investments in FY 2016 totaled $2.1 million and included the National Estuarine Research Reserves ($1.6 million) and the Coastal and Estuarine Land Conservation Program ($0.5 million).

Investments in Human Capital: These investments are for education and training programs that are intended to increase or maintain national economic productive capacity and produce outputs and outcomes that provide evidence of the constant or increasing national productive capacity. These investments exclude education and training expenses for federal civilian and military personnel. The most significant investments in human capital are by NOAA, whose investments in FY 2016 totaled $22.7 million and included the Educational Partnership Program ($14.3 million), the Ernest F. Hollings Undergraduate Scholarship Program ($5.8 million), the National Sea Grant College Program ($0.9 million), the National Estuarine Research Reserve Program ($1.5 million), the Other Programs ($0.2 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 only significant investments in R&D are by NIST and NOAA. NIST's investments in FY 2016 totaled $770.4 million, and included $756.0 million for its NIST Laboratories Program and $14.4 million for its Manufacturing USA, Advanced Manufacturing Technology Consortia, and Technology Innovation Program. NOAA's investments in FY 2016 totaled $577.9 million, which included Environmental and Climate ($405.5 million), Fisheries ($53.4 million), Marine Operations and Maintenance and Aircraft Services ($29.9 million), Weather Service ($18.7 million), and Other ($70.4 million).

FINANCIAL SECTION

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

This FY 2016 Agency Financial Report provides financial and high-level program performance information to enable the Department's stakeholders to understand and evaluate the Department's achievements relative to its mission and resources. The Department is committed to operational excellence, with a focus on providing outstanding service to our customers. This includes providing the public with highlights of our performance, and detailed financial information. This report also fulfills several statutory requirements, including the Reports Consolidation Act of 2000, the Chief Financial Officers Act, the Federal Managers' Financial Integrity Act (FMFIA), and the Government Management Reform Act.

For FY 2016, the Department achieved an unmodified audit opinion for the eighteenth consecutive year. The Department was able to eliminate the significant deficiencies related to needed improvement in (1) accounting for NOAA Commissioned Officer Corps pension benefits, and (2) accounting for the Public Safety Trust Fund spectrum auction proceeds; however, the Department received a significant deficiency relating to Department-wide information technology (IT) general controls around access, security, and configuration management. We will continue to take corrective actions to strengthen controls in these areas in FY 2017.

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.

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

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

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

Ellen Herbst

Ellen Herbst
Chief Financial Officer
and Assistant Secretary for Administration
November 14, 2016

FINANCIAL SECTION

Independent Auditors' Report

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

November 15, 2016

INFORMATION MEMORANDUM FOR THE SECRETARY

FROM: David Smith
Deputy Inspector General

SUBJECT: *Department of Commerce FY 2016 Consolidated Financial Statements*
Final Report No. OIG-17-003-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 2016 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 15-02, *Audit Requirements for Federal Financial Statements*.

In its audit of the Department, KPMG:

- determined that the financial statements were fairly presented in all material respects and in conformity with U.S. generally accepted accounting principles;
- identified one significant deficiency in internal control over financial reporting related to weaknesses surrounding information technology general controls in the areas of access controls, configuration management, and security management;
- 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 the requirements of the Federal Financial Management Improvement Act of 1996; and
- disclosed six potential instances of noncompliance with the Antideficiency Act currently under review at the Department.

My office oversaw the audit performance. We reviewed KPMG's report and related documentation and made inquiries of its representatives.

Our review disclosed no instances where KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards.

However, our review—as differentiated from an audit in accordance with these standards—was not intended to enable us to express, and we do not express, any opinion on the Department's consolidated financial statements, conclusions about the effectiveness of internal control, or conclusions on compliance with laws, regulations, contracts, and grant agreements. KPMG is solely responsible for the attached audit report and the conclusions expressed in it.

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

Attachment

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

Independent Auditors' Report

Deputy 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, 2016 and 2015, and the related consolidated statements of net cost and changes in net position, and the 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. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

KPMG

U.S. Department of Commerce
Independent Auditors' Report
November 14, 2016
Page 2 of 5

Opinion on the Financial Statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of Commerce as of September 30, 2016 and 2015, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The information in the Message from Secretary Pritzker, the How to Use this Report section, the Message from the Chief Financial Officer, the Other Information section, and the Appendices are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the 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, 2016, 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

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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 the accompanying Exhibit I, that we consider to be a significant deficiency.

Compliance and Other Matters

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

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

Potential Instances of Noncompliance

The Department informed us of potential instances of noncompliance with the Antideficiency Act, which are under review. Specifically, the Department's Office of the Secretary and the Department's Office of General Counsel are reviewing instance(s) of: (i) potential incorrect use of budgetary funding sources to support its programs; (ii) accepting terms of agreement on purchases made through the internet; (iii) work performed without compensation through appointment as an intermittent expert after retiring from employment with the bureau; (iv) unemployment claims filed by temporary employees; (v) potential obligations in excess of quarterly advance of apportionment from OMB; and (vi) expenditures for an employee's office. Because these reviews are not complete, the ultimate outcomes of these potential matters are not presently known.

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The Department's Response to Finding

The Department's response to the finding identified in our audit is described in Exhibit I. The Department's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

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

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

KPMG LLP

November 14, 2016

Exhibit I – Significant Deficiency

Some Information Technology General Controls Need Improvement

During fiscal year (FY) 2016, we noted certain deficiencies 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. The U.S. Government Accountability Office's (GAO's) *Standards for Internal Control in the Federal Government* defines general controls as "the policies and procedures that apply to all or a large segment of an entity's information systems" and which "include security management, logical and physical access, configuration management segregation of duties, and contingency planning." Specifically, the Department needs to make improvements in its access controls, configuration management controls, and security management controls, described below, to support management's ability to provide assurance that transactions are complete, accurate, and valid.

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; and that employees are restricted from performing incompatible functions or duties beyond their responsibility. During FY 2016, we noted deficiencies in the areas of (1) database and operating system password controls, (2) access administration controls, (3) physical and logical access controls, (4) user account review controls, and (5) audit log review controls.

Configuration management. The objectives of configuration management are to ensure that hardware, software and firmware programs, and program modifications are properly authorized, tested, and approved; that access to and distribution of programs is carefully controlled; and that integrity of the application controls is maintained. During FY 2016, we noted deficiencies in configuration and patch management.

Security management. The objective of security management is to support data reliability. During FY 2016, we noted a deficiency in Department monitoring compliance with some internal policies.

When performing our procedures, we considered 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, (2) GAO's *Federal Information System Controls Audit Manual*, dated February 2009, (3) NIST SP 800-53 Rev. 4, *Security and Privacy Controls for Federal Information Systems and Organizations*, and (4) NIST Special Publication 800-34 Rev. 1, *Contingency Planning Guide for Federal Information Systems*.

Due to the sensitive nature of IT controls, certain information has been omitted from this report. We provided the Department management with a separate limited distribution IT report that includes specific information about our observations, the criteria used, our understanding of the cause of the deficiencies identified, and our recommendations. We recognize that the Department has certain compensating controls in place to help reduce the risk of the identified deficiencies, and we have considered such compensating controls as part of our Department consolidated financial statement audit.

Management's Response

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

FINANCIAL SECTION

Principal Financial Statements

United States Department of Commerce Consolidated Balance Sheets
As of September 30, 2016 and 2015 *(In Thousands)*

	FY 2016	FY 2015
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Notes 2 and 19)	$ 25,872,055	$ 25,511,071
Investment (Note 3)	333,013	–
Accounts Receivable (Note 4)	107,394	119,395
Advances and Prepayments	103,657	104,385
Total Intragovernmental	**26,416,119**	**25,734,851**
Cash (Note 5)	5,986	4,406
Accounts Receivable, Net (Note 4)	46,079	32,718
Direct Loans and Loan Guarantees, Net (Note 6)	453,956	512,463
Inventory, Materials, and Supplies, Net (Note 7)	114,094	104,388
General Property, Plant, and Equipment, Net (Note 8)	14,134,191	12,948,649
Other (Note 9)	76,867	126,255
TOTAL ASSETS	**$ 41,247,292**	**$ 39,463,730**
Stewardship Assets (Note 24)		
LIABILITIES		
Intragovernmental:		
Accounts Payable	$ 131,920	$ 165,233
Debt to Treasury (Note 11)	475,207	504,704
Other		
Unearned Revenue	311,178	266,056
Liability to General Fund of U.S. Government for Deficit Reduction (Note 22)	334,054	–
Other (Note 12)	102,851	92,983
Total Intragovernmental	**1,355,210**	**1,028,976**
Accounts Payable	466,089	480,841
Federal Employee Benefits (Note 13)	876,111	881,546
Environmental and Disposal Liabilities (Note 14)	143,100	144,893
Other		
Accrued Payroll and Annual Leave	557,966	505,168
Accrued Grants	125,498	144,925
Capital Lease Liabilities (Note 15)	1,600	3,109
Unearned Revenue	1,174,082	1,244,515
Other (Note 12)	37,398	28,875
TOTAL LIABILITIES	**$ 4,737,054**	**$ 4,462,848**
Commitments and Contingencies (Note 17)		
NET POSITION		
Unexpended Appropriations		
Unexpended Appropriations – Funds from Dedicated Collections (Note 22)	$ –	$ –
Unexpended Appropriations – All Other Funds	5,840,085	5,733,904
Cumulative Results of Operations		
Cumulative Results of Operations – Funds from Dedicated Collections (Note 22)	17,724,210	17,640,086
Cumulative Results of Operations – All Other Funds	12,945,943	11,626,892
Total Net Position – Funds from Dedicated Collections	**17,724,210**	**17,640,086**
Total Net Position – All Other Funds	**18,786,028**	**17,360,796**
TOTAL NET POSITION	**$ 36,510,238**	**$ 35,000,882**
TOTAL LIABILITIES AND NET POSITION	**$ 41,247,292**	**$ 39,463,730**

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, 2016 and 2015 (Note 18) *(In Thousands)*

	FY 2016	FY 2015
National Oceanic and Atmospheric Adminstration		
Gross Costs	$ 4,791,275	$ 5,174,270
Less: Earned Revenue	(230,840)	(264,920)
Net Cost of Operations	**4,560,435**	**4,909,350**
U.S. Patent and Trademark Office		
Gross Costs	3,119,076	3,012,010
Less: Earned Revenue	(3,132,862)	(3,073,178)
Net Cost of Operations	**(13,786)**	**(61,168)**
Economics and Statistics Adminstration		
Gross Costs	1,683,852	1,509,005
Less: Earned Revenue	(282,539)	(309,241)
Net Cost of Operations	**1,401,313**	**1,199,764**
National Institute of Standards and Technology		
Gross Costs	1,246,044	1,204,798
Less: Earned Revenue	(319,753)	(293,560)
Net Cost of Operations	**926,291**	**911,238**
National Telecommunications and Information Adminstration		
Gross Costs	237,816	298,848
Less: Earned Revenue	(30,085)	(31,786)
Net Cost of Operations	**207,731**	**267,062**
Departmental Management		
Gross Costs	133,881	129,952
Less: Earned Revenue	(14,742)	(17,259)
Net Cost of Operations	**119,139**	**112,693**
Others		
Gross Costs	952,166	622,906
Less: Earned Revenue	(23,105)	(30,763)
Net Cost of Operations	**929,061**	**592,143**
Total Gross Departmental Costs	12,164,110	11,951,789
Less: Total Earned Revenue	(4,033,926)	(4,020,707)
NET COST OF OPERATIONS	**$ 8,130,184**	**$ 7,931,082**

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, 2016 and 2015 *(In Thousands)*

	FY 2016			FY 2015		
	Funds from Dedicated Collections (Note 22)	**All Other Funds**	**Consolidated Total**	**Funds from Dedicated Collections (Note 22)**	**All Other Funds**	**Consolidated Total**
Cumulative Results Of Operations:						
Beginning Balance	**$ 17,640,086**	**$ 11,626,892**	**$ 29,266,978**	**$ 11,592,944**	**$ 10,861,395**	**$ 22,454,339**
Budgetary Financing Sources:						
Appropriations Used	–	8,970,412	8,970,412	–	8,204,450	8,204,450
Non-exchange Revenue	11,204	9,231	20,435	118,419	12,001	130,420
Donations and Forfeitures of Cash and Cash Equivalents	–	5,316	5,316	–	4,119	4,119
Transfers In of Auction Proceeds from Federal Communications Commission (Note 22)	8,430,058	–	8,430,058	18,627,804	–	18,627,804
Transfer Out to Receipt Account for Providing Funds to General Fund of U.S. Government (Note 22)	(7,781,010)	–	(7,781,010)	(12,618,990)	–	(12,618,990)
Transfers In/(Out) Without Reimbursement, Net	(91,376)	147,669	56,293	1,674	143,870	145,544
Rescissions/Sequestrations (Note 19)	–	–	–	–	(2,906)	(2,906)
Other Budgetary Financing Sources/(Uses), Net	–	–	–	–	31	31
Other Financing Sources (Non-exchange):						
Donations and Forfeitures of Property	–	779	779	1,351	1,305	2,656
Transfer In Received by Receipt Account for Providing Funds to General Fund of U.S. Government (Note 22)	7,781,010	–	7,781,010	12,618,990	–	12,618,990
Transfer Out to General Fund of U.S. Government for Deficit Reduction (Note 22)	(7,781,010)	–	(7,781,010)	(12,618,990)	–	(12,618,990)
Transfers In/(Out) Without Reimbursement, Net	–	(78,549)	(78,549)	(1,251)	410	(841)
Imputed Financing Sources from Cost Absorbed by Others	35,542	211,735	247,277	47,002	209,498	256,500
Financing Sources Used for Recognizing Liability to General Fund of U.S. Government for Deficit Reduction (Note 22)	(334,054)	–	(334,054)	–	–	–
Other Financing Sources/(Uses), Net	–	(3,598)	(3,598)	–	(5,066)	(5,066)
Total Financing Sources	**270,364**	**9,262,995**	**9,533,359**	**6,176,009**	**8,567,712**	**14,743,721**
Net Cost of Operations	**(186,240)**	**(7,943,944)**	**(8,130,184)**	**(128,867)**	**(7,802,215)**	**(7,931,082)**
Net Change	**84,124**	**1,319,051**	**1,403,175**	**6,047,142**	**765,497**	**6,812,639**
Cumulative Results of Operations – Ending Balance	**17,724,210**	**12,945,943**	**30,670,153**	**17,640,086**	**11,626,892**	**29,266,978**
Unexpended Appropriations:						
Beginning Balance	**–**	**5,733,904**	**5,733,904**	**–**	**5,263,441**	**5,263,441**
Budgetary Financing Sources:						
Appropriations Received (Note 19)	–	9,234,371	9,234,371	–	8,545,281	8,545,281
Appropriations Transferred In/(Out), Net	–	24,250	24,250	–	283,364	283,364
Rescissions/Sequestrations of Appropriations (Note 19)	–	(34,360)	(34,360)	–	(7,190)	(7,190)
Cancellations and Other Adjustments	–	(147,668)	(147,668)	–	(146,542)	(146,542)
Appropriations Used	–	(8,970,412)	(8,970,412)	–	(8,204,450)	(8,204,450)
Total Budgetary Financing Sources	**–**	**106,181**	**106,181**	**–**	**470,463**	**470,463**
Unexpended Appropriations – Ending Balance	**–**	**5,840,085**	**5,840,085**	**–**	**5,733,904**	**5,733,904**
NET POSITION	**$ 17,724,210**	**$ 18,786,028**	**$ 36,510,238**	**$ 17,640,086**	**$ 17,360,796**	**$ 35,000,882**

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, 2016 and 2015 (Note 19) *(In Thousands)*

	FY 2016		Reclassified FY 2015	
	Budgetary	**Non-budgetary Credit Program Financing Accounts**	**Budgetary**	**Non-budgetary Credit Program Financing Accounts**
BUDGETARY RESOURCES:				
Unobligated Balance, Brought Forward, October 1	$ 17,608,684	$ 2,127	$ 12,834,426	$ 10
Adjustments to Unobligated Balance, Brought Forward	(596)	–	–	–
Unobligated Balance, Brought Forward, October 1, as Adjusted	17,608,088	2,127	12,834,426	10
Actual Recoveries of Prior-years Unpaid Obligations	307,493	18,877	306,562	28,490
Actual Nonexpenditure Transfers of Unobligated Balance, Net	5,867	–	1,672	–
Borrowing Authority Withdrawn	–	(18,877)	–	(28,490)
Other Changes in Unobligated Balance, Net	(8,933,414)	–	(132,129)	–
Unobligated Balance From Prior-years Budget Authority, Net	**8,988,034**	**2,127**	**13,010,531**	**10**
Appropriations	10,416,411	–	13,981,745	–
Borrowing Authority	–	22,532	–	65,860
Spending Authority From Offsetting Collections	5,519,171	28,410	11,326,763	31,130
TOTAL BUDGETARY RESOURCES	**$ 24,923,616**	**$ 53,069**	**$ 38,319,039**	**$ 97,000**
STATUS OF BUDGETARY RESOURCES:				
New Obligations and Upward Adjustments	$ 15,412,271	$ 47,581	$ 20,710,355	$ 94,873
Unobligated Balance, End of Year				
Apportioned, Unexpired Accounts	8,600,100	–	8,041,086	–
Exempt From Apportionment, Unexpired Accounts	2,257	–	2,486	–
Unapportioned, Unexpired Accounts	544,961	5,488	9,147,958	2,127
Unobligated Balance, End of Year, Unexpired Accounts	9,147,318	5,488	17,191,530	2,127
Unobligated Balance, End of Year, Expired Accounts	364,027	–	417,154	–
Total Unobligated Balance, End of Year	**9,511,345**	**5,488**	**17,608,684**	**2,127**
TOTAL STATUS OF BUDGETARY RESOURCES	**$ 24,923,616**	**$ 53,069**	**$ 38,319,039**	**$ 97,000**
CHANGE IN UNPAID OBLIGATED BALANCE, NET:				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, October 1	$ 6,738,577	$ 122,051	$ 6,677,864	$ 182,409
New Obligations and Upward Adjustments	15,412,271	47,581	20,710,355	94,873
Outlays, Gross	(14,768,244)	(85,114)	(20,343,080)	(126,741)
Actual Recoveries of Prior-years Unpaid Obligations	(307,493)	(18,877)	(306,562)	(28,490)
UNPAID OBLIGATIONS, END OF YEAR	**$ 7,075,111**	**$ 65,641**	**$ 6,738,577**	**$ 122,051**
Uncollected Customer Payments:				
Uncollected Customer Payments, Brought Forward, October 1	$ (564,491)	$ (467)	$ (448,663)	$ (467)
Change in Uncollected Customer Payments	216	–	(115,828)	–
UNCOLLECTED CUSTOMER PAYMENTS, END OF YEAR	**$ (564,275)**	**$ (467)**	**$ (564,491)**	**$ (467)**
Unpaid Obligated Balance, Net, Brought Forward, October 1	**$ 6,174,086**	**$ 121,584**	**$ 6,229,201**	**$ 181,942**
Unpaid Obligated Balance, Net, End of Year	**$ 6,510,836**	**$ 65,174**	**$ 6,174,086**	**$ 121,584**
BUDGET AUTHORITY, NET:				
Budget Authority, Gross	$ 15,935,582	$ 50,942	$ 25,308,508	$ 96,990
Actual Offsetting Collections	(5,541,627)	(117,971)	(11,351,448)	(135,026)
Change in Uncollected Customer Payments	216	–	(115,828)	–
Recoveries of Prior-years Paid Obligations	21,651	–	14,381	–
BUDGET AUTHORITY, NET	**$ 10,415,822**	**$ (67,029)**	**$ 13,855,613**	**$ (38,036)**
OUTLAYS, NET:				
Outlays, Gross	$ 14,768,244	$ 85,114	$ 20,343,080	$ 126,741
Actual Offsetting Collections	(5,541,627)	(117,971)	(11,351,448)	(135,026)
Outlays, Net	9,226,617	(32,857)	8,991,632	(8,285)
Distributed Offsetting (Receipts)/Outlays, Net	(64,352)	–	(36,089)	–
AGENCY OUTLAYS, NET	**$ 9,162,265**	**$ (32,857)**	**$ 8,955,543**	**$ (8,285)**

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

FINANCIAL SECTION

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

(All Tables are Presented in Thousands Unless Otherwise Stated)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Reporting Entity

The Department of Commerce (the Department) is a cabinet-level agency of the Executive Branch of the U.S. government. Established in 1903 to promote U.S. business and trade, the Department's broad range of responsibilities includes predicting the weather, granting patents and registering trademarks, measuring economic growth, gathering and disseminating statistical data, expanding U.S. exports, developing innovative technologies, helping local communities improve their economic development capabilities, promoting minority entrepreneurial activities, and monitoring the stewardship of national assets. The Department is composed of 12 bureaus, the Emergency Steel Loan Guarantee Program, and Departmental Management.

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

- National Oceanic and Atmospheric Administration (NOAA)
- U.S. Patent and Trademark Office (USPTO)
- Economics and Statistics Administration (ESA) — based on organizational structure
    - Bureau of Economic Analysis (BEA)
    - Census Bureau
- National Institute of Standards and Technology (NIST) — based on organizational structure
    - National Technical Information Service (NTIS)
- National Telecommunications and Information Administration (NTIA)[1]
- Departmental Management (DM)
    - 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)
    - Economic Development Administration (EDA)
    - International Trade Administration (ITA)
    - Minority Business Development Agency (MBDA)

[1] 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.

B Basis of Accounting and Presentation

The Department's fiscal year ends September 30. These financial statements reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash. Budgetary accounting is designed to recognize the obligation of funds according to legal requirements, which in many cases is made prior to the occurrence of an accrual-based transaction. Budgetary accounting is essential for compliance with legal constraints and controls over the use of federal funds.

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

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

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

C Funds from Dedicated Collections

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

Funds from Dedicated Collections include general funds, revolving funds (not including credit reform financing funds), special funds, and trust funds. (See Note 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 Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of funds in the Department's accounts with Treasury. Deposit Funds include amounts held in customer deposit accounts.

Treasury processes cash receipts and disbursements for the Department's domestic operations. Cash receipts and disbursements for the Department's overseas operations are primarily processed by the U.S. Department of State's financial service centers.

F Investment

Investment in Federal Securities consists of an interest-bearing, market-based Treasury security (note), purchased by NTIA's Public Safety Trust Fund from Treasury at a discount. This investment is presented on the Department's *Consolidated Balance Sheet* at acquisition cost, net of amortization of the discount. The discount will be amortized over the life of the Treasury security 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 Treasury security 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). The amount of the amortization of the discount is the difference between the effective interest recognized for the period and the nominal interest for the Treasury security. The market value of the Treasury security is not recorded on the Balance Sheet because this investment is expected to be held to maturity. See Note 3, *Investment* for disclosure of the market value of the Treasury security, which was provided by Treasury. For purposes of determining market values, investments should be grouped by the type of security, such as market-based or marketable Treasury securities. The market value of investments in a group is calculated by the market price of securities of that group at the financial reporting date multiplied by the number of notes or bonds held at the financial reporting date.

G Accounts Receivable, Net

Accounts Receivable are recognized primarily when the Department performs reimbursable services or sells goods. Accounts Receivable are reduced to net realizable value by an Allowance for Uncollectible Accounts. This allowance is estimated periodically using methods such as the identification of specific delinquent receivables, and the analysis of aging schedules and historical trends adjusted for current market conditions.

H Advances and Prepayments

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

I Direct Loans and Loan Guarantees, Net

A direct loan is recorded as a receivable after the Department disburses funds to a borrower. The Department also makes loan guarantees with respect to the payment of all or part of the principal or interest on debt obligations of non-federal borrowers to non-federal lenders. A borrower-defaulted loan guaranteed by the Department is recorded as a receivable from the borrower after the Department disburses funds to the lender.

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

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

Direct Loans and Loan Guarantees Obligated before October 1, 1991 (pre-FY 1992): Loans Receivable are reduced by an Allowance for Loan Losses, which is based on an analysis of each loan's outstanding balance. The value of each receivable, net of any Allowance for Loan Losses, is supported by the values of pledged collateral and other assets available for liquidation, and by the Department's analysis of financial information of parties against whom the Department has recourse for the collection of these receivables.

Direct Loans and Loan Guarantees Obligated after September 30, 1991 (post-FY 1991): Post-FY 1991 obligated direct loans and loan guarantees and the resulting receivables are governed by the Federal Credit Reform Act of 1990.

For a direct or guaranteed loan disbursed during a fiscal year, a subsidy cost is initially recognized. Subsidy costs are intended to estimate the long-term cost to the U.S. government of its loan programs. The subsidy cost equals the present value of estimated cash outflows over the life of the loan, minus the present value of estimated cash inflows, discounted at the applicable Treasury interest rate. Administrative costs such as salaries are not included in the subsidy costs. Subsidy costs can arise from interest rate differentials, interest subsidies, delinquencies and defaults, loan origination and other fees, and other cash flows. The Department calculates its subsidy costs based on a model created and provided by OMB.

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

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

J Inventory, Materials, and Supplies, Net

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

K 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 2016 and FY 2015 are as follows: NOAA—$200 thousand or more; NIST—$100 thousand or more for FY 2016, and $50 thousand or more for FY 2015; USPTO—$50 thousand or more; and all other bureaus and Departmental Management—$25 thousand or more, except that NTIA's First Responder Network Authority has a single-asset acquisition capitalization threshold of $5 thousand.

Personal Property Bulk Acquisitions: For FY 2016 and FY 2015, NOAA has a personal property bulk acquisition capitalization threshold of $1 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 for FY 2016, and $250 thousand or more for FY 2015; and 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 $50 thousand or more.

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

Depreciation: Depreciation is recognized on a straight-line basis over the estimated useful life of the asset with the exception of leasehold improvements, which are depreciated over the remaining life of the lease or over the useful life of the improvement, whichever is shorter. Land, 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 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.

L Non-entity Assets

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

M Liabilities

A liability for federal accounting purposes is a probable and measurable future outflow or other sacrifice of resources as a result of past transactions or events.

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

Debt to Treasury: The Department has borrowed funds from Treasury through the Fisheries Finance Financing Account for various NOAA direct loan programs, and State and Local Implementation Fund. To simplify interest calculations, the Fisheries Finance Financing Account borrowings are dated October 1. Interest rates are based on a weighted average of rates during the term of the borrowed funds. The weighted average rate for each cohort's borrowing is recalculated at the end of each fiscal year during which disbursements are made. Annual interest payments on unpaid principal balances as of September 30 are required. Principal repayments are required only at maturity, but are permitted at any time during the term of the loan. The Department's primary financing source for repayments of Debt to Treasury is the collection of principal on the associated Loans Receivable, and deposits from public safety communications and electromagnetic spectrum auction proceeds. Balances of any borrowed but undisbursed Fisheries Finance Financing Account will earn interest at the same rate used in calculating interest expense. The amounts reported for Debt to Treasury include accrued interest payable. See Note 11, *Debt to Treasury*, for information regarding maturity dates.

Unearned Revenue: Unearned Revenue is the portion of monies received for which goods and services have not yet been provided or rendered by the Department. Revenue is recognized as reimbursable costs are incurred, and the Unearned Revenue balance is reduced accordingly. Unearned Revenue also includes the balances of customer deposit accounts held by the Department. The intragovernmental Unearned Revenue primarily relates to monies collected in advance under reimbursable agreements. The majority of the Unearned Revenue with the public represents patent and trademark application and user fees that are pending action.

Liability to General Fund of U.S. Government for Deficit Reduction: The NTIA Public Safety Trust Fund was created as a result of Section 6413 of the Middle Class Tax Relief and Job Creation Act of 2012 (Act). The Act provides funding for specified programs and activities to be derived from the proceeds of FCC 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 in the Public Safety Trust Fund shall be deposited in the General Fund of 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 U.S. Government for deficit reduction. The Department records a liability (not covered by budgetary resources) to the General Fund of 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.

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

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.

For FY 2016, to test the reliability of the model, DOL performed comparisons between projected payments in the last year to actual amounts, by agency. Changes in the liability from last year's analysis to this year's analysis were also examined by DOL, by agency, with any significant differences by agency inspected in greater detail. The model has been stable, and has projected the actual payments by agency well.

For FY 2015, the model's resulting projections were analyzed by DOL to ensure that the amounts were reliable. The analysis was based on four tests: (1) a sensitivity analysis of the model to economic assumptions; (2) a comparison of the percentage change in the liability amount to the percentage change in the actual incremental payments; (3) a comparison of the incremental paid losses per case (a measure of case severity) in chargeback year to the average pattern observed during the most current three chargeback years; and (4) a comparison of the estimated liability per case in the projection to the average pattern for the projections of the most recent three years.

NOAA Corps Retirement System Liability and NOAA Corps Post-retirement Health Benefits Liability: These liabilities are recorded at the actuarial present value of projected benefits, calculated annually, as of September 30. The actuarial cost method used to determine these liabilities is the aggregate entry age normal method. Under this method, the actuarial present value of projected benefits is allocated on a level basis over the earnings or the service of the group between entry age and assumed exit ages. The portion of this actuarial present value allocated to the valuation year is called the normal cost. For purposes of calculating the normal cost, certain actuarial assumptions utilized for the actual valuation of U.S. Military Retirement System are used. Actuarial gains and losses, and prior and past service costs, if any, are recognized immediately in the fiscal year they occur, without amortization. The medical claim rates used for the NOAA Corps Post-retirement Health Benefits Liability actuarial calculations are based on the claim rates used for the U.S. Department of Defense Medicare-Eligible Retiree Health Care Fund actuarial valuations. Demographic assumptions appropriate to covered personnel are also used. For background information about these plans, see Note 1.Q, *Employee Retirement Benefits*.

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

NIST operates a nuclear reactor licensed by the U.S. Nuclear Regulatory Commission, in accordance with NIST's mission of setting standards and examining new technologies. The Department currently estimates the cost of decommissioning this facility to be $72.2 million. The NIST decommissioning estimate includes an assumption that an offsite waste disposal facility will become available, when needed, estimated in 2029. Currently, an offsite disposal location has not been identified, and the NIST environmental liability cost estimate includes an amount approved by the Nuclear Regulatory Commission for offsite waste disposal. The total estimated decommissioning cost is being accrued on a straight-line basis over the expected life of the facility. Under current legislation, funds to cover the expense of decommissioning the facility's nuclear reactor should be requested in a separate appropriation when the decommissioning date becomes relatively certain.

The Department has incurred cleanup costs related to the costs of removing, containing, and/or disposing of hazardous waste from facilities used by NOAA. The Department has estimated its liabilities for environmental cleanup costs at all NOAA-used facilities, including the decommissioning of ships. The largest of NOAA's environmental liabilities relates to the cleanup of the Pribilof Islands in Alaska, which contains waste from the U.S. Department of Defense's use during World War II. Such cleanup activities are the responsibility of the Department because it became the successor agency of the waste generated from war-related programs. The Department does not recognize a liability for environmental cleanup costs for NOAA-used facilities that are less than $25 thousand per project. When an estimate of cleanup costs includes a range of possible costs, the most likely cost is reported. When no cost is more likely than another, the lowest estimated cost in the range is reported. The liability is reduced as progress payments are made.

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

Accrued Payroll and Annual Leave: These categories include salaries, wages, and other compensation earned by employees, but not disbursed as of September 30. Annually, as of September 30, the balances of Accrued Annual Leave are adjusted to reflect current pay rates. Sick leave and other types of non-vested leave are expensed as taken.

Accrued Grants: The Department administers a diverse array of financial assistance programs and projects concerned with the entire spectrum of business and economic development efforts that promote activities such as expanding U.S. exports, creating jobs, contributing to economic growth, developing innovative technologies, promoting minority entrepreneurship, protecting coastal oceans, providing weather services, managing worldwide environmental data, and using telecommunications and information technologies to better provide public services. Disbursements of funds under the Department's grant programs are generally made when requested by recipients. These drawdown requests may be received and fulfilled before recipients make the expenditures under the grant. When the Department has disbursed funds but the recipient has not yet reported expenditures, 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, the future confirming event or events are likely to occur. A contingency is disclosed in the *Notes to the Financial Statements* if any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred. A contingency is considered reasonably possible when the chance of the future confirming event or events occurring is more than remote but less than probable. A contingency is not recognized as a contingent liability and an expense nor disclosed in the *Notes to the Financial Statements* when the chance of the future event or events occurring is remote. A contingency is considered remote when the chance of the future event or events occurring is slight.

Liabilities Not Covered by Budgetary Resources: These are liabilities for which congressional actions are needed before budgetary resources can be provided. The Department anticipates that liabilities not covered by budgetary resources will be funded from future budgetary resources when required. These amounts are detailed in Note 16.

NTIA's Public Safety Trust has assets on hand as of September 30 for its Liability to General Fund of U.S. Government for Deficit Reduction; however, 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 for annual leave is recognized when the leave is earned. However, for most of the Department's fund groups, appropriations are provided to pay for the leave when it is taken. As a result, budgetary resources do not cover a large portion of the Department's *Accrued Annual Leave* liability.

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

Due to USPTO's funding structure, budgetary resources do not cover a portion of its Unearned Revenue. The Unearned Revenue reported in Note 16 is the portion of USPTO's Unearned Revenue that is considered not covered by budgetary resources. USPTO's Unearned Revenue is a liability for revenue received before the patent or trademark work has been completed. Budgetary resources derived from the current reporting period's revenue have been partially used to cover the current reporting period's costs associated with unearned revenue from a prior reporting period. In addition, the current patent fee structure sets low initial application fees that are followed by income from maintenance fees as a supplement in later years to cover the full cost of the patent examination and issuance processes. The combination of these funding circumstances requires USPTO to obtain additional budgetary resources to cover its liability for unearned revenue.

N Commitments

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

O 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.

P Revenues and Other Financing Sources

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

Exchange and Non-exchange Revenue: The Department classifies revenue as either exchange revenue or non-exchange revenue. Exchange revenue is derived from transactions in which both the federal government and the other party receive value, including processing patents and registering trademarks, the sale of weather data, nautical charts, and navigation information, reimbursable revenue, and other sales of goods and services. Exchange revenue is presented on the Department's *Consolidated Statements of Net Cost*. Non-exchange revenue is derived from the federal government's sovereign right to demand payment, and, for example, includes revenue of NOAA's Damage Assessment and Restoration Revolving Fund as reported and described in Note 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 on 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): In certain cases, operating costs of the Department are paid for in full or in part by funds appropriated to other federal entities. For example, Civil Service Retirement System pension benefits for applicable Departmental employees are paid for in part by the U.S. Office of Personnel Management (OPM), and certain legal judgments against the Department are paid for in full from the Judgment Fund maintained by Treasury. The Department includes applicable imputed costs in the *Consolidated Statements of Net Cost*. In addition, *Imputed Financing Sources from Cost Absorbed by Others* is recognized on the *Consolidated Statements of Changes in Net Position* as an other financing source (non-exchange).

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*.

Q Employee Retirement Benefits

Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS): Most employees of the Department participate in either the CSRS or FERS defined-benefit pension plans. FERS went into effect on January 1, 1987. FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired prior to January 1, 1984 could elect to either join FERS and Social Security, or remain in CSRS.

The Department is not responsible for and does not report CSRS or FERS assets, accumulated plan benefits, or liabilities applicable to its employees. OPM, which administers the plans, is responsible for and reports these amounts.

For CSRS-covered regular employees, the Department was required to make contributions to the plan equal to 7 percent of an employee's basic pay. Employees contributed 7 percent of basic pay. For each fiscal year, OPM calculates the U.S. government's service cost for covered employees, which is an estimate of the amount of funds, that, if accumulated annually and invested over an employee's career, would be enough to pay that employee's future benefits. Since the U.S. government's estimated service cost exceeds contributions made by employer agencies and covered employees, this plan is not fully funded by the Department and its employees. The Department has recognized an imputed cost, and an imputed financing source from cost absorbed by others, for the difference between the estimated service cost and the contributions made by the Department and its covered employees.

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

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

NOAA Corps Retirement System: Active-duty officers of the NOAA Corps are covered by the NOAA Corps Retirement System, an unfunded, pay-as-you-go, defined-benefit plan administered by the Department. Participants do not contribute to this plan. Plan benefits are based primarily on years of service and compensation. Participants, as of September 30, 2016, included 308 active duty officers, 382 nondisability retiree annuitants, 15 disability retiree annuitants, and 55 surviving families. Key provisions include voluntary nondisability retirement after 20 years of active service, disability retirement, optional survivor benefits, Consumer Price Index (CPI) optional survivor benefits, and CPI adjustments for benefits.

Foreign Service Retirement and Disability System, and the Foreign Service Pension System: Foreign Commercial Officers are covered by the Foreign Service Retirement and Disability System and the Foreign Service Pension System. ITA makes contributions to the systems based on a percentage of an employee's pay. Both systems are multi-employer plans administered by the U.S. Department of State. The Department is not responsible for and does not report plan assets, accumulated plan benefits, or liabilities applicable to its employees. The U.S. Department of State, which administers the plan, is responsible for and reports these amounts.

Thrift Savings Plan (TSP): Employees covered by CSRS and FERS are eligible to contribute to the U.S. government's TSP, administered by the Federal Retirement Thrift Investment Board. A TSP account is automatically established for FERS-covered employees, and the Department makes a mandatory contribution of one percent of basic pay. The Department also makes matching contributions of up to four percent of basic pay for FERS-covered employees. FERS and CSRS-covered employees have no limit on the percentage of pay contributed to their TSP account. However, the total employee regular contribution for 2016 and 2015 may not exceed the IRS limit of $18 thousand. The Department makes no matching contributions for CSRS-covered employees. TSP participants age 50 or older who are already contributing the maximum amount of contributions for which they are eligible may also make catch-up contributions, subject to the IRS dollar limit for catch-up contributions.

Federal Employees Health Benefit (FEHB) Program: Most Departmental employees are enrolled in the FEHB Program, which provides post-retirement health benefits. OPM administers this program and is responsible for the reporting of liabilities. Employer agencies and covered employees are not required to make any contributions for post-retirement health benefits. OPM calculates the U.S. government's service cost for covered employees each fiscal year. The Department has recognized the entire service cost of these post-retirement health benefits for covered employees as an imputed cost, and an imputed financing source from cost absorbed by others.

NOAA Corps Post-retirement Health Benefits: Active-duty officers of the NOAA Corps are covered by the health benefits program for the NOAA Corps, which provides post-retirement health benefits. This is a pay-as-you-go plan administered by the Department. Participants do not make any contributions to this plan.

Federal Employees Group Life Insurance (FEGLI) Program: Most Department employees are entitled to participate in the FEGLI Program. Participating employees can obtain basic term life insurance, with the employee paying two-thirds of the cost and the Department paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. OPM administers this program and is responsible for the reporting of liabilities. For each fiscal year, OPM calculates the U.S. government's service cost for the post-retirement portion of basic life coverage. Because the Department's contributions to the basic life coverage are fully allocated by OPM to the pre-retirement portion of coverage, the Department has recognized the entire service cost of the post-retirement portion of basic life coverage as an imputed cost and an imputed financing source from cost absorbed by others.

R Use of Estimates

The preparation of financial statements requires the Department to make estimates and assumptions that affect these financial statements. Actual results may differ from those estimates.

S Tax Status

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

T Fiduciary Activities

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

The Department's fiduciary activities consist of the following:

The Patent Cooperation Treaty authorizes USPTO to collect patent filing and search fees on behalf of the World Intellectual Property Organization (WIPO), European Patent Office, Korean Intellectual Property Office, Russian Intellectual Property Organization, Israeli Patent Office, Japanese Patent Office, 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.

NOTE 2. FUND BALANCE WITH TREASURY

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

	FY 2016	FY 2015
General Funds	$ 8,816,535	$ 8,411,292
Revolving Funds		
Network Construction Fund	6,642,633	6,356,712
Other Revolving Funds	883,590	856,404
Special Funds		
Digital Television Transition and Public Safety Fund	8,822,531	8,815,921
Patent and Trademark Surcharge Fund	233,529	233,529
Other Special Funds	128,741	123,287
Deposit Funds	146,849	167,402
Trust Funds		
Public Safety Trust Fund	176,870	541,696
Other Trust Funds	2,802	2,735
Other Fund Types	17,975	2,093
Total	$ 25,872,055	$ 25,511,071

Status of Fund Balance with Treasury is as follows:

	FY 2016	FY 2015
Reduction of Budgetary Resources		
Not Available – Digital Television Transition and Public Safety Fund	$ 8,807,394	$ –
Temporarily Precluded from Obligation	974,270	1,325,068
Unobligated Balance		
Available	8,632,970	8,065,051
Unavailable		
Digital Television Transition and Public Safety Fund	–	8,798,108
Others	550,451	747,124
Obligated Balance Not Yet Disbursed	6,510,831	6,174,260
Non-budgetary	396,139	401,460
Total	$ 25,872,055	$ 25,511,071

See Note 19, *Combined Statements of Budgetary Resources*, for legal arrangements affecting the Department's use of Fund Balance with Treasury for FY 2016 and FY 2015.

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

NOTE 3. INVESTMENT

FY 2016

Investment in Federal Securities	Cost	Amortization Method	Amortized Discount	Interest Receivable	Investment, Net	Other Adjustments	Market Value Disclosure
Intragovernmental							
Non-marketable							
Market-based	$ 333,013	Interest Method	$ –	$ –	$ 333,013	$ –	$ 332,961

NOTE 4. ACCOUNTS RECEIVABLE, NET

FY 2016	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ 107,394	$ –	$ 107,394
With the Public	$ 56,490	$ (10,411)	$ 46,079

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

NOTE 5. CASH

	FY 2016	FY 2015
Cash Not Yet Deposited with Treasury	$ 5,580	$ 4,054
Imprest Funds	406	352
Total	$ 5,986	$ 4,406

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

NOTE 6. DIRECT LOANS AND LOAN GUARANTEES, NET

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

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

[1] No loans have been issued under these programs as of September 30, 2016.

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

EDA currently has four loan programs: (1) public works loans, which the majority of these loans are to utility companies, mainly water companies, and a few loans to children's centers; (2) grant and civil debt loans, which are being paid back either because grants were misused or because excess money was disbursed; (3) drought loans made to water districts; and (4) manufacturing innovation loan guarantees for obligations to small or medium-sized manufacturers for the use or production of innovative technologies.

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

	FY 2016	FY 2015
Direct Loans Obligated Prior to FY 1992	$ 6,014	$ 7,698
Direct Loans Obligated After FY 1991	447,938	504,761
Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees	4	4
Total	$ 453,956	$ 512,463

Direct Loans Obligated Prior to FY 1992 consist of:

FY 2016

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
CEIP	$ 18,435	$ 6,004	$ (20,343)	$ 4,096
Drought Loan Portfolio	1,574	–	–	1,574
Economic Development Revolving Fund	341	6	(3)	344
Fisheries Loan Fund	148	16	(164)	–
Total	$ 20,498	$ 6,026	$ (20,510)	$ 6,014

FY 2015

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

Direct Loans Obligated After FY 1991 consist of:

FY 2016										
Direct Loan Program		Loans Receivable, Gross		Interest Receivable		Foreclosed Property		Allowance for Subsidy Cost (Present Value)		Value of Assets Related to Direct Loans, Net
Alaska Purse Seine Fishery Buyback Loans	$	9,279	$	13	$	–	$	767	$	10,059
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans		30,981		63		–		4,950		35,994
Bering Sea Pollock Fishery Buyback		22,144		4		–		1,068		23,216
Crab Buyback Loans		71,501		1,242		–		10,403		83,146
Fisheries Finance IFQ Loans		19,928		180		–		1,077		21,185
Fisheries Finance Traditional Loans		230,817		1,312		3,071		8,960		244,160
Pacific Groundfish Buyback Loans		24,974		65		–		5,139		30,178
Total	$	409,624	$	2,879	$	3,071	$	32,364	$	447,938

FY 2015								
Direct Loan Program		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	$	9,383	$	6	$	803	$	10,192
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans		32,106		80		4,858		37,044
Bering Sea Pollock Fishery Buyback		28,227		23		1,588		29,838
Crab Buyback Loans		78,565		1,123		19,310		98,998
Fisheries Finance IFQ Loans		21,892		192		3,266		25,350
Fisheries Finance Traditional Loans		240,425		1,541		30,065		272,031
Pacific Groundfish Buyback Loans		25,728		69		5,511		31,308
Total	$	436,326	$	3,034	$	65,401	$	504,761

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

Direct Loan Program		FY 2016		FY 2015
Fisheries Finance IFQ Loans	$	1,119	$	1,658
Fisheries Finance Traditional Loans		46,497		84,308
Total	$	47,616	$	85,966

Subsidy Expense for Direct Loans by Program and Component:

Subsidy Expense for New Disbursements of Direct Loans:

FY 2016					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	$ (225)	$ 1	$ (4)	$ 199	$ (29)
Fisheries Finance Traditional Loans	(6,756)	295	(229)	4,520	(2,170)
Total	$ (6,981)	$ 296	$ (233)	$ 4,719	$ (2,199)

FY 2015					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	$ (325)	$ 2	$ (7)	$ 224	$ (106)
Fisheries Finance Traditional Loans	(12,507)	477	(419)	6,668	(5,781)
Total	$ (12,832)	$ 479	$ (426)	$ 6,892	$ (5,887)

Reestimates:

FY 2016	
Direct Loan Program	Technical Reestimates
Alaska Purse Seine Fishery Buyback Loans	$ (22)
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	(496)
Bering Sea Pollock Fishery Buyback	165
Crab Buyback Loans	2,556
Fisheries Finance IFQ Loans	1,867
Fisheries Finance Traditional Loans	17,884
Pacific Groundfish Buyback Loans	90
Total	$ 22,044

FY 2015	
Direct Loan Program	Technical Reestimates
Alaska Purse Seine Fishery Buyback Loans	$ (4)
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	(225)
Bering Sea Pollock Fishery Buyback	(175)
Crab Buyback Loans	1,104
Fisheries Finance IFQ Loans	619
Fisheries Finance Traditional Loans	(3,886)
Fisheries Finance Traditional Loans	663
Total	$ (1,904)

There were no interest rate reestimates for FY 2016 and FY 2015.

Total Direct Loan Subsidy Expense:

Direct Loan Program	FY 2016	FY 2015
Alaska Purse Seine Fishery Buyback Loans	$ (22)	$ (4)
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	(496)	(225)
Bering Sea Pollock Fishery Buyback	165	(175)
Crab Buyback Loans	2,556	1,104
Fisheries Finance IFQ Loans	1,838	513
Fisheries Finance Traditional Loans	15,714	(9,667)
Pacific Groundfish Buyback Loans	90	663
Total	$ 19,845	$ (7,791)

Subsidy Rates for Direct Loans by Program and Component:

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

FY 2016					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	(18.29) %	0.14 %	(0.41) %	15.29 %	(3.27) %
Fisheries Finance Traditional Loans	(11.71) %	1.06 %	(0.49) %	8.09 %	(3.05) %

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

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

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

	FY 2016	FY 2015
Beginning Balance of the Allowance for Subsidy Cost	$ 65,401	$ 61,168
Add Subsidy Expense for Disbursements of Direct Loans During the Year by Component:		
Interest Rate Differential	6,981	12,832
Defaults	(296)	(479)
Fees and Other Collections	233	426
Other	(4,719)	(6,892)
Total of the above Subsidy Expense Components	2,199	5,887
Adjustments:		
Fees Received	(269)	(529)
Foreclosed Property Acquired	(2,500)	–
Loans Written Off	(62)	913
Subsidy Allowance Amortization	(10,367)	(3,949)
Other	6	7
Total of Adjustments	(13,192)	(3,558)
Ending Balance of the Allowance for Subsidy Cost Before Reestimates	54,408	63,497
Add or Subtract Subsidy Reestimates by Component:		
Technical Reestimates	(22,044)	1,904
Ending Balance of the Allowance for Subsidy Cost	$ 32,364	$ 65,401

Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees:

FY 2016

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

FY 2015

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

Loan Guarantees:

As of September 30, 2016 and 2015, there were no non-acquired guaranteed loans outstanding. There are no new guaranteed loans disbursed during FY 2016 and FY 2015. Since there were no new guaranteed loans disbursed FY 2016 and FY 2015, there were no related subsidy expenses. Also, there were no modifications or reestimates for loan guarantees during FY 2016 and FY 2015. In addition, there were no new cohorts of guaranteed loans during FY 2016 and FY 2015.

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

	FY 2016	FY 2015
Beginning Balance of Loan Guarantee Liabilities	$ –	$ 516
Adjustments:		
Loans Written Off	–	(516)
Ending Balance of Loan Guarantee Liabilities	$ –	$ –

Administrative Expenses:

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

Direct Loan Program	FY 2016	FY 2015
Drought Loan Portfolio and Economic Development Revolving Fund	$ 2,164	$ 2,555
NOAA Direct Loan Programs	3,435	3,382
Total	$ 5,599	$ 5,937

Loan Guarantee Program	FY 2016	FY 2015
FVOG Program	$ 71	$ 66

NOTE 7. INVENTORY, MATERIALS, AND SUPPLIES, NET

Category	Cost Flow Assumption	FY 2016	FY 2015
Inventory			
Items Held for Current Sale			
NIST Standard Reference Materials	Average	$ 23,780	$ 23,054
Other	Various	146	160
Allowance for Excess, Obsolete, and Unserviceable Items		(96)	(86)
Total Inventory, Net		23,830	23,128
Materials and Supplies			
Items Held for Use			
NOAA's National Logistics Support Center	Weighted-average	59,234	53,980
Other	Various	6,029	5,729
Items Held for Repair			
NOAA's National Reconditioning Center	Weighted-average	30,774	30,384
Allowance for Excess, Obsolete, and Unserviceable Items		(5,773)	(8,833)
Total Materials and Supplies, Net		90,264	81,260
Total		$ 114,094	$ 104,388

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

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

FY 2016

Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	$ 16,632	$ –	$ 16,632
Land Improvements	30-40	2,996	(1,839)	1,157
Structures, Facilities, and Leasehold Improvements	2-50	2,373,010	(860,191)	1,512,819
Satellites/Weather Systems Personal Property	3-25	6,657,547	(5,198,820)	1,458,727
Other Personal Property	2-30	2,076,916	(1,308,550)	768,366
Internal Use Software	3-15	1,344,872	(940,437)	404,435
Assets Under Capital Lease	3-40	18,905	(12,838)	6,067
Construction-in-progress	N/A	9,739,906	–	9,739,906
Internal Use Software in Development	N/A	226,082	–	226,082
Total		$ 22,456,866	$ (8,322,675)	$ 14,134,191

FY 2015

Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	$ 16,656	$ –	$ 16,656
Land Improvements	30-40	2,996	(1,747)	1,249
Structures, Facilities, and Leasehold Improvements	2-50	2,275,931	(781,791)	1,494,140
Satellites/Weather Systems Personal Property	3-20	6,258,702	(4,764,266)	1,494,436
Other Personal Property	2-30	2,127,814	(1,378,508)	749,306
Internal Use Software	3-15	1,183,627	(808,224)	375,403
Assets Under Capital Lease	3-40	18,987	(9,970)	9,017
Construction-in-progress	N/A	8,602,567	–	8,602,567
Internal Use Software in Development	N/A	205,875	–	205,875
Total		$ 20,693,155	$ (7,744,506)	$ 12,948,649

NOTE 9. OTHER ASSETS

	FY 2016	FY 2015
With the Public		
Advances and Prepayments	$ 68,737	$ 118,310
Note Receivable	1,349	1,408
Bibliographic Database, Net	5,166	5,324
General PP&E Permanently Removed but Not Yet Disposed	261	194
Other	1,354	1,019
Total	$ 76,867	$ 126,255

As of September 30, 2016 and 2015, there is one Note Receivable with a maturity date of July 2024 and an interest rate of 7.0 percent. The balance includes accrued interest.

The Bibliographic Database relates to NTIS's scientific and technical information used to prepare products and services for sale. The database is stated at capitalized costs of $77.1 million and $74.7 million, less accumulated amortization of $71.9 million and $69.4 million, as of September 30, 2016 and 2015, respectively.

NOTE 10. NON-ENTITY ASSETS

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

	FY 2016	FY 2015
Intragovernmental		
Fund Balance with Treasury	$ 139,120	$ 148,933
Accounts Receivable	3,748	13,359
Other	–	1,079
Total Intragovernmental	142,868	163,371
With the Public		
Cash	1,770	691
Accounts Receivable, Net	12,652	349
Direct Loans and Loan Guarantees, Net	1,574	3,417
Other	1,353	1,408
Total	$ 160,217	$ 169,236

NOTE 11. DEBT TO TREASURY

FY 2016			
Loan Program	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	$ 504,704	$ (29,497)	$ 475,207

Maturity dates range from September 2020 to September 2052, and interest rates range from 2.11 to 6.13 percent.

FY 2015			
Loan Program	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	$ 510,871	$ (6,167)	$ 504,704
NTIA Public Safety Trust Fund	779,000	(779,000)	–
NTIA State and Local Implementation Fund	21,800	(21,800)	–
Total	$ 1,311,671	$ (806,967)	$ 504,704

NOTE 12. OTHER LIABILITIES

	FY 2016			FY 2015
	Current Portion	Non-current Portion	Total	Total
Intragovernmental				
Accrued FECA Liability	$ 19,761	$ 8,792	$ 28,553	$ 31,700
Accrued Benefits	53,141	–	53,141	40,549
Custodial Activity	12,672	–	12,672	388
Downward Subsidy Reestimates Payable to Treasury	3,748	–	3,748	13,359
Resources Payable to Treasury	4,503	–	4,503	5,905
Other	234	–	234	1,082
Total	$ 94,059	$ 8,792	$ 102,851	$ 92,983
With the Public				
ITA Foreign Service Nationals' Voluntary Separation Pay	$ 2,618	$ 8,878	$ 11,496	$ 10,138
Contingent Liabilities (Note 17)	22,257	–	22,257	15,712
Employment-related	1,433	–	1,433	1,624
Other	2,212	–	2,212	1,401
Total	$ 28,520	$ 8,878	$ 37,398	$ 28,875

The Current Portion represents liabilities expected to be paid by September 30, 2017, while the Non-current Portion represents liabilities expected to be paid after September 30, 2017.

NOTE 13. FEDERAL EMPLOYEE BENEFITS

	FY 2016	FY 2015
Actuarial FECA Liability	$ 206,611	$ 209,346
NOAA Corps Retirement System Liability	633,000	634,900
NOAA Corps Post-retirement Health Benefits Liability	36,500	37,300
Total	$ 876,111	$ 881,546

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 2016	FY 2015
Year 1 and Thereafter	2.78%	3.13%

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 2016		
Fiscal Year	Cost of Living Adjustment	Consumer Price Index - Medical
2017	1.31%	2.99%
2018	1.13%	3.09%
2019	1.23%	3.40%
2020	1.45%	3.68%
2021	1.85%	3.87%

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

NOAA Corps Retirement System Liability:

This liability represents the unfunded actuarial present value of projected plan benefits. The actuarial calculation is performed annually, as of September 30. The September 30, 2016 and 2015 actuarial calculations used the following economic assumptions:

	FY 2016	FY 2015
Discount Rate	3.80%	3.99%
Annual Basic Pay Scale Increases	2.21%	2.59%
Annual Inflation	1.71%	2.09%

Schedule for Reconciling NOAA Corps Retirement System Liability:

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

	FY 2016	FY 2015
Beginning Balance – NOAA Corps Retirement System Liability	$ 634,900	$ 632,800
Add Pension Costs:		
Normal Cost	12,500	12,700
Interest on the Unfunded Liability	23,600	24,700
Actuarial (Gains)/Losses, Net		
From Experience	(11,400)	(10,200)
From Discount Rate Assumption Change	25,400	18,100
From Long-term Assumption Changes		
Annual Inflation	(32,500)	(19,400)
Annual Basic Pay Scale Increases	(1,800)	(1,000)
Mortality	18,600	1,900
Withdrawal	(1,100)	–
Career Pay Increase	(1,500)	–
Retirement	(8,700)	–
Total Pension Costs	23,100	26,800
Subtract Benefit Payments	(25,000)	(24,700)
Ending Balance – NOAA Corps Retirement System Liability	$ 633,000	$ 634,900

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 2016	FY 2015
Discount Rate	3.77%	3.97%
Ultimate Medical Trend Rate	4.85%	5.15%

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

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

	FY 2016	FY 2015
Beginning Balance – NOAA Corps Post-retirement Health Benefits Liability	$ 37,300	$ 39,600
Add Health Benefits Costs:		
Normal Cost	1,200	1,300
Interest on the Unfunded Liability	1,400	1,600
Actuarial (Gains)/Losses, Net		
From Experience	700	400
From Discount Rate Assumption Change	600	300
From Long-term Assumption Changes		
Medical Claims and Trend Rate	(2,100)	(3,500)
Mortality	(300)	–
Total Health Benefits Costs	1,500	100
Subtract Benefit Payments	(2,300)	(2,400)
Ending Balance – NOAA Corps Post-retirement Health Benefits Liability	$ 36,500	$ 37,300

NOTE 14. ENVIRONMENTAL AND DISPOSAL LIABILITIES

	FY 2016	FY 2015
Asbestos-related Cleanup Costs	$ 73,820	$ 77,343
Nuclear Reactor	57,342	55,881
Pribilof Islands	1,574	1,665
Non-reactor Radiological Facilities	8,619	8,280
Other	1,745	1,724
Total	$ 143,100	$ 144,893

NOTE 15. LEASES

Capital Leases:

Assets under capital leases are as follows:

	FY 2016	FY 2015
Structures, Facilities, and Leasehold Improvements	$ 6,206	$ 6,206
Equipment	12,699	12,781
Less: Accumulated Depreciation	(12,838)	(9,970)
Net Assets Under Capital Leases	$ 6,067	$ 9,017

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

Capital Lease Liabilities:

Future payments due under capital leases are as follows:

FY 2016			
	General PP&E Category		
Fiscal Year	Real Property	Personal Property	Total
2017	$ 314	$ 1,117	$ 1,431
2018	314	–	314
2019	26	–	26
Total Future Lease Payments	654	1,117	1,771
Less: Imputed Interest	(39)	(16)	(55)
Less: Executory Costs	(116)	–	(116)
Net Capital Lease Liabilities	$ 499	$ 1,101	$ 1,600

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

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 2017 through FY 2021; and (2) future payments due under noncancellable operating leases (non-GSA real property) are as follows:

FY 2016				
	General PP&E Category			
Fiscal Year	GSA Real Property		Non-GSA Real Property	
2017	$	282,495	$	14,312
2018		299,073		12,262
2019		299,735		11,066
2020		302,571		11,118
2021		309,191		10,515
Thereafter		[1]		59,516
Total Future Lease Payments			$	118,789

[1] *Not estimated*

NOTE 16. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

	FY 2016	FY 2015
Intragovernmental		
Liability to General Fund of U.S. Government for Deficit Reduction	$ 334,054	$ –
Accrued FECA Liability	28,462	31,610
Accounts Payable	5	–
Total Intragovernmental	362,521	31,610
Accrued Payroll	57,536	58,050
Accrued Annual Leave	301,462	291,019
Federal Employee Benefits	876,111	881,546
Environmental and Disposal Liabilities	143,100	144,893
Contingent Liabilities	22,257	15,712
Capital Lease Liabilities	444	882
Unearned Revenue	499,196	523,271
ITA Foreign Service Nationals' Voluntary Separation Pay	11,496	10,138
Other	378	78
Total	$ 2,274,501	$ 1,957,199

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. A summary of major long-term commitments as of September 30, 2016 is shown below.

Major Long-term Commitments:

FY 2016							
Description	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Thereafter	Total
Joint Polar Satellite Systems	$ 787,246	$ 745,777	$ 572,240	$ 445,082	$ 376,061	$ 740,274	$ 3,666,680
Geostationary Operational Environmental Satellites	752,784	518,532	335,879	214,674	148,588	1,226,651	3,197,108
Polar Follow-on	393,000	594,000	581,000	579,000	469,000	–	2,616,000
Space Weather Follow-on	2,500	53,700	186,100	154,500	81,500	278,200	756,500
Comprehensive Large Array-data Stewardship System	59,025	58,025	57,325	57,357	57,357	–	289,089
Satellite Projects, Planning, and Analysis	33,488	33,488	33,488	33,488	33,488	–	167,440
Cooperative Data and Rescue Services	500	48,950	32,800	18,550	2,400	9,600	112,800
Constellation Observing System for Meteorology, Ionosphere, and Climate - 2	16,200	16,200	16,400	8,800	8,800	35,200	101,600
Weather Service	23,374	3,376	3,423	3,471	3,521	2,850	40,015
Ocean Surface Topography	4,357	7,651	5,338	4,648	4,648	4,648	31,290
Satellite System Architecture and Advanced Planning	4,929	4,929	4,929	4,929	4,929	–	24,645
Deep Space Climate Observatory	3,745	3,860	3,838	3,838	3,838	3,838	22,957
Commercial Weather Data Pilot	5,000	–	–	–	–	–	5,000
Total	$ 2,086,148	$ 2,088,488	$ 1,832,760	$ 1,528,337	$ 1,194,130	$ 2,301,261	$ 11,031,124

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 $22.3 million and $15.7 million as of September 30, 2016 and 2015, respectively. Accordingly, these contingent liabilities were included in Other Liabilities on the *Consolidated Balance Sheets* as of September 30, 2016 and 2015, respectively. For a majority of these claims, any amounts ultimately due will be paid out of Treasury's Judgment Fund. For the claims to be paid by Treasury's Judgment Fund, once the claims are settled or court judgments are assessed relative to the Department, the liability will be removed and an Imputed Financing Source From Cost Absorbed by Others will be recognized.

Reasonably Possible Likelihood of an Adverse Outcome:

The Department and other federal agencies are subject to potential liabilities for a variety of environmental cleanup costs, many of which are associated with the Second World War, at various sites within the U.S. Since some of the potential liabilities represent claims with no stated amount, the exact amount of total potential liabilities is unknown, but may exceed $280.3 million as of September 30, 2016. For these potential liabilities, it is reasonably possible that an adverse outcome will result. It is not possible, however, to speculate as to a range of loss. In the absence of a settlement agreement, decree, or judgment, there is neither an allocation of response costs between the U.S. government and other potentially responsible parties, nor is there an attribution of such costs to or among the federal agencies implicated in the claims. Although the Department has been implicated as a responsible party, the U.S. Department of Justice was unable to provide an amount for these potential liabilities that is attributable to the Department. Of these potential liabilities, all will be funded by Treasury's Judgment Fund, if any amounts are ultimately due.

The Department and other federal agencies are subject to other potential liabilities. Since some of the potential liabilities represent claims with no stated amount, the exact amount of total potential liabilities is unknown, but may exceed $67.4 million as of September 30, 2016. For these potential liabilities, it is reasonably possible that an adverse outcome will result. It is not possible, however, to speculate as to a range of loss. Of these potential liabilities, most will be funded by Treasury's Judgment Fund, if any amounts are ultimately due.

NOTE 18. CONSOLIDATED STATEMENTS OF NET COST

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

United States Department of Commerce Consolidating Statement of Net Cost by Major Budgetary Function
For the Year Ended September 30, 2016

	Natural Resources and Environment/ Other Natural Resources	Other Advancement of Commerce	Area and Regional Development	Others	Combined Total	Intra-Departmental Eliminations	Consolidated Total
Intragovernmental							
Gross Costs	$ 767,663	$ 1,795,752	$ 16,567	$ 45,706	$ 2,625,688	$ (346,202)	$ 2,279,486
Less: Earned Revenue	(174,424)	(916,446)	(4,802)	746	(1,094,926)	346,202	(748,724)
Intragovernmental, Net Costs	**593,239**	**879,306**	**11,765**	**46,452**	**1,530,762**	**–**	**1,530,762**
With the Public							
Gross Costs	3,950,729	5,585,372	279,234	69,289	9,884,624	–	9,884,624
Less: Earned Revenue	(48,025)	(3,235,243)	(17)	(1,917)	(3,285,202)	–	(3,285,202)
With the Public, Net Costs	**3,902,704**	**2,350,129**	**279,217**	**67,372**	**6,599,422**	**–**	**6,599,422**
Total Program Costs							
Gross Costs	4,718,392	7,381,124	295,801	114,995	12,510,312	(346,202)	12,164,110
Less: Earned Revenue	(222,449)	(4,151,689)	(4,819)	(1,171)	(4,380,128)	346,202	(4,033,926)
NET COST OF OPERATIONS	**$ 4,495,943**	**$ 3,229,435**	**$ 290,982**	**$ 113,824**	**$ 8,130,184**	**$ –**	**$ 8,130,184**

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

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

NOTE 19. COMBINED STATEMENTS OF BUDGETARY RESOURCES

Other Changes in Unobligated Balance, Net: On the FY 2016 *Combined Statement of Budgetary Resources (SBR)*, *Budgetary Resources*, Budgetary column, the reduction of budgetary resources of $8.93 billion reported includes a reduction of $8.80 billion for NTIA's Digital Television Transition and Public Safety Fund. For more financial information for the Digital Television Transition and Public Safety Fund, see Note 22, *Funds from Dedicated Collections*, the *Combining Schedule of Budgetary Resources by Major Budget Account* (unaudited) for FY 2016, included in *Required Supplementary Information (Unaudited)*, and the *Combining Schedule of Spending by Major Budget Account* (unaudited) for FY 2016, included in *Other Information*.

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 2016, the primary reconciling items are (a) a transfer in of auction proceeds from the Federal Communications Commission to NTIA's Public Safety Trust Fund of $8.43 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); and (b) a transfer out from NTIA's Public Safety Trust Fund to the General Fund of U.S. Government of $7.78 billion for deficit reduction, which is included as negative *Appropriations* on *SBR* and is in included as a transfer out on *SCNP*.

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

Borrowing Authority: Total borrowing authority available for NOAA's loan programs amounted to $65.2 million and $121.6 million as of September 30, 2016 and 2015, 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 1M, *Debt to Treasury*, for debt repayment requirements, financing sources for repayments, and other terms of borrowing authority used.

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

Permanent Reductions to Budgetary Resources: Permanent reductions to the Department's budgetary resources under Public Laws 114-223 and 114-113 amounted to $34.4 million for FY 2016, while permanent reductions for FY 2015 under Public Law 113-235 amounted to $10.1 million. These permanent reductions are included in the *SBR* Budgetary Resources section, and are also included on the *SCNP*.

Unobligated Balance, End of Year, Unapportioned, Unexpired Accounts: On the FY 2015 *SBR*, *Status of Budgetary Resources*, Budgetary column, the $9.15 billion reported includes $8.80 billion of unapportioned authority for NTIA's Digital Television Transition and Public Safety Fund.

Legal arrangements affecting the Department's use of Unobligated Balances of Budget Authority and/or Fund Balance with Treasury during FY 2016 and FY 2015 include the following:

- The Department's Deposit Funds, reported in Note 2, *Fund Balance with Treasury*, are not available to finance operating activities. These funds are also included in Note 2 on the line Non-budgetary (breakdown by status).
- The Department's Fund Balance with Treasury as of September 30, 2016 and 2015 includes $790.1 million of USPTO offsetting collections exceeding the current fiscal year and prior fiscal years' appropriations. USPTO may use these funds only as authorized by the U.S. Congress, and only as made available by the issuance of a Treasury warrant. These funds are included in Note 2 on the lines *General Funds* (breakdown by type) and *Temporarily Precluded From Obligation* (breakdown by status).
- The Omnibus Budget Reconciliation Act of 1990 established surcharges on certain statutory patent fees collected by USPTO. Subsequent legislation extended the surcharges through September 30, 1998. These surcharges were deposited into the Patent and Trademark Surcharge Fund, a Special Fund Receipt Account at Treasury. USPTO may use monies from this account only as authorized by Congress and made available by the issuance of a Treasury warrant. As of September 30, 2016 and 2015, $233.5 million is held in the Patent and Trademark Surcharge Fund. These funds are included in Note 2 on the lines *Patent and Trademark Surcharge Fund* - Special Funds section (breakdown by type), and *Non-budgetary* (breakdown by status).
- The Department's Fund Balance with Treasury as of September 30, 2016 and 2015 includes $147.7 million of USPTO sequestered funds temporarily not available. These funds are included in Note 2 on the lines *General Funds* (breakdown by type) and *Temporarily Precluded from Obligation* (breakdown by status).
- The Department's Fund Balance with Treasury as of September 30, 2016 and 2015 includes $21.4 million and $372.3 million of sequestered funds temporarily not available for NTIA's Public Safety Trust Fund, respectively. These funds are included in Note 2 on the lines *Trust Funds, Public Safety Trust Fund* (breakdown by type) and *Temporarily Precluded from Obligation* (breakdown by status).
- The Department's Fund Balance with Treasury as of September 30, 2016 and 2015 includes $9.9 million and $310.5 million of sequestered funds temporarily not available for NOAA's Promote and Develop Fishery Products and Research Pertaining to American Fisheries fund, respectively. These funds are included in Note 2 on the lines *Special Funds, Other Special Funds* (breakdown by type) and *Temporarily Precluded from Obligation* (breakdown by status).
- For loan programs prior to the Federal Credit Reform Act of 1990 (pre-FY 1992 loans), most or all liquidating fund unobligated balances in excess of working capital needs are required to be transferred to Treasury as soon as practicable during the following fiscal year.
- For direct loan programs under the Federal Credit Reform Act of 1990 (post-FY 1991 loans) that have outstanding debt to Treasury, regulations require that most unobligated balances be returned to Treasury on September 30 or require that the borrowing authority be cancelled on September 30.

Comparison to Budget of the U.S. Government:

A comparison was performed, and there were no material differences between the amounts reported in the FY 2015 *SBR* and the actual FY 2015 amounts reported in the FY 2016 budget of the U.S. Government for *SBR* lines *Total Budgetary Resources; Obligations Incurred; Outlays, Net*; and *Distributed Offsetting (Receipts)/Outlays, Net*. The President's Budget that will report actual amounts for FY 2016 has not yet been published, and will be made available on OMB's Budget Web page at *https://www.whitehouse.gov/omb/budget/*.

Apportionment Categories of New Obligations and Upward Adjustments:

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

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

	FY 2016		
	Direct	Reimbursable	Total
Category A	$ 2,761,562	$ 3,648,368	$ 6,409,930
Category B	8,222,799	821,578	9,044,377
Exempt from Apportionment	5,545	–	5,545
Total New Obligations and Upward Adjustments	$ 10,989,906	$ 4,469,946	$ 15,459,852

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

Undelivered Orders: Undelivered orders (unpaid and paid) were $6.48 billion and $6.14 billion as of September 30, 2016 and 2015, respectively.

NOTE 20. CUSTODIAL NON-EXCHANGE ACTIVITY

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

The Department's custodial non-exchange revenue in FY 2016 was $39.0 million, primarily received by EDA, BIS, and NOAA. EDA and BIS received custodial non-exchange revenue in FY 2016 primarily from miscellaneous collections and civil monetary penalties from private entities that violate the Export Administration Act, respectively, remitted or payable to the General Fund of U.S. Government. NOAA received custodial non-exchange revenue in FY 2016 primarily from the audit resolution of a grants receivable which is payable to the General Fund of U.S. Government. The Department's payable to the General Fund of the U.S. Government for custodial non-exchange revenue was $12.7 million as of September 30, 2016.

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

NOTE 21. FIDUCIARY ACTIVITIES

Schedule of Fiduciary Activities for the Year Ended September 30, 2016:

	FY 2016		
	Patent Cooperation Treaty	Madrid Protocol	Total
Fiduciary Net Assets, Beginning Balance	$ 16,168	$ 615	$ 16,783
Contributions	154,474	22,572	177,046
Disbursements to and on Behalf of Beneficiaries	(156,183)	(22,736)	(178,919)
Increase/(Decrease) in Fiduciary Net Assets	(1,709)	(164)	(1,873)
Fiduciary Net Assets, Ending Balance	$ 14,459	$ 451	$ 14,910

Fiduciary Net Assets as of September 30, 2016:

	FY 2016		
	Patent Cooperation Treaty	Madrid Protocol	Total
Fund Balance with Treasury	$ 14,459	$ 451	$ 14,910

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

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

Fiduciary Net Assets as of September 30, 2015:

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

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."

United States Department of Commerce Combining Balance Sheet – Funds from Dedicated Collections
As of September 30, 2016

	NIST Wireless Innovation Fund	NOAA Damage Assessment and Restoration Revolving Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA Network Construction Fund	NTIA Public Safety Trust Fund	NTIA State and Local Implementation Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections
ASSETS									
Fund Balance with Treasury	$ 277,971	$ 199,491	$ 8,822,531	$ 6,642,633	$ 176,870	$ 79,118	$ 2,222,633	$ 54,902	$ 18,476,149
Cash	–	–	–	–	–	–	3,811	–	3,811
Investment	–	–	–	–	333,013	–	–	–	333,013
Accounts Receivable, Net	–	60	–	7	253	2	473	6,832	7,627
General Property, Plant, and Equipment, Net	–	–	–	4,364	2,082	–	504,025	–	510,471
Other	–	105	2,925	22,701	1,439	23	25,177	105	52,475
TOTAL ASSETS	**$ 277,971**	**$ 199,656**	**$ 8,825,456**	**$ 6,669,705**	**$ 513,657**	**$ 79,143**	**$ 2,756,119**	**$ 61,839**	**$ 19,383,546**
LIABILITIES									
Accounts Payable	$ 122	$ 146	$ 278	$ 7,090	$ 1,236	$ 129	$ 93,463	$ 86	$ 102,550
Federal Employee Benefits	–	–	–	–	–	–	11,729	–	11,729
Other									
Accrued Payroll and Annual Leave	18	91	–	521	1,975	17	225,605	153	228,380
Accrued Grants	–	433	229	–	–	2,088	–	865	3,615
Capital Lease Liabilities	–	–	–	524	133	–	–	–	657
Unearned Revenue	–	–	–	–	–	–	960,398	–	960,398
Liability to General Fund of U.S. Government for Deficit Reduction	–	–	–	–	334,054	–	–	–	334,054
Other Liabilities	–	33	–	328	134	–	17,404	54	17,953
TOTAL LIABILITIES	**$ 140**	**$ 703**	**$ 507**	**$ 8,463**	**$ 337,532**	**$ 2,234**	**$ 1,308,599**	**$ 1,158**	**$ 1,659,336**
NET POSITION									
Unexpended Appropriations	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Cumulative Results of Operations	277,831	198,953	8,824,949	6,661,242	176,125	76,909	1,447,520	60,681	17,724,210
TOTAL NET POSITION	**$ 277,831**	**$ 198,953**	**$ 8,824,949**	**$ 6,661,242**	**$ 176,125**	**$ 76,909**	**$ 1,447,520**	**$ 60,681**	**$ 17,724,210**
TOTAL LIABILITIES AND NET POSITION	**$ 277,971**	**$ 199,656**	**$ 8,825,456**	**$ 6,669,705**	**$ 513,657**	**$ 79,143**	**$ 2,756,119**	**$ 61,839**	**$ 19,383,546**

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

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

United States Department of Commerce Combining Statement of Net Cost – Funds from Dedicated Collections
For the Year Ended September 30, 2016

	NIST Wireless Innovation Fund	NOAA Damage Assessment and Restoration Revolving Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA Network Construction Fund	NTIA Public Safety Trust Fund	NTIA State and Local Implementation Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections
Intragovernmental									
Gross Costs	$ 4,456	$ 1,208	$ 145	$ 39,215	$ 6,130	$ 336	$ 635,435	$ 1,274	$ 688,199
Less: Earned Revenue	–	–	–	–	(368)	(30)	(8,957)	–	(9,355)
Intragovernmental, Net Costs	**4,456**	**1,208**	**145**	**39,215**	**5,762**	**306**	**626,478**	**1,274**	**678,844**
With the Public									
Gross Costs	4,113	57,911	1,352	33,676	10,320	22,343	2,484,149	17,944	2,631,808
Less: Earned Revenue	–	–	–	–	–	–	(3,124,412)	–	(3,124,412)
With the Public, Net Costs	**4,113**	**57,911**	**1,352**	**33,676**	**10,320**	**22,343**	**(640,263)**	**17,944**	**(492,604)**
Total Program Costs									
Gross Costs	8,569	59,119	1,497	72,891	16,450	22,679	3,119,584	19,218	3,320,007
Less: Earned Revenue	–	–	–	–	(368)	(30)	(3,133,369)	–	(3,133,767)
NET COST OF OPERATIONS	**$ 8,569**	**$ 59,119**	**$ 1,497**	**$ 72,891**	**$ 16,082**	**$ 22,649**	**$ (13,785)**	**$ 19,218**	**$ 186,240**

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

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

United States Department of Commerce Combining Statement of Changes in Net Position – Funds from Dedicated Collections
For the Year Ended September 30, 2016

	NIST Wireless Innovation Fund	NOAA Damage Assessment and Restoration Revolving Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA Network Construction Fund	NTIA Public Safety Trust Fund	NTIA State and Local Implementation Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections
Cumulative Results of Operations:									
Beginning Balance	**$ 92,700**	**$ 260,591**	**$ 8,826,446**	**$ 6,367,864**	**$ 540,743**	**$ 99,558**	**$ 1,401,156**	**$ 51,028**	**$ 17,640,086**
Budgetary Financing Sources:									
Non-exchange Revenue	–	(17,673)	–	–	6	–	–	28,871	11,204
Transfers In of Auction Proceeds from Federal Communications Commission	–	–	–	–	8,430,058	–	–	–	8,430,058
Transfer Out to Receipt Account for Providing Funds to General Fund of U.S. Government	–	–	–	–	(7,781,010)	–	–	–	(7,781,010)
Transfers from Public Safety Trust Fund to Dedicated Collections Funds	193,700	–	–	366,269	(559,969)	–	–	–	–
Transfers In/(Out) Without Reimbursement, Net	–	15,154	–	–	(104,430)	–	(2,100)	–	(91,376)
Other Financing Sources (Non-exchange):									
Transfer In Received by Receipt Account for Providing Funds to General Fund of U.S. Government	–	–	–	–	7,781,010	–	–	–	7,781,010
Transfer Out to General Fund of U.S. Government for Deficit Reduction	–	–	–	–	(7,781,010)	–	–	–	(7,781,010)
Imputed Financing Sources from Cost Absorbed by Others	–	–	–	–	863	–	34,679	–	35,542
Financing Sources Used for Recognizing Liability to General Fund of U.S. Government for Deficit Reduction	–	–	–	–	(334,054)	–	–	–	(334,054)
Total Financing Sources	**193,700**	**(2,519)**	**–**	**366,269**	**(348,536)**	**–**	**32,579**	**28,871**	**270,364**
Net Cost of Operations	**(8,569)**	**(59,119)**	**(1,497)**	**(72,891)**	**(16,082)**	**(22,649)**	**13,785**	**(19,218)**	**(186,240)**
Net Change	**185,131**	**(61,638)**	**(1,497)**	**293,378**	**(364,618)**	**(22,649)**	**46,364**	**9,653**	**84,124**
Cumulative Results of Operations – Ending Balance	**277,831**	**198,953**	**8,824,949**	**6,661,242**	**176,125**	**76,909**	**1,447,520**	**60,681**	**17,724,210**
NET POSITION	**$ 277,831**	**$ 198,953**	**$ 8,824,949**	**$ 6,661,242**	**$ 176,125**	**$ 76,909**	**$ 1,447,520**	**$ 60,681**	**$ 17,724,210**

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

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

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

The ***NIST Wireless Innovation Fund*** was created in order for NIST, in consultation with the Federal Communications Commission (FCC), the Secretary of Homeland Security, and the National Institute of Justice of the Department of Justice, to conduct research and assist with the development of standards, technologies, and applications to advance wireless public safety communications. Section 6413 of the Middle Class Tax Relief and Job Creation Act of 2012 requires NTIA to make available $300.0 million to the Director of NIST as amounts are deposited into the Public Safety Trust Fund to carry out public safety research. The Wireless Innovation Fund in FY 2016 and FY 2015 received transfers in totaling $193.7 million and $92.7 million, respectively, from NTIA's Public Safety Trust Fund (included in FY 2016 and FY 2015 *SCNP*, *Budgetary Financing Sources* section, respectively), and which are included as a *Budgetary Resource* on the FY 2016 and FY 2015 *SBR* (*Spending Authority From Offsetting Collections*), respectively. The law establishing this program can be found in Section 6303 of the Middle Class Tax Relief and Job Creation Act of 2012.

The ***NTIA Digital Television Transition and Public Safety Fund*** made digital television available to every home in America, improved communications between local, state, and federal agencies, allowed smaller television stations to broadcast digital television, and improved how warnings are received when disasters occur. NTIA received initial funding from borrowings from Treasury, and repaid Treasury from the proceeds of the auction of recovered analog spectrum which was completed in March 2008. The proceeds from the auction provide funding for several programs, and $7.36 billion was transferred in September 2009 to the General Fund of U.S. Government as required by the Deficit Reduction Act of 2005. The Fund has a *Net Position, Cumulative Results of Operations – Funds from Dedicated Collections* balance of $8.82 billion included in the Department's *Consolidated Balance Sheet* as of September 30, 2016, and has a FY 2016 reduction of budgetary resources of $8.80 billion included in the Department's FY 2016 *SBR* on the line *Other Changes in Unobligated Balance, Net*. The law establishing this program can be found in the Deficit Reduction Act of 2005, Sections 3001-3014. For FY 2016 budgetary financial information for the Digital Television Transition and Public Safety Fund, see the *Combining Schedule of Budgetary Resources by Major Budget Account* (unaudited) for FY 2016, included in *Required Supplementary Information (Unaudited)* and see the *Combining Schedule of Spending by Major Budget Account* (unaudited) for FY 2016, included in *Other Information*.

The ***NTIA Network Construction Fund*** primarily provides funding for build-out and operations, excluding administrative expenses which are paid by NTIA's Public Safety Trust Fund, of the First Responder Network Authority (FirstNet), an independent authority within NTIA, and also provides funding for NTIA to make grants to states under the "Opt-Out" program. FirstNet shall ensure the establishment of a nationwide interoperable broadband network to help police, firefighters, emergency medical service professionals, and other public safety officials stay safe and do their jobs. The Network Construction Fund in FY 2016 and FY 2015 received transfers in totaling $366.3 million and $6.40 billion, respectively, from NTIA's Public Safety Trust Fund (included in FY 2016 and FY 2015 *SCNP*, *Budgetary Financing Sources* section, respectively), and which are included as *Budgetary Resources* on the FY 2016 and FY 2015 *SBR* (*Spending Authority From Offsetting Collections*), respectively. FirstNet is also authorized to assess and collect network user fees and lease fees related to network capacity, and, eventually, shall be permanently self-funded. FirstNet has not yet collected any user fees as of September 30, 2016. 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 2016 budgetary financial information for the Network Construction Fund, see the *Combining Schedule of Budgetary Resources by Major Budget Account* (unaudited) for FY 2016, included in *Required Supplementary Information (Unaudited)* and see the *Combining Schedule of Spending by Major Budget Account* (unaudited) for FY 2016, included in *Other Information*.

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

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

FCC carries out auctions in accordance with the Act, of which certain earned net auction proceeds (earned auction proceeds less any FCC administrative fees) are transferred in from FCC to the Public Safety Trust Fund. A transfer in from FCC becomes a budgetary financing source on the *SCNP* and a budgetary resource on the *SBR* when the transfer in is received. Transfers in of auction proceeds from FCC totaling $8.43 billion and $18.63 billion were received in FY 2016 and FY 2015, respectively, and are included as a budgetary financing source on the FY 2016 and FY 2015 *SCNP*, respectively, and as a budgetary resource on the FY 2016 and FY 2015 *SBR* (*Appropriations*), respectively.

The Act directs the use of auction proceeds in an order of priority after the repayment of borrowings from Treasury (priority 1). Priority 1 was fully completed in September 2015 as previously discussed. In FY 2015, the Public Safety Trust Fund transferred out $130.9 million to the NTIA State and Local Implementation Fund, fully completing priority 2. In FY 2016 and 2015, the Public Safety Trust Fund transferred out a total of $366.3 million and $6.40 billion, respectively, to the NTIA Network Construction Fund (towards priority 3 of up to $7.00 billion), and a total of $193.7 million and $92.7 million, respectively, to the NIST Wireless Innovation Fund (towards priority 4 and priority 7 totaling $300.0 million for transfers to NIST to carry out public safety research). These intra-Departmental FY 2016 and FY 2015 transfers out net to $0 for each respective fiscal year and are not reported on the FY 2016 and FY 2015 *SCNP*. These Public Safety Trust Fund transfers out are included on the FY 2016 and FY 2015 *SBR* as *New Obligations and Upward Adjustments* and *Outlays, Gross*. Priority 5 specifies that the Public Safety Trust Fund is to deposit a total of $20.40 billion in the General Fund of U.S. Government for deficit reduction. Fully completing this priority, the Public Safety Trust Fund transferred out a total of $7.78 billion and $12.62 billion in FY 2016 and FY 2015, respectively, to a receipt account utilized for transferring these funds to the General Fund of U.S. Government (these transfers out by Public Safety Trust Fund, and transfers in received by receipt account, are reported on the FY 2016 and FY 2015 *SCNP*), and the receipt account transferred a total of $7.78 billion and $12.62 billion in FY 2016 and FY 2015, respectively, to the General Fund of U.S. Government (these transfers out are reported on the FY 2016 and FY 2015 *SCNP, Other Financing Sources* (*Non-exchange* section)), respectively. The receipt account transfers in and out of $7.78 billion and $12.62 billion are also included in the Funds from Dedicated Collections column of the FY 2016 and FY 2015 *SCNP*, respectively, as the receipt account serves as the established transactional mechanism for the Public Safety Trust Fund to transfer out a total of $7.78 billion and $12.62 billion in FY 2016 and FY 2015, respectively, to the General Fund of U.S. Government. The Public Safety Trust Fund transfers out of a total of $7.78 billion and $12.62 billion in FY 2016 and FY 2015, respectively, to the receipt account, are included as reductions of *Budgetary Resources, Appropriations* in the FY 2016 and FY 2015 *SBR*, respectively. Priority 6 specified in the Act includes 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 to carry out the grant program of Next Generation 9-1-1. Towards this priority, the Public Safety Trust Fund transferred out $104.4 million in FY 2016 to the National Highway Traffic Safety Administration (NHTSA), and made available in FY 2016 $2.8 million within the Public Safety Trust Fund for the Assistant Secretary (NTIA). The FY 2016 Public Safety Trust Fund transfer out to NHTSA of $104.4 million is included on the FY 2016 *SCNP*, *Budgetary Financing Sources* section and included on the FY 2016 *SBR* as *New Obligations and Upward Adjustments* and *Outlays, Gross*. Priority 8 specifies that any remaining amounts deposited in the Public Safety Trust Fund shall be deposited in the General Fund of 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 U.S. Government for deficit reduction. Towards priority 8, the Public Safety Trust Fund has recorded a liability (not covered by budgetary resources) to the General Fund of U.S. Government of $334.1 million as of September 30, 2016. The corresponding FY 2016 financing sources used of $334.1 million for recognizing this liability is reported on the FY 2016 *SCNP*, *Other Financing Sources (Non-exchange)* section.

The Act specifies that amounts in the Public Safety Trust Fund be invested in accordance with Section 9702 of Title 31, United States Code. The Public Safety Trust Fund has an investment in a market-based Treasury security of $333.0 million as of September 30, 2016; see Note 3, *Investment* 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.

The Public Safety Trust Fund's budgetary resources includes $335.7 million of budgetary resources that are unapportioned as of September 30, 2016. For FY 2016 budgetary financial information for the Public Safety Trust Fund, see the *Combining Schedule of Budgetary Resources by Major Budget Account* (unaudited) for FY 2016 included in *Required Supplementary Information (Unaudited)* and see the *Combining Schedule of Spending by Major Budget Account* (unaudited) for FY 2016, included in *Other Information*.

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

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

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

The Salaries and Expenses Fund contains monies used for the administering of the laws relevant to patents and trademarks and advising the Secretary of Commerce, the President of the United States, and the Administration on patent, trademark, and copyright protection, and trade-related aspects of intellectual property. This fund is used for USPTO's three core business activities—granting patents; registering trademarks; and intellectual property policy, protection, and enforcement—that promote the use of intellectual property rights as a means of achieving economic prosperity. These activities give innovators, businesses, and entrepreneurs the protection and encouragement they need to turn their creative ideas into tangible products, and also provide protection for their inventions and trademarks. USPTO may use monies from this account only as authorized by Congress. For FY 2016 budgetary financial information for the Salaries and Expenses Fund, see the *Combining Schedule of Budgetary Resources by Major Budget Account* (unaudited) for FY 2016, included in *Required Supplementary Information (Unaudited)* and see the *Combining Schedule of Spending by Major Budget Account* (unaudited) for FY 2016, included in *Other Information*.

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

The Patent and Trademark Surcharge Fund, a Special Fund Receipt Account at Treasury, is discussed in Note 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, 2016 and 2015, $233.5 million is held in this fund.

NOTE 23. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

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

The third section's subsection, *Components Requiring or Generating Resources in Future Periods*, includes costs reported in the current period that are included in the Liabilities Not Covered by Budgetary Resources reported in Note 16. This subsection does not include costs reported in prior fiscal years that are also included in Liabilities Not Covered by Budgetary Resources reported in Note 16.

The reconciliations of Net Cost of Operations to Budget for FY 2016 and 2015 are as follows:

	FY 2016	FY 2015
Resources Used to Finance Activities:		
Budgetary Resources Obligated:		
New Obligations and Upward Adjustments	$ 15,459,852	$ 20,805,228
Less: Spending Authority From Offsetting Collections and Actual Recoveries of Prior-years Unpaid Obligations	(5,873,951)	(11,692,945)
New Obligations and Upward Adjustments Net of Offsetting Collections and Actual Recoveries	9,585,901	9,112,283
Less: Distributed Offsetting (Receipts)/Outlays, Net	(64,352)	(36,089)
Net Obligations and Upward Adjustments	9,521,549	9,076,194

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	FY 2016	FY 2015
Other Resources:		
Donations and Forfeitures of Property	779	2,656
Transfer In Received by Receipt Account for Providing Funds to General Fund of U.S. Government	7,781,010	12,618,990
Transfer Out to General Fund of U.S. Government for Deficit Reduction	(7,781,010)	(12,618,990)
Transfers In/(Out) Without Reimbursement, Net	(78,549)	(841)
Imputed Financing Sources From Cost Absorbed by Others	247,277	256,500
Financing Sources Used for Recognizing Liability to General Fund of U.S. Government for Deficit Reduction	(334,054)	–
Other Financing Sources/(Uses), Net	(3,598)	(5,066)
Net Other Resources Used to Finance Activities	(168,145)	253,249
Total Resources Used to Finance Activities	**9,353,404**	**9,329,443**
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	(267,019)	(406,435)
Resources that Fund Expenses Recognized in Prior Periods	(16,249)	(43,375)
New Obligations for Downward Subsidy Reestimates Payable to Treasury	(13,359)	(11,614)
New Obligation for a Transfer Out to National Highway Traffic Safety Administration	(104,430)	–
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations:		
Distributed Offsetting (Receipts)/Outlays, Net (excludes Clearing Accounts' Gross Costs)	64,352	36,089
Credit Program Collections which Increase Loan Guarantee Liabilities or Allowance for Subsidy Cost	86,768	112,188
Repayments of Debt that reduce Debt to Treasury Liability	(89,561)	(84,265)
Substitution of Borrowing Authority that is not related to Earned Revenue	–	(143,895)
Budgetary Financing Sources/(Uses), Net	(17,833)	105,024
Resources that Finance the Acquisition of Assets	(2,189,998)	(2,189,847)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations:		
Change in Unfilled Customer Orders	27,939	(47,199)
Donations and Forfeitures of Property	(779)	(2,656)
Transfer In Received by Receipt Account for Providing Funds to General Fund of U.S. Government	(7,781,010)	(12,618,990)
Transfer Out to General Fund of U.S. Government for Deficit Reduction	7,781,010	12,618,990
Transfers In/(Out) Without Reimbursement, Net	78,549	841
Financing Sources Used for Recognizing Liability to General Fund of U.S. Government for Deficit Reduction	334,054	–
Other Financing Sources/(Uses), Net	3,598	5,066
Other	(7,729)	–
Total Resources Used to Finance Items Not Part of Net Cost of Operations	**(2,111,697)**	**(2,670,078)**
Total Resources Used to Finance Net Cost of Operations	**7,241,707**	**6,659,365**
Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Increase in Accrued Annual Leave Liability	10,443	10,059
Increase in Contingent Liabilities	6,545	15,303
Other	18,649	(3,605)
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	35,637	21,757
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	816,874	741,034
NOAA Issuances of Materials and Supplies	23,320	17,912
Revaluation of Assets or Liabilities	28,204	502,485
Other	6,024	2,910
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	874,422	1,264,341
Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period	**910,059**	**1,286,098**
Negative Gross Costs for Recoveries of Prior-years Delivered Orders that are Excluded from Net Obligations and Upward Adjustments	**(21,582)**	**(14,381)**
NET COST OF OPERATIONS	**$ 8,130,184**	**$ 7,931,082**

NOTE 24. STEWARDSHIP ASSETS

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

Heritage Assets

Heritage assets are unique for their historical or natural significance, for their cultural, educational, or artistic importance, or for their significant architectural characteristics. The Department generally expects that these assets will be preserved indefinitely.

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

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

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

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

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

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

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

NOAA maintains the following stewardship assets:

National Marine Sanctuaries: In 1972, Congress passed the Marine Protection, Research, and Sanctuaries Act (Act) in response to a growing awareness of the intrinsic environmental and cultural value of coastal waters. The Act authorized the Secretary of Commerce to designate special nationally-significant areas of the marine environment as national marine sanctuaries.

These protected waters provide a secure habitat for species close to extinction, and also protect historically significant shipwrecks and prehistoric artifacts. National marine sanctuaries are also used for recreation (e.g., boating, diving, and sport fishing), and support valuable commercial industries such as fishing and kelp harvesting. As of September 30, 2016, 13 National Marine Sanctuaries, which include both coastal and offshore areas, have been designated, covering a total area of nearly 35 thousand square miles.

Marine National Monuments: 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: the Marianas Trench; the Rose Atoll; the Pacific Remote Islands; the Papahānaumokuākea; and the Northeast Canyons and Seamounts.

On Friday, August 26, 2016, President Obama signed a proclamation expanding the Papahānaumokuākea Marine National Monument. The expanded boundaries make it once again the biggest protected area on the planet at 582,578 square miles, nearly the size of the Gulf of Mexico.

The first national marine monument in the Atlantic Ocean was also created in FY 2016—the Northeast Canyons and Seamounts Marine National Monument. The Northeast Canyons and Seamounts Marine National Monument includes two areas with a combined area of approximately 4,913 square miles.

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

NOAA Habitat Blueprint: Protecting our natural infrastructure is vital to protecting our communities and their economies as well as fisheries and recreational opportunities along our coasts. With continued widespread loss and deterioration of coastal and marine habitats, we are in danger of losing this infrastructure. Congress has charged NOAA with protecting habitat for fish, threatened and endangered species, marine mammals, and other natural resources within the coastal zone. NOAA needs to increase the sustainability and productivity of our fisheries by focusing on the habitat that fish need to spawn and grow, as well as protecting the coastal resources on which our communities depend. Recognizing the need for more concerted efforts to conserve, protect, and restore habitat, NOAA developed the NOAA Habitat Blueprint to build on existing programs, prioritize its activities, and guide its future actions. This is being accomplished by creating Habitat Focus Areas. There are currently 10 Habitat Focus Areas. A five-year Implementation Plan is being developed for each Focus Area. As of September 30, 2016, eight of these plans have been completed, and the remaining two will be finalized by September 30, 2017. The 10 Focus Areas are:

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

Collection-type Heritage Assets:

NOAA:

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

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

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

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. The FKNMS 2,900 square nautical mile boundary is an abundant mixture of natural and cultural, historical resources that include prehistoric cultures, and maritime history.

NIST:

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

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

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

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

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

Census Bureau:

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

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

Collection-type Heritage Assets:

(In Actual Quantities)

Category	Description of Assets	Quantity of Items Held September 30, 2015	FY 2016 Additions	FY 2016 Withdrawals	Quantity of Items Held September 30, 2016
NOAA Central Library:					
Circulating Collection	Books, journals, and other publications	1	N/A[1]	N/A[1]	1
Rare Book Room Collection	Books and publications	1	N/A[1]	N/A[1]	1
Collection of Photographs and Motion Pictures	Photographs and motion pictures	1	N/A[1]	N/A[1]	1
Other	Artifacts, documents, and other items	56	–	–	56
NOAA National Ocean Service–Thunder Bay Sanctuary Research Collection	Data cards, photograph negatives, document copies, photographs, books, and other items	106,254	–	–	106,254
NOAA National Climatic Data Center Library	Artifacts, books, documents, and other items	225	–	159	66
NOAA Others	Artifacts, artwork, books, films, instruments, maps, and records	3,427	1	44	3,384
NIST Artifacts and Scientific Measures	National Bureau of Standards[2]/ NIST scientific instruments, equipment, and objects	1,216	250	146	1,320
NIST Historical Books and Manuscripts	Books/manuscripts of historical scientific interest by prominent scientists	61	–	–	61
Census Bureau Artwork and Gifts	Artifacts, artwork, books, films, instruments, and records	159	–	–	159
Census Bureau Collectable Assets	Publications, books, manuscripts, photographs, and maps	33	–	–	33
Total		**111,434**	**251**	**349**	**111,336**

1 N/A – Not applicable; this category is reported as one collection.
2 National Bureau of Standards is the former name of NIST.

FINANCIAL SECTION

Required Supplementary Information

(UNAUDITED)

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

A Deferred Maintenance and Repairs

Deferred Maintenance and Repairs (DM&R) are maintenance and repairs that were not performed when they should have been, that were scheduled and not performed, or that were delayed for a future period. Maintenance and Repairs are activities directed towards keeping Property, Plant, and Equipment (PP&E) in acceptable operating condition. These activities include preventive maintenance, replacement of parts and structural components, and other activities needed to preserve the asset so that it can deliver acceptable performance and achieve its expected life. Maintenance and Repairs exclude activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater, than those originally intended. The significant portions of Departmental DM&R relate to PP&E of both the National Oceanic and Atmospheric Administration (NOAA) and the National Institute of Standards and Technology (NIST). These two entities comprise 95 percent of the Department's General PP&E, Net balance as of September 30, 2016.

NOAA:

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

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

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

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

NOAA has not significantly changed its policies or factors that are subject to DM&R reporting requirements. The increase in the Buildings asset category is the result of facility condition assessments performed in FY 2016.

The following table shows NOAA's DM&R as of September 30, 2016 and 2015:

(In Thousands)

Asset Category	Deferred Maintenance and Repairs as of September 30, 2016	Deferred Maintenance and Repairs as of September 30, 2015
Buildings	$ 105,549	$ 76,000
Multi-use Heritage Assets	95	92
Ships	28,441	26,876
Total	**$ 134,085**	**$ 102,968**

NIST:

NIST measures DM&R for real property 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. NIST completed a condition survey of the entire applicable real property inventory in FY 2013. NIST schedules its surveys for real property on a cyclical basis, with each appropriate asset being surveyed every three years. Exceptions to the three-year cycle would be where factors indicate that a greater frequency of review is prudent such as age and/or poor condition. NIST does not make a distinction between active or inactive assets for reporting DM&R.

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

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

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

Acceptable 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.

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

Effective 2016, NIST measures DM&R for personal property by assessing the value/cost of a scheduled maintenance or repair event that has been delayed for any reason and the delay extends beyond the end of the current fiscal year. Assessments are performed on all capitalized personal property with costs that exceed $100 thousand. DM&R for personal property is reported for individual items with DM&R estimates greater than $5 thousand.

The following table shows NIST's DM&R as of September 30, 2016 and 2015:

(In Thousands)

Assets Category	Deferred Maintenance and Repairs as of September 30, 2016	Deferred Maintenance and Repairs as of September 30, 2015
Buildings	$ 319,426	$ 319,591
Site Utilities and Infrastructure	26,802	27,169
Total	**$ 346,228**	**$ 346,760**

B Combining Schedule of Budgetary Resources by Major Budget Account

The following table illustrates the Department's FY 2016 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, 2016 *(In Thousands)*

	Combined Total	Census Bureau Periodic Censuses and Programs	NIST Scientific and Technical Research and Services	NOAA Operations, Research, and Facilities	NOAA Procurement, Acquisition, and Construction	NTIA Digital Television Transition and Public Safety Fund	NTIA Network Construction Fund	NTIA Public Safety Trust Fund	USPTO Salaries and Expenses	Other Budget Accounts
BUDGETARY RESOURCES:										
Unobligated Balance, Brought Forward, October 1	$ 17,610,811	$ 110,528	$ 23,019	$ 364,531	$ 258,717	$ 8,798,108	$ 6,321,995	$ 157,258	$ 504,354	$ 1,072,301
Adjustments to Unobligated Balance, Brought Forward	(596)	–	–	–	–	–	–	–	–	(596)
Unobligated Balance, Brought Forward, October 1, as Adjusted	17,610,215	110,528	23,019	364,531	258,717	8,798,108	6,321,995	157,258	504,354	1,071,705
Actual Recoveries of Prior-years Unpaid Obligations	326,370	21,620	6,881	61,617	19,575	1,568	2,103	1,636	36,266	175,104
Actual Nonexpenditure Transfers of Unobligated Balance, Net	5,867	–	–	–	–	–	–	–	–	5,867
Borrowing Authority Withdrawn	(18,877)	–	–	–	–	–	–	–	–	(18,877)
Other Changes in Unobligated Balance, Net	(8,933,414)	(88,927)	(76)	(30,802)	(11,359)	(8,799,676)	3	3	331	(2,911)
Unobligated Balance From Prior-years Budget Authority, Net	**8,990,161**	**43,221**	**29,824**	**395,346**	**266,933**	**–**	**6,324,101**	**158,897**	**540,951**	**1,230,888**
Appropriations	10,416,411	1,111,374	696,000	3,456,074	2,315,407	–	–	999,934	–	1,837,622
Borrowing Authority	22,532	–	–	–	–	–	–	–	–	22,532
Spending Authority From Offsetting Collections	5,547,581	–	–	264,993	–	–	366,269	445	3,066,894	1,848,980
TOTAL BUDGETARY RESOURCES	**$ 24,976,685**	**$ 1,154,595**	**$ 725,824**	**$ 4,116,413**	**$ 2,582,340**	**$ –**	**$ 6,690,370**	**$ 1,159,276**	**$ 3,607,845**	**$ 4,940,022**
STATUS OF BUDGETARY RESOURCES:										
New Obligations and Upward Adjustments	$ 15,459,852	$ 1,121,353	$ 704,007	$ 3,736,456	$ 2,317,787	$ –	$ 95,155	$ 677,414	$ 3,146,607	$ 3,661,073
Unobligated Balance, End of Year										
Apportioned, Unexpired Accounts	8,600,100	17069	17,091	244,421	172,025	–	6,593,108	146,169	461,238	948,979
Exempt From Apportionment, Unexpired Accounts	2,257	–	–	–	–	–	–	–	–	2,257
Unapportioned, Unexpired Accounts	550,449	30	4,644	42,698	73,981	–	2,107	335,693	–	91,296
Unobligated Balance, End of Year, Unexpired Accounts	9,152,806	17,099	21,735	287,119	246,006	–	6,595,215	481,862	461,238	1,042,532
Unobligated Balance, End of Year, Expired Accounts	364,027	16,143	82	92,838	18,547	–	–	–	–	236,417
Total Unobligated Balance, End of Year	**9,516,833**	**33,242**	**21,817**	**379,957**	**264,553**	**–**	**6,595,215**	**481,862**	**461,238**	**1,278,949**
TOTAL STATUS OF BUDGETARY RESOURCES	**$ 24,976,685**	**$ 1,154,595**	**$ 725,824**	**$ 4,116,413**	**$ 2,582,340**	**$ –**	**$ 6,690,370**	**$ 1,159,276**	**$ 3,607,845**	**$ 4,940,022**
CHANGE IN UNPAID OBLIGATED BALANCE, NET:										
Unpaid Obligations:										
Unpaid Obligations, Brought Forward, October 1	$ 6,860,628	$ 193,721	$ 236,752	$ 1,966,422	$ 1,309,299	$ 17,812	$ 34,718	$ 12,196	$ 671,341	$ 2,418,367
New Obligations and Upward Adjustments	15,459,852	1,121,353	704,007	3,736,456	2,317,787	–	95,155	677,414	3,146,607	3,661,073
Outlays, Gross	(14,853,358)	(941,359)	(718,883)	(3,607,618)	(2,093,646)	(1,108)	(80,352)	(681,048)	(3,191,583)	(3,537,761)
Actual Recoveries of Prior-years Unpaid Obligations	(326,370)	(21,620)	(6,881)	(61,617)	(19,575)	(1,568)	(2,103)	(1,636)	(36,266)	(175,104)
UNPAID OBLIGATIONS, END OF YEAR	**$ 7,140,752**	**$ 352,095**	**$ 214,995**	**$ 2,033,643**	**$ 1,513,865**	**$ 15,136**	**$ 47,418**	**$ 6,926**	**$ 590,099**	**$ 2,366,575**
Uncollected Customer Payments:										
Uncollected Customer Payments, Brought Forward, October 1	$ (564,958)	$ –	$ –	$ (340,460)	$ –	$ –	$ –	$ (58)	$ (57)	$ (224,383)
Change in Uncollected Customer Payments	216	–	–	(23,203)	–	–	–	(268)	4	23,683
UNCOLLECTED CUSTOMER PAYMENTS, END OF YEAR	**$ (564,742)**	**$ –**	**$ –**	**$ (363,663)**	**$ –**	**$ –**	**$ –**	**$ (326)**	**$ (53)**	**$ (200,700)**
Unpaid Obligated Balance, Net, Brought Forward, October 1	**$ 6,295,670**	**$ 193,721**	**$ 236,752**	**$ 1,625,962**	**$ 1,309,299**	**$ 17,812**	**$ 34,718**	**$ 12,138**	**$ 671,284**	**$ 2,193,984**
Unpaid Obligated Balance, Net, End of Year	**$ 6,576,010**	**$ 352,095**	**$ 214,995**	**$ 1,669,980**	**$ 1,513,865**	**$ 15,136**	**$ 47,418**	**$ 6,600**	**$ 590,046**	**$ 2,165,875**
BUDGET AUTHORITY, NET:										
Budget Authority, Gross	$ 15,986,524	$ 1,111,374	$ 696,000	$ 3,721,067	$ 2,315,407	$ –	$ 366,269	$ 1,000,379	$ 3,066,894	$ 3,709,134
Actual Offsetting Collections	(5,659,598)	(468)	(23)	(244,942)	(54)	(7,718)	(366,273)	(180)	(3,069,330)	(1,970,610)
Change in Uncollected Customer Payments	216	–	–	(23,203)	–	–	–	(268)	4	23,683
Recoveries of Prior-years Paid Obligations	21,651	468	23	3,152	54	7,718	3	3	332	9,898
BUDGET AUTHORITY, NET	**$ 10,348,793**	**$ 1,111,374**	**$ 696,000**	**$ 3,456,074**	**$ 2,315,407**	**$ –**	**$ (1)**	**$ 999,934**	**$ (2,100)**	**$ 1,772,105**
OUTLAYS, NET:										
Outlays, Gross	$ 14,853,358	$ 941,359	$ 718,883	$ 3,607,618	$ 2,093,646	$ 1,108	$ 80,352	$ 681,048	$ 3,191,583	$ 3,537,761
Actual Offsetting Collections	(5,659,598)	(468)	(23)	(244,942)	(54)	(7,718)	(366,273)	(180)	(3,069,330)	(1,970,610)
Outlays, Net	9,193,760	940,891	718,860	3,362,676	2,093,592	(6,610)	(285,921)	680,868	122,253	1,567,151
Distributed Offsetting (Receipts)/Outlays, Net	(64,352)	–	–	–	–	–	–	–	–	(64,352)
AGENCY OUTLAYS, NET	**$ 9,129,408**	**$ 940,891**	**$ 718,860**	**$ 3,362,676**	**$ 2,093,592**	**$ (6,610)**	**$ (285,921)**	**$ 680,868**	**$ 122,253**	**$ 1,502,799**

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 2012 through FY 2016 were as follows:

(In Millions)

Program	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	Total
EDA:						
Public Works	$ 113.8	$ 101.0	$ 114.0	$ 120.5	$ 160.7	$ 610.0
Economic Adjustment Assistance	25.4	32.5	42.3	66.8	49.5	216.5
Global Climate Change Mitigation Incentive Fund	–	–	10.6	14.9	12.8	38.3
Assistance to Coal Communities	8.5	–	–	–	–	8.5
Disaster Recovery	15.6	8.8	98.7	146.2	111.0	380.3
EDA Subtotal	**163.3**	**142.3**	**265.6**	**348.4**	**334.0**	**1,253.6**
NOAA:						
National Estuarine Research Reserves	1.6	0.7	1.1	2.4	3.9	9.7
Coastal and Estuarine Land Conservation Program	0.5	0.2	0.5	5.7	8.8	15.7
NOAA Subtotal	**2.1**	**0.9**	**1.6**	**8.1**	**12.7**	**25.4**
Total	**$ 165.4**	**$ 143.2**	**$ 267.2**	**$ 356.5**	**$ 346.7**	**$ 1,279.0**

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.

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

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. 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.

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 28 estuarine reserves protected by federal, state, and local partnerships that work to preserve and protect the Nation's estuaries. NOAA has proposed the designation of a 29th estuarine reserve, i.e., He'eia Hawaii. 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, 2016, encompassed approximately 1.4 million acres of estuarine waters, wetlands, and uplands. The most recent reserve, Lake Superior, WI, was designated on October 26, 2010. NERRs are state-operated and managed in cooperation with NOAA. NOAA's investments in non-federal physical property are for the acquisition of lands and development or construction of facilities, auxiliary structures, and public access routes for any NERR site.

Coastal and Estuarine Land Conservation Program: This program was established under the Commerce, Justice, and State Appropriations Act of 2002, "for the purpose of protecting important coastal and estuarine areas that have significant conservation, recreation, ecological, historical, or aesthetic values, or that are threatened by conversion from their natural or recreational state to other uses." The investments in non-federal physical property include matching grants awarded to state and local governments for land acquisition in coastal and estuarine areas. Since FY 2002, matching grants have been directed to 203 such projects.

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

Investments in Human Capital:

Human capital investments are expenses, included in the Department's Net Cost of Operations, for education and training programs that are intended to increase or maintain national economic productive capacity and produce outputs and outcomes that provide evidence of the constant or increasing national productive capacity. These investments exclude education and training expenses for federal civilian and military personnel. Based on a review of the Department's programs, the most significant investments in human capital are by NOAA.

The following table summarizes NOAA's investments in human capital for FY 2012 through FY 2016:

(In Millions)

Program	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	Total
National Sea Grant College Program	$ 0.9	$ 0.7	$ 0.8	$ 0.7	$ 0.7	$ 3.8
National Estuarine Research Reserve Program	1.5	1.5	1.3	1.4	1.5	7.2
Educational Partnership Program	14.3	14.3	14.3	13.0	12.5	68.4
Ernest F. Hollings Undergraduate Scholarship Program	5.8	5.5	6.2	5.0	4.9	27.4
Other Programs	0.2	0.4	0.7	0.7	0.7	2.7
Total	**$ 22.7**	**$ 22.4**	**$ 23.3**	**$ 20.8**	**$ 20.3**	**$ 109.5**

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; to provide information to improve management decisions in coastal, ocean, and Great Lakes policy; and to train graduate students in marine and Great Lakes science. The Knauss Fellowship Program offers qualified masters and doctoral students the opportunity to spend a year working on marine and Great Lakes policy issues with the Executive and Legislative branches of the federal government. The program currently has 53 fellowships awarded: 14 fellowships funded by the National Sea Grant College Program, and 39 fellowships funded by other NOAA offices and other federal agencies. There is also a Graduate Fellowship Program for Ph.D. candidates in the specialized areas of population dynamics and marine resource economics. The Graduate Fellowship Program currently has 10 fellowships awarded. Participants in this program can receive up to three years of funding.

National Estuarine Research Reserve Program: This program supports activities designed to increase public awareness of estuary issues, provide information to improve management decisions in estuarine areas, and train graduate students in estuarine science. The National Estuarine Research Reserve System's Graduate Research Fellowship Program offered qualified masters and doctoral students the opportunity to address scientific questions of local, regional, and national significance. The result was high-quality research focused on improving coastal management issues. The Graduate Research Fellowship Program ended in FY 2014.

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 2016, EPP Cooperative Science Center awarded a total of 70 degrees to students.

Ernest F. Hollings Undergraduate Scholarship Program: This program was established in 2005 to (1) increase undergraduate training in oceanic and atmospheric science, research, technology, and education, and foster multidisciplinary training opportunities; (2) increase public understanding and support for stewardship of the ocean and atmosphere and improve environmental literacy; (3) recruit and prepare students for public service careers with NOAA and other agencies at the federal, state, and local levels of government; and (4) recruit and prepare students for careers as teachers and educators in oceanic and atmospheric science and to improve scientific and environmental education in the U.S. In FY 2016, the program added 127 students.

Other Programs:

Southeast Fisheries Science Center's (SEFSC) Recruiting Training Research Program: This is a joint program between NOAA's National Marine Fisheries Service (NMFS) and the University of Florida. The objectives of the program are the following: (1) to recruit top undergraduate and graduate students into the field of fisheries population dynamics and careers with NMFS; (2) to train graduate students; and (3) to conduct population dynamics and stock assessment research in support of the NMFS mission. The program also offers graduate courses and workshops in computer programming, simulation modeling, and fish population dynamics. In February 2016, the Recruiting Training Research Program hosted a weeklong undergraduate workshop in the Florida Keys designed to give high-caliber students from across the country exposure to fisheries population dynamics and careers with NMFS. The grant for this partnership concludes in the fall of 2016 and new approaches for engaging early career scientists at the undergraduate level are being explored.

Northeast Fisheries Science Center Partnership Education Program (PEP): This program of NOAA's NMFS leads a consortium of six science institutions in Woods Hole, MA, offering a 10-week summer program that combines undergraduate course work with research in marine and environmental science. Launched in 2009, PEP is an ongoing diversity program designed to recruit talent from minority groups that are under-represented in marine and environmental sciences. PEP recruitment targets college students with priority given to entering juniors and seniors majoring in the natural sciences who have had some course work in marine and/or environmental science. The program includes a credit course taught in Woods Hole by research scientists from Woods Hole science institutions, student research projects, and presentation of research results in a one-day seminar. In FY 2016, 16 students participated in the 10-week summer program.

Woods Hole Science Aquarium (WHSA) High School Intern Program: WHSA typically offers three summer programs for students who have completed grades 10, 11, or 12. Interns selected for the five-week program work in the aquarium, help lead public collecting walks, and participate in the Careers in Marine Science seminars. The one and two-week Careers in Marine Science seminars consist of short presentations by marine scientists, activities, and field trips that introduce students to marine-related careers. All students learn basic animal husbandry and aquarist skills, visit the local Woods Hole research institutions, meet with working scientists in a variety of fields, and visit area aquariums, zoos, and waterfronts. During FY 2016, the program consisted of a six-week internship and a two-week seminar program. Two students participated in the six-week program, and seven in the two-week program. The Aquarium also hosted three college undergraduate summer interns: two from the University of Chicago, and one from University of Southern California.

Pacific Islands Fisheries Science Center (PIFSC) Young Scientist Opportunity (PYSO): PYSO offers qualified college students professional work experience and formal training opportunities tailored to meet their educational and professional goals and interests. PYSO is a paid, summer-long (8-12 weeks) internship program that combines on-the-job training, formal training, one-to-one mentoring, and developmental assignments at PIFSC. Internship opportunities are available in specific PIFSC research topics ranging from marine ecology to socioeconomics. During FY 2016, PIFSC hosted four undergraduate summer interns at the Inouye Regional Center in Honolulu, HI.

Investments in Research and Development (R&D):

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

NIST:

The following table summarizes NIST's R&D investments for FY 2012 through FY 2016:

(In Millions)

	FY 2016								
Program	**Basic**	**Applied**	**Development**	**Total**	**FY 2015**	**FY 2014**	**FY 2013**	**FY 2012**	**Total**
NIST Laboratories Program	$ 276.8	$ 469.5	$ 9.7	$ 756.0	$ 717.2	$ 657.5	$ 603.6	$ 590.7	$ 3,325.0
Manufacturing USA, Advanced Manufacturing Technology Consortia, and Technology Innovation Program	7.2	5.1	2.1	14.4	5.2	7.2	21.2	39.4	87.4
Total	**$ 284.0**	**$ 474.6**	**$ 11.8**	**$ 770.4**	**$ 722.4**	**$ 664.7**	**$ 624.8**	**$ 630.1**	**$ 3,412.4**

NIST Laboratories Program:

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

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

Manufacturing USA:

Manufacturing USA was renamed from the National Network for Manufacturing Innovation (NNMI) in September 2016.

This budget program was first appropriated funds in FY 2016, pursuant to the Revitalize American Manufacturing and Innovation Act of 2014 (RAMI). The FY 2016 enacted bill provided $25.0 million in discretionary funds. This program and funding is part of government-wide efforts to strengthen the U.S. advanced manufacturing sector.

As part of its efforts to revitalize U.S. manufacturing, NIST proposed and Congress authorized (RAMI) Manufacturing USA, which would consist of a network of manufacturing innovation institutes where researchers, companies, universities, community colleges, and entrepreneurs can come together to develop new manufacturing technologies with broad applications, as well as train the workforce needed to work in advanced manufacturing industries. The primary goal is to ensure that American innovations and inventions, currently going off-shore for production in competitor nations, would be scaled up from the lab-scale experiments to industrial scale by developing new manufacturing processes to be used by entire industry sectors.

Each institute in Manufacturing USA has a unique technology focus with the objective of creating self-sustaining regional manufacturing hubs that have national impact. The institutes help support an ecosystem of manufacturing activity in regions of the United States. The institutes support manufacturing technology commercialization by helping to bridge the gap from the laboratory to the market and address core gaps in scaling manufacturing process technologies.

Advanced Manufacturing Technology Consortia (AMTech):

AMTech received Congressional appropriations of $14.5 million in FY 2013, $15.0 million in FY 2014, $8.1 million in FY 2015, and no appropriations in FY 2016. The FY 2016 enacted appropriations bill instructs that NIST's AMTech activity is to be merged with Manufacturing USA program. To this end, NIST is using remaining AMTech funds to administer all AMTech awards to their conclusion, facilitate connections between AMTech-funded awards and outcomes and Manufacturing USA institutes and network, and operate the joint NIST-National Science Foundation MForesight Consortium.

Technology Innovation Program (TIP):

The FY 2015 enacted appropriations provided no funding for TIP and the program is currently undergoing a closeout process through FY 2017. NIST uses unobligated balances (carryover funding), and funding from prior-years' deobligations, to close out the program and to perform NIST's closeout responsibilities.

NOAA:

NOAA's R&D investments by program from FY 2012 through FY 2016 were as follows:

(In Millions)

	FY 2016								
Program	**Basic**	**Applied**	**Development**	**Total**	**FY 2015**	**FY 2014**	**FY 2013**	**FY 2012**	**Total**
Environmental and Climate	$ –	$ 341.6	$ 63.9	$ 405.5	$ 298.4	$ 294.1	$ 326.3	$ 392.8	$ 1,717.1
Fisheries	–	48.7	4.7	53.4	50.3	43.4	51.2	64.9	263.2
Marine Operations and Maintenance and Aircraft Services	–	18.2	11.7	29.9	29.2	29.7	32.4	33.3	154.5
Weather Service	–	3.7	15.0	18.7	42.7	29.3	28.6	36.4	155.7
Other	–	69.0	1.4	70.4	30.0	63.5	74.8	90.6	329.3
Total	**$ –**	**$ 481.2**	**$ 96.7**	**$ 577.9**	**$ 450.6**	**$ 460.0**	**$ 513.3**	**$ 618.0**	**$ 2,619.8**

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

R&D at NMFS laboratories supports resource management in NOAA, fishery management councils, interstate fishery commissions, and other agencies to facilitate informed decision-making about marine resource management decisions for sustainable fisheries, protected resources, endangered species, and habitat. NMFS conducts applied research to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met. It includes research that improves understanding of technologies, leading to development that supports the mission. Development activities include the production of useful tools, materials, devices, systems, or methods, including the design and development of prototypes and processes. Examples of NMFS R&D include process-oriented studies such as those that address mechanisms that control reproductive success, population genetics and stock structure, animal behavior, biophysical modeling, and the functional value of habitat.

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

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

Other Programs: As a national lead for coastal stewardship, NOAA's National Ocean Service promotes wide-ranging research activities to create the strong science foundation required to advance the sustainable use of precious coastal systems. Understanding of the coastal environment is enhanced through coastal ocean activities that support science and resource management programs. This research supports the NOAA National Ocean Service and NOAA Office of Coastal Management strategic priority of making communities more resilient. At the reserve level, the research is providing science-based information that addresses climate change, water quality, and habitat protection management decisions in our Nation's estuaries. This funding supported 31 collaborative research and 14 science transfer projects.

NOAA's National Environmental Satellite, Data, and Information Service (NESDIS), Center for Satellite Applications and Research (STAR) supports internal development of the mathematical and physics-based techniques for assuring sustained monitoring of the calibration of the NOAA satellite sensors, detecting faults, and diagnosing and countering the inevitable effects of instrument and satellite orbit degradation on the utility of the atmospheric and ocean measurements required for authoritative NOAA environmental analyses and predictions. NESDIS STAR is developing an Integrated Calibration and Validation System (ICVS) to monitor performance of NOAA satellites, instruments, sensors, and observational products. STAR scientists are developing advanced methods inter-calibrating NOAA sensors with like sensors from other (NOAA, NASA, and international) satellites to achieve, over time, a consistently calibrated Satellite Global Observing System. Calibration and validation techniques include developing methods for low-light calibration and lunar calibration.

Other Information

SCHEDULE OF SPENDING (Unaudited)

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

The *Combined Schedules of Spending by Major Budget Account* for FY 2016 and FY 2015 are as follows:

United States Department of Commerce Combining Schedule of Spending by Major Budget Account
For the Year Ended September 30, 2016 *(In Thousands)*

	Combined Total	Census Bureau Periodic Censuses and Programs	NIST Scientific and Technical Research and Services	NOAA Operations, Research, and Facilities	NOAA Procurement, Acquisition, and Construction	NTIA Digital Television Transition and Public Safety Fund	NTIA Network Construction Fund	NTIA Public Safety Trust Fund	USPTO Salaries and Expenses	Other Budget Accounts
WHAT MONEY IS AVAILABLE TO SPEND?										
Total Resources	$ 24,976,685	$ 1,154,595	$ 725,824	$ 4,116,413	$ 2,582,340	$ –	$ 6,690,370	$ 1,159,276	$ 3,607,845	$ 4,940,022
Less: Amounts Available but Not Agreed to be Spent	(8,602,357)	(17,069)	(17,091)	(244,421)	(172,025)	–	(6,593,108)	(146,169)	(461,238)	(951,236)
Less: Amounts Not Available to be Spent	(914,476)	(16,173)	(4,726)	(135,536)	(92,528)	–	(2,107)	(335,693)	–	(327,713)
TOTAL AMOUNTS AGREED TO BE SPENT	**$ 15,459,852**	**$ 1,121,353**	**$ 704,007**	**$ 3,736,456**	**$ 2,317,787**	**$ –**	**$ 95,155**	**$ 677,414**	**$ 3,146,607**	**$ 3,661,073**
HOW WAS THE MONEY SPENT?										
Contracts	$ 6,628,113	$ 442,255	$ 387,449	$ 1,306,660	$ 2,204,512	$ –	$ 43,628	$ 3,637	$ 1,034,423	$ 1,205,549
Grants	1,474,777	–	78,208	750,519	47,000	–	26,812	–	–	572,238
Loans and Guarantees	33,848	–	–	–	–	–	–	–	–	33,848
Non-financial Assistance Direct Payments	5,951,024	296,444	238,336	1,675,950	65,194	–	24,714	9,377	2,108,759	1,532,250
Other	1,372,090	382,654	14	3,327	1,081	–	1	664,400	3,425	317,188
TOTAL AMOUNTS AGREED TO BE SPENT	**$ 15,459,852**	**$ 1,121,353**	**$ 704,007**	**$ 3,736,456**	**$ 2,317,787**	**$ –**	**$ 95,155**	**$ 677,414**	**$ 3,146,607**	**$ 3,661,073**
WHO DID THE MONEY GO TO?										
Federal Government	$ 5,986,238	$ 484,014	$ 291,061	$ 670,738	$ 1,825,360	$ –	$ 43,182	$ 564,664	$ 679,307	$ 1,427,912
Non-federal	9,473,614	637,339	412,946	3,065,718	492,427	–	51,973	112,750	2,467,300	2,233,161
TOTAL AMOUNTS AGREED TO BE SPENT	**$ 15,459,852**	**$ 1,121,353**	**$ 704,007**	**$ 3,736,456**	**$ 2,317,787**	**$ –**	**$ 95,155**	**$ 677,414**	**$ 3,146,607**	**$ 3,661,073**

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

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

OIG SUMMARY ON TOP MANAGEMENT CHALLENGES

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

OIG's Top Management and Performance Challenges
Facing the Department of Commerce in FY 2017

The Reports Consolidation Act of 2000 requires federal inspectors general to identify the top management challenges facing their departments. OIG's *Top Management Challenges Facing the Department of Commerce* report for fiscal year (FY) 2017 is aligned with the Department's FYs 2014–2018 Strategic Plan and identifies challenges that must be addressed to attain each of the plan's strategic goals. Within each of the plan's strategic goals, we discussed the challenges that we identified and briefly described the progress in addressing the challenges. The full report can be found at www.oig.doc.gov.

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

   Departmental and bureau grants oversight. The Department and its bureaus with grant programs must consolidate the various Departmental grants management systems into one system. An additional challenge is identifying, hiring, and maintaining a qualified financial assistance workforce.

2. **INNOVATION: Foster a more innovative U.S. economy—one that is better at inventing, improving, and commercializing products and technologies that lead to higher productivity and competitiveness.**

   - *USPTO patent examinations*. Despite the increase in both the number of patent examiners and spending on patent examination, USPTO still faces challenges in meeting its targets for patent processing time. In addition, USPTO continues to face challenges in enhancing patent quality and developing more effective quality metrics.

   - *USPTO information technology (IT) systems*. For FY 2017, USPTO requested $595.6 million from Congress for its IT portfolio. As stated in its 2014–2018 Strategic Plan, USPTO's vision for the next 4 years includes plans to continue transforming its operations with next-generation technology and services. However, USPTO still needs to deploy a significant number of applications within the portfolios and, in the interim, must rely on more than 67 existing legacy systems to conduct day-to-day business.

   - *FirstNet network implementation*. As FirstNet makes progress in acquisition activities, consultation, and internal control, challenges remain. FirstNet plans to award a contract for the development and management of a nationwide public safety broadband network (NPSBN) in November 2016. Also, NTIA issued $116.56 million in grant awards under the Middle Class Tax Relief and Job Creation Act of 2012's State and Local Implementation Grant Program to promote—among each of the 56 states and territories, as well as tribes and federal public safety entities—outreach, data collection, and planning for the NPSBN. In addition, various government and accounting reports have identified the need for FirstNet to strengthen its controls.

- *Demand for radio frequency spectrum*. Freeing up spectrum for high-speed broadband services remains a key challenge facing the Department. In June 2010, the President directed the Department, working through NTIA, to make 500 megahertz of federal and non-federal spectrum available by 2020 to support wireless broadband needs. As of June 2016, NTIA reported that it has made available almost half of the 500 megahertz goal. NTIA continues to investigate opportunities to make additional spectrum available, while ensuring no loss of critical existing and planned federal, state, local, and tribal government capabilities.

3. **ENVIRONMENT: Ensure communities and businesses have the necessary information, products, and services to prepare for and prosper in a changing environment.**

- *NOAA satellite acquisitions*. The Department must manage risks associated with the acquisition and development of environmental satellite systems. Satellite integration and test problems caused NOAA to delay the Geostationary Operational Environmental Satellite-R Series (GOES-R) estimated launch date to November 2016. If the launch date continues to be delayed, there will be increased risk of a potential gap in coverage. Also, in order for the Joint Polar Satellite System (JPSS) program to launch JPSS-1 by the end of the second quarter of FY 2017, it must investigate and correct a problem with a key instrument, as well as complete environmental and other final tests of the satellite and a major upgrade of the JPSS common ground system.
- *NOAA observational data processing*. The ground system development problems that both GOES-R and JPSS-1 are addressing may necessitate the deferral of planned operational capabilities until after their launches. Management attention to post-launch test activities is needed to ensure users' needs are met—and inform a new Administration and Congress of data availability and its effect on forecasts.
- *NOAA National Marine Fisheries Service data*. NOAA Fisheries must balance two competing interests: promoting commercial and recreational fishing while preserving populations of fish and other marine life. Developing conservation and management measures requires collecting, analyzing, and reporting demographic information about fish populations via stock assessments. NOAA continues to face challenges to ensuring timely and accurate stock assessments and providing what is often controversial consultation to its stakeholders.

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

- *2020 Census quality and cost*. On October 1, 2015—after conducting FYs 2013, 2014, and 2015 site tests—the Bureau released its 2020 Census Operational Plan, with a set of design decisions that drive how the 2020 Census will be conducted. The Bureau plans to conduct additional testing in order to refine the design. Its 2017 site test must be adequately planned and implemented to ensure critical information is obtained. In addition, audits continue to report deficiencies in the Bureau's cost accounting practices, which will make it difficult for the bureau to demonstrate that cost savings were realized. Without complete cost information, it will be difficult for the Bureau to compute accurate estimates and actual costs for comparison with budget requests.
- *Census enterprise data system*. The Census Enterprise Data Collection and Processing System (CEDCaP) Program aims to integrate and standardize the Bureau's systems in order to share data collection and processing across all censuses

and surveys. Specifically, CEDCaP proposes to consolidate costs by retiring unique, survey-specific systems and redundant capabilities—a factor in the proposed redesign with a goal of realizing an estimated $5 billion in costs avoidance for the 2020 decennial census. A challenge the Program faces is how to effectively integrate, test, and implement the architecture and systems to a level sufficient enough to support the 2017 Census site test, the 2018 end-to-end decennial test, and the 2020 Census itself, all within a short timeframe.

- *Departmental compliance with the Digital Accountability and Transparency Act of 2014 (DATA Act)*. The DATA Act requires federal agencies to make available detailed information on their spending and use of federal funds and reporting it by specific categories, such as how much funding an agency receives from Congress and how much agencies spend on specific projects and awards. Due to the Department's legacy information systems and need to use existing funding resources, providing reliable and consistent agency program information and meeting the goals of the DATA Act will be a significant challenge.
- *Replacement for Commerce Business Systems (CBS)*. The lack of a centralized and integrated financial management system continues to create reporting and oversight challenges for the Department—including the ability to effectively report financial data and monitor financial activity across its operating units. The Department and most of its operating units' continued reliance on CBS—with its limited functionality, high support costs, lack of system integration, and lack of centralized reporting capabilities—is an immediate high risk for the Department's compliance with current and future reporting requirements such as the DATA Act.

5. **OPERATIONAL EXCELLENCE: Strengthen the Department's capacity to achieve its objectives, maximize return on program investments, and deliver quality, timely service.**

- *Department-wide IT security issues*. We continue to find deficiencies in the implementation of basic security measures, such as regularly identifying vulnerabilities, expeditiously remediating security flaws, and effectively managing access controls. As a result of these deficiencies, Department systems continued to face the significant risk of cyber attacks. Also, continuing the implementation of the enterprise security operations center and enterprise cybersecurity monitoring and operations is critical to providing timely cyber situational awareness across the Department. Accordingly, the Department needs to make the required management commitment and prioritize resources to fully implement these cybersecurity initiatives.
- *The Department's contracts and acquisitions*. A government-wide initiative notes that excessive reliance on sole-source and cost-reimbursement contracts creates risk of waste, inefficiency, and misuse. Our work across the Department continues to identify that—without sound procurement practices and an effective acquisition structure in place—the risk of wasted government dollars increases. During FY 2015, the Department made significant gains in managing and strengthening the acquisition workforce but still faces related challenges.
- *IT controls for financial data*. The independent auditor of the Department's annual financial statements reported general IT controls as a Department-wide significant deficiency in FYs 2012–2015. Specifically, the Department's financial systems continue to have deficiencies in the areas of access controls, configuration management, and segregation of duties within their financial management system. In addition, a significant deficiency related to IT access and configuration management

control weaknesses was identified in the USPTO's annual financial statement audit in FY 2015. The Department and USPTO have ongoing efforts in place to implement corrective actions for the deficiencies identified.

- *Department-wide culture of accountability*. One major challenge is detecting and preventing time and attendance abuse, which OIG has investigated at several Departmental operating units. Another challenge involves the integrity of procurement processes: over the past 3 fiscal years, OIG conducted multiple investigations into allegations of abuse in contracting matters. In addition, in FY 2016, OIG investigated alleged abuses related to official Department travel. These inquiries raised concerns about the Department's compliance with governing laws and rules, particularly the Federal Travel Regulation and the Department's travel-related policies.

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

OCT 1 7 2016

MEMORANDUM FOR:	David Smith Deputy Inspector General
FROM:	Penny Pritzker Secretary of Commerce
SUBJECT:	OIG Report, *Top Management and Performance Challenges Facing the Department of Commerce*, OIG-16-049, September 30, 2016

Thank you for the Office of Inspector General's analysis regarding the most serious management and performance challenges facing the Department in Fiscal Year 2017.

We appreciate OIG's efforts and value the insights and recommendations your office delivers each year about issues that have the potential to impact the effectiveness and efficiency of the Department's programs and operations.

The Department remains committed to addressing continuing challenges, as well as new and emerging issues, as we work to achieve Commerce's strategic objectives.

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Presented below is a summary of financial statement audit and management assurances for FY 2016. Table 1 relates to the Department's FY 2016 financial statement audit, which resulted in an unmodified opinion with no material weakness. Table 2 presents the number of material weaknesses reported by the Department under Section 2 of the Federal Managers' Financial Integrity Act (FMFIA)—either with regard to internal controls over operations or financial reporting, and Section 4, which relates to internal controls over financial management systems; as well as the Department's compliance with the Federal Financial Management Improvement Act (FFMIA).

Table 1. Summary of Financial Statement Audit

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

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

Table 2. Summary of Management Assurances

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

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

IPIA of 2002, as amended by the Improper Payments Elimination and Recovery Act (IPERA) of 2010 and the Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012, requires agencies to periodically review all programs and activities and identify those that may be susceptible to significant improper payments, take multiple actions when programs and activities are identified as susceptible to significant improper payments, and annually report information on their improper payments monitoring and minimization efforts. The Office of Management and Budget's (OMB) Circular A-123, *Management's Responsibility for Internal Control, Appendix C, Requirements for Effective Measurement and Remediation of Improper Payments*, defines an improper payment[1] 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.

On January 29, 2013, the President signed into law the Disaster Relief Appropriations Act (Act), which provides a total of $50.5 billion government-wide in aid for Hurricane Sandy disaster victims and their communities. The National Oceanic and Atmospheric Administration (NOAA) received $326 million of funds under the Act for Hurricane Sandy recovery and other disaster-related activities. Pursuant to OMB Memorandum M-13-07, *Accountability for Funds Provided by the Disaster Relief Appropriations Act* (March 12, 2013), the Department in March 2013 submitted its final plan for accountability, internal controls, and other requirements, for funds provided to NOAA that are deemed by OMB as susceptible to significant improper payments for the purposes of requirements under IPIA of 2002, as amended, and is required to calculate and report an annual improper payments estimate. The Department submitted to OMB in April 2016 a sampling methodology plan for FY 2015 disbursements made under the Act by NOAA. In May 2016, testing of FY 2015 disbursements was completed by an independent contractor. See section II., *Statistical Sampling*, for a brief discussion of the statistical sampling process performed, and see section III., *Improper Payments Reporting for Funds Received by NOAA under Disaster Relief Appropriations Act*, for the statistical sampling results of the FY 2015 disbursements testing.

The Department recognizes the importance of maintaining adequate internal controls to ensure proper payments, and the Department's commitment to continuous improvement in the overall disbursement management process remains high. Each of the Department's payment offices has implemented policies and procedures to detect and prevent improper payments. For FY 2017 and beyond, the Department will continue its efforts to ensure the integrity of its disbursements.

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[1] 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 must also be considered an improper payment.

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 Federal awards subject to the Single Audit Act and the Uniform Guidance for Federal assistance (2 CFR 200 Subpart F) (Single Audits) that are expended by both recipients and sub-recipients.

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

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

Each of the Department's bureaus/reporting entities periodically completes or updates, over a one to three-year period (depending on the size of the entity), improper payments risk assessments covering all of its programs/activities as required by OMB Circular A-123, Appendix C. These improper payments risk assessments of the entity's programs/activities also incorporate improper payments risk assessments every three years of the control, procurement, and grants management environments. The program/activity improper payments risk assessments performed in 2016 and 2015 address the nine minimum improper payments risk factors set forth in OMB Circular A-123, Appendix C that should be addressed, which are: whether the program or activity reviewed is new to the agency; the complexity of the program or activity reviewed, particularly with respect to determining correct payment amounts; the volume of payments made annually; whether payments or payment eligibility decisions are made outside of the agency, for example, by a state or local government, or a regional federal office; recent major changes in program funding, authorities, practices, or procedures; the level, experience, and quality of training for personnel responsible for making program eligibility determinations or certifying that payments are accurate; the inherent risks of improper payments due to the nature of agency programs or operations; significant deficiencies in the audit reports of the agency including, but not limited to, the agency Inspector General or the U.S. General Accountability Office audit report findings, or other relevant management findings; and results from prior improper payment work.

An October 2014 update to OMB Circular A-123, Appendix C expanded the definition of improper payments to include payments to employees; and, accordingly, the programs/activities improper payments risk assessments performed in 2016 and 2015 additionally addressed payments to employees to the extent they were not already addressed.

The following table presents a summary of the Department's program/activity improper payments risk assessments performed in FY 2016; 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.

SUMMARY OF PROGRAMS/ACTIVITIES FOR WHICH IMPROPER PAYMENTS RISK ASSESSMENTS WERE PERFORMED IN FY 2016

Program/Activity	FY 2016 Improper Payments Below Statutory Thresholds?	Considered Susceptible to Significant Improper Payments?
Census Bureau		
Census of Governments	Yes	No
Current Demographic Statistics	Yes	No
Current Economic Statistics	Yes	No
Decennial Census	Yes	No
Demographic Surveys Sample Redesign	Yes	No
Economic Census	Yes	No
Intercensal Demographic Estimates	Yes	No
State Children's Health Insurance Program	Yes	No
Survey of Program Dynamics	Yes	No
International Trade Administration		
Global Markets	Yes	No
National Institute of Standards and Technology		
Guest Researcher Expenditures	Yes	No
Purchase Orders	Yes	No
National Oceanic and Atmospheric Administration		
Purchase Orders and Contracts	Yes	No
National Telecommunications and Information Administration		
Broadband Technology Opportunities Program	Yes	No
Telecommunications and Information Policy Development and Management, Spectrum Management	Yes	No
National Technical Information Service		
Collect and Disseminate Technical Information – Clearinghouse Program	Yes	No

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

As previously discussed, an independent contractor performed statistical sampling of FY 2015 NOAA disbursements of funds received under the Disaster Relief Appropriations Act, in order to yield a statistically valid improper payments estimate, as required by OMB Circular A-123, Appendix C. The independent contractor obtained the population of FY 2015 disbursements, excluding disbursements within the federal government, and determined a pilot (that later could be expanded if necessary) single-stage stratified random sample using the absolute value of the disbursement amount to define the stratum dollar ranges. Stratified samples are highly efficient designs that allow confidence and precision levels to be reached with smaller samples when compared to simple random sampling. A single certainty or take-all stratum was defined for disbursement amounts that were large relative to the rest of the population, to help ensure that large amounts would be covered in the sample review, as well as to help improve the precision of the statistical estimates at the time of estimation. The remaining disbursements were stratified into similar groups, or strata, based upon absolute disbursement amounts. The non-certainty stratum dollar ranges were initially determined to approximately equalize the population size multiplied by the estimated standard error within each stratum and then were slightly modified to improve efficiency. The independent contractor tested each sample item selected for improper payments—see section III., *Improper Payments Reporting for Funds Received by NOAA under Disaster Relief Appropriations Act*, for a discussion of the statistical sampling results of the FY 2015 disbursements testing—and determined that the pilot sample did not need to be expanded.

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

The table that follows is required for each agency that has programs and activities reporting under OMB Circular A-123 Appendix C, Part I.A.9., Step 2. or Part I.A.14., or for programs that OMB has automatically deemed susceptible to significant improper payments (please see footnote 8 under Part I.A.9., Step 2. for reporting timing expectations) regardless of whether the program or activity has improper payments exceeding the statutory thresholds listed in OMB Circular A-123 Appendix C Part I.A.9., Step 1. Where no measurement is provided, the agency should indicate the date by which a measurement is expected and add a note to explain why there was no measurement. If the current year is the baseline measurement year, and there is no previous year information to report, indicate by either note or by "N/A" in the Prior Year column. If any of the dollar amount(s) included in the estimate correspond to newly established measurement components in addition to previously established measurement components, separate the two amounts to the extent possible. Agencies are expected to report on current year activity, and if not feasible, then prior year activity is acceptable if approved by OMB. (Agencies should clearly indicate [such as with a note] when the current year is different from the fiscal year covered by the AFR/PAR. Agencies should include future year outlay and improper payments estimates for Current Year +1, Current Year +2, and Current Year +3. Future year outlay estimates should be derived from the most recent available source corresponding with Current Year +1, Current Year +2, and Current Year +3. For example, future year outlay estimates should match the outlay estimates for those years as reported in the most recent President's Budget when the current year activity timeframe matches the fiscal year covered by

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

As previously discussed, an independent contractor performed statistical sampling of FY 2015 NOAA disbursements of funds received under the Disaster Relief Appropriations Act, in order to yield a statistically valid improper payments estimate as required by OMB Circular A-123, Appendix C. The independent contractor and NOAA determined that of the sample items tested for improper payments, which amounted to $35.0 million, there was a statistically valid estimate of improper payments (overpayments) of $51 thousand for NOAA FY 2015 disbursements of funds received under the Disaster Relief Appropriations Act, given a 90 percent confidence level and 2.5 percent precision.

The following table is reported with regard to the funds received by NOAA under the Disaster Relief Appropriations Act. Statistical sampling of a fiscal year's disbursements to arrive at a statistically valid estimate of improper payments for that fiscal year is performed by an independent contractor in the following calendar year. Statistical sampling of FY 2015 (referred to as Current Year in below table) NOAA disbursements of funds received under the Disaster Relief Appropriations was completed in May 2016 as previously discussed.

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

Activity	Prior Year (FY 2014) Outlays, Gross	Prior Year (FY 2014) IP Percent	Prior Year (FY 2014) IP	Current Year (FY 2015) Outlays, Gross	Current Year (FY 2015) IP Percent	Current Year (FY 2015) IP	Current Year (FY 2015) Over-payments	Current Year (FY 2015) Under-payments
Funds Received by NOAA under Disaster Relief Appropriations Act	$ 80.77	0.00%	$ –	$ 101.17	0.05%	$ 0.051[1]	$ 0.051[1]	$ –[1]

(continued)

Activity	Estimated Current Year + 1 (FY 2016) Outlays, Gross	Estimated Current Year + 1 (FY 2016) IP Percent	Estimated Current Year + 1 (FY 2016) IP	Estimated Current Year + 1 (FY 2016) Over-payments	Estimated Current Year + 1 (FY 2016) Under-payments	Estimated Current Year + 2 (FY 2017) Outlays, Gross	Estimated Current Year + 2 (FY 2017) IP Percent	Estimated Current Year + 2 (FY 2017) IP	Estimated Current Year + 3 (FY 2018) Outlays, Gross	Estimated Current Year + 3 (FY 2018) IP Percent	Estimated Current Year + 3 (FY 2018) IP
Funds Received by NOAA under Disaster Relief Appropriations Act	$ 56.35	0.00%	$ –	$ –	$ –	$ 32.50	0.00%	$ –	$ 3.50	0.00%	$ –

1 Statistically valid estimate of improper payments (overpayments) of $51 thousand for FY 2015 disbursements.

The source of the Outlays, Gross dollar amounts is NOAA, based on data gathering and estimation techniques, as the Outlays, Gross cannot be obtained from the President's Budget.

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

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

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

IMPROPER PAYMENT ROOT CAUSE CATEGORY MATRIX FOR FUNDS RECEIVED BY NOAA UNDER THE DISASTER RELIEF APPROPRIATIONS ACT FOR CURRENT YEAR (FY 2015) IMPROPER PAYMENTS

(In Millions)

Reason for Improper Payments		Funds Received by NOAA under Disaster Relief Appropriations Act		
		Overpayments	Underpayments	Total Improper Payments
Program Design or Structural Issue		$ –	$ –	$ –
Inability to Authenticate Eligibility		–	–	–
Failure to Verify:	Death Data	–	–	–
	Financial Data	–	–	–
	Excluded Party Data	–	–	–
	Prisoner Data	–	–	–
	Other Eligibility Data (explain)	–	–	–
Administrative or Process Error Made by:	Federal Agency	0.051	–	0.051
	State or Local Agency	–	–	–
	Other Party (e.g., participating lender, health care provider, or any other organization administering federal dollars)	–	–	–
Medical Necessity		–	–	–
Insufficient Documentation to Determine		–		–
Total		$ 0.051	$ –	$ 0.051

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

a. **Reducing the estimated improper payments rate and amount for each type of root cause identified in the table categories matrix reported in section IV. The corrective actions should be linked to the root cause(s) they are addressing from the matrix reported in this section. Each root cause must have at least one corrective action. If the agency does not have a corrective action for a particular root cause they must clearly describe why no corrective action exists. This discussion must include the corrective action(s), taken or planned, most likely to significantly reduce future improper payments due to each type of error an agency identifies, the planned or actual completion date of these actions, and the results of the actions taken to address these root causes. If efforts are ongoing, it is appropriate to include that information in this section, and to highlight current efforts, including key milestones.**
b. **High-priority Programs: IPERIA requires agencies to tailor their corrective actions for high-priority programs. Therefore, any agency that has any programs identified as high-priority shall explain how it has specifically tailored its corrective actions for high-priority programs to better reflect the unique processes, procedures, and risks involved in each specific high-priority program. IPERIA also requires each agency that has any programs identified as high-priority to report: any action the agency has taken—or plans to take—to recover improper payments; and any action the agency intends to take to prevent future improper payments.**

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

While the Department does not have a current need for corrective actions plans for improper payments for risk-susceptible programs/activities, the Department has continuous processes in place and actively works with each of the Department's payment offices to identify and implement additional procedures to prevent and detect improper payments. In FY 2016, the Department continued with the bureaus' quarterly reporting of improper payments, and payment recaptures data, to the Department's Deputy Chief Financial Officer (CFO) and Director for Financial Management, along with identifying the nature of larger improper payments and identifying any necessary control enhancements. The Department has additionally reviewed all financial statement audit findings/comments and results of any other payment reviews for indications of breaches of disbursement controls. None of these audit findings/comments or reviews have uncovered any significant problems with the internal controls that surround disbursements.

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

should leverage existing internal control plans and at a minimum should address the internal control standards provided in OMB Circular A-123, Appendix C, Part II.C.2. An illustrative example for the table is provided. The programs listed at the top of each column would be the programs susceptible to significant improper payments, under OMB Circular A-123, Appendix C, Part I.A.9., Step 1. that are currently reporting improper payments.

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

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

As described in section I., *Improper Payments Risk Assessments*, none of the improper payments risk assessments performed from November 16, 2015 through November 15, 2016 or in prior years have revealed programs or activities considered susceptible to significant improper payments.

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

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

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

In FY 2016, the Department continued its reporting procedures that required quarterly reporting to the Department by its bureaus on any improper payments, identifying the nature and magnitude of any improper payments along with any necessary control enhancements to prevent further occurrences of the types of improper payments identified. The Department's analysis of the data collected from the bureaus shows that Department-wide improper payments were at or below two-tenths of one percent in FY 2016 and FY 2015. The bureau CFOs are accountable for internal controls over improper payments; and, for monitoring, minimizing, and recapturing improper payments, and implementing corrective actions as appropriate.

For FY 2017 and beyond, the Department will continue its efforts to ensure the integrity of its disbursements.

VIII. Agency Information Systems and Other Infrastructure.

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

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

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

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

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

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

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

X. Overpayments Identified in FY 2016 and FY 2016 Recaptures of Overpayments.

a. **Payment Recapture Audits Narrative. See OMB Circular A-123, Appendix C, Part I.D. for more information about payment recapture audits. All programs and activities that expend $1 million or more annually—including**

grants, benefits, loans, and contracts programs—shall be considered for payment recapture audits. An agency shall discuss payment recapture audit efforts, if applicable. The discussion should describe:

- **i. The agency's payment recapture audit program;**
- **ii. The actions and methods used by the agency to recoup overpayments;**
- **iii. A justification of any overpayments that have been determined not to be collectable;**
- **iv. Any actions the agency has taken during the current fiscal year or intends to take in future fiscal years to recapture and/or prevent improper payments;**
- **v. A list of all agency recapture audit contract programs; and**
- **vi. Any conditions giving rise to improper payments and how those conditions are being resolved (e.g., the business process changes and internal controls instituted and/or strengthened to prevent further occurrences).**

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

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

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

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

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

The Department's evaluation of payroll disbursements in May 2011 determined that it would likely not be cost-effective to perform payment recapture auditing for payroll disbursements. Payroll-administration services are primarily provided to the Department by the U.S. Department of Agriculture's National Finance Center (NFC). Based on the Department's review of available risk assessments and audits/reviews, at that time, the Department's payroll processes were rated at a low risk and only had a few minor audit and review findings. Further, no significant payroll improper payments had been identified by the bureaus. The latest audit report at that time regarding the adequacy of the internal controls of NFC as a servicing organization revealed no significant issues. The Department will reevaluate, in 2017, whether payment recapture auditing should be performed, if considered cost-effective, for payroll and other payments to employees.

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

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

A primary 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. 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. 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, furthermore, is 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 are conducting 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.

Overpayments can also be recaptured from recipients via other methods if recapture via ASAP is not appropriate. 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.

Two additional primary types of improper payments are (a) improper payments determined resulting from an audit, review, or investigation by the Department's Office of Inspector General; and (b) improper payments determined resulting 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, monthly, furthermore obtains a cash flow tracking report, which serves as an internal control for monitoring recipients' cash on-hand balances.

One bureau finance office has indicated an additional identifiable reason for improper payments to vendors is a lack of resources that can sometimes lead to short staffing in the accounts payable processing operations, resulting in, due to heavy workload for individual technicians, data entry or other types of errors that result in improper payments. In response to this condition, the bureau is hiring additional accounts payable staff, and providing periodic training to staff to address errors that have been made.

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 Department's 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* for more information on the Department's debt collection management process for receivables from the public.

Payment recapture audits of contracts/obligations were completed in May 2016 by an independent contractor for the Bureau of Industry and Security (BIS), and the National Technical Information Service (NTIS). Contracts/obligations greater than $100 thousand which were closed out, or for which the period of performance ended and last payment was made but for which the closeout process had not yet been completed after April 1, 2014 and through March 31, 2015, were reviewed. Intragovernmental transactions and payments to employees were excluded from review as discussed above. Travel payments, bankcards/purchase cards, government bills of lading, and gifts and bequests were also excluded from review. The Department determined that, for these categories of transactions, the Department's costs for the payment recapture audit activities would likely exceed the benefits of payment recapture audits. As part of the payment recapture audits, vendor inquiries were performed for a sample of vendors to determine if the reporting entities had any open credits or debts with those vendors. Of the $1.3 million reviewed for improper payments, overpayments of $122 thousand were identified, and no underpayments were identified. It was subsequently determined by the Department that recapture of the $122 thousand was not applicable, as appropriate action subsequently taken by the Department resolved the $122 thousand of improper payments.

A payment recapture audit of Department-wide grants and other cooperative agreements was completed in May 2016 by an independent contractor. The applicable bureaus/entities were: Economic Development Administration (EDA), International Trade Administration (ITA), Minority Business Development Agency (MBDA), National Institute of Standards and Technology (NIST), NOAA, and National Telecommunications and Information Administration (NTIA). The audit consisted of grants and other cooperative agreements for which the period of performance expired during the timeframe of January 1, 2014 through December 31, 2014, and greater than $100 thousand. Of the $729.3 million reviewed for improper payments, no improper payments were identified.

The independent contractor also completed in May 2016 a review of the statuses of sustained disallowed costs of $10 thousand or more, issued between April 1, 2014 and through March 31, 2015. Sustained disallowed costs could result, for example, from Single Audit Act audit reports related to grants/cooperative agreements, OIG audits or reviews, post-payment reviews, closeout reviews, grant/cooperative agreement-specific audits or reviews, and contracts/obligations-specific audits or reviews. The statuses of the sustained disallowed costs provided by the contractor are utilized by the Department for its comprehensive improper payments and recaptures efforts, including reporting, monitoring, recapturing, and corrective actions; the statuses are further followed up on by the Department as appropriate.

Of the cumulative overpayments of $285 thousand that was identified for recapture in payment recapture audits completed to date, $96 thousand has been recaptured to date, $63 thousand was subsequently determined by the Department to be proper payments, $122 thousand was subsequently resolved and recapture was not applicable, and $4 thousand has not yet been recaptured.

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

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

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

The following table summarizes (1) the results of payment recapture audits completed in 2016; and (2) the Department's FY 2016 overpayments identified, and overpayments verified as recaptured, through sources other than payment recapture audits. For Overpayments Identified Outside of Payment Recapture Auditing reporting, the Overpayments Recaptured column includes both (a) recaptures of overpayments during FY 2016 of overpayments reported in FY 2016; and (b) recaptures of overpayments that were previously identified in prior fiscal years.

OVERPAYMENTS IDENTIFIED IN FY 2016 AND FY 2016 RECAPTURES OF OVERPAYMENTS

(In Millions)

Bureau/ Reporting Entity	Overpayments Identified in FY 2016 from Payment Recapture Audits									Overpayments Identified in FY 2016 outside of Payment Recapture Audits	
	Contracts			Grants			Total				
	Amounts Reviewed	Overpayments Identified	Overpayments Recaptured	Amounts Reviewed	Overpayments Identified	Overpayments Recaptured	Amounts Reviewed	Overpayments Identified	Overpayments Recaptured	Overpayments Identified	Overpayments Recaptured[1]
BIS	$ 0.391	$ 0.122	N/A[2]	N/A	N/A	N/A	$ 0.391	$ 0.122	N/A	$ 0.612	$ 0.481
Census Bureau	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.860	1.789
DM/S&E	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.003	–
DM/WCF	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.001	–
EDA	N/A	N/A	N/A	$ 2.500	$ –	N/A	2.500	–	N/A	0.540	0.670
ESA/BEA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.007	–
ITA	N/A	N/A	N/A	0.700	–	N/A	0.700	–	N/A	0.080	–
MBDA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.031	0.030
NIST	N/A	N/A	N/A	83.729	–	N/A	83.729	–	N/A	0.924	1.886
NOAA	N/A	N/A	N/A	230.625	–	N/A	230.625	–	N/A	0.578	0.424
NTIA	N/A	N/A	N/A	411.699	–	N/A	411.699	–	N/A	0.107	0.105
NTIS	0.926	–	N/A	N/A	N/A	N/A	0.926	–	N/A	0.001	–
USPTO	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.062	0.032
Total	$ 1.317	$ 0.122	N/A	$ 729.253	$ –	N/A	$ 730.570	$ 0.122	N/A	$ 4.806	$ 5.417

N/A – Not applicable

1 Includes both (a) recaptures of overpayments during FY 2016 of overpayments that were reported in FY 2016; and (b) recaptures of overpayments that were previously reported in prior fiscal years.

2 The overpayments of $122 thousand were subsequently resolved and recapture was not applicable.

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

The Department's target payment recapture rate is 100 percent of overpayments identified for recapture in payment recapture audits. Since 2005, the Department has recaptured $96 thousand of the $285 thousand of overpayments identified for payment recapture; $63 thousand that was identified in previous payment recapture audits for recapture was subsequently determined by the Department to be proper payments, $122 thousand was subsequently resolved and recapture was not applicable, and $4 thousand has not yet been recaptured as described in subsection f.

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

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

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

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

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

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

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

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

- Limited/controlled access to vendor files—access to basic vendor information (e.g., name, address, and business size) is available to financial system users; access to banking information, however, is strictly limited by system security to certain Office of Finance staff.
- Periodic review of vendor file by finance office to remove inactive vendors.
- Utilizing Do Not Pay portal checking results to remove vendors as appropriate.
- Controlled access to financial system accounts payable screens—authority to create, edit, approve, process, and amend payment records is limited to certain Office of Finance financial system users. Also, authority to add or revise records in the vendor database is limited to separate Office of Finance financial system users.
- Segregation of duties for financial system data entry and review prior to transmitting disbursement files to Treasury—data entry duties are assigned to technicians in the Office of Finance who do not have authority to review and process payments. Authority to approve and process payments is assigned to accountants in the Office of Finance. Both data entry and approval/processing of payments are separate functions from transmitting disbursement files to Treasury.
- Financial system edit reports highlight potential items that may result in improper payments (e.g., invoice amount and accrual amount are not the same). There is a daily Invoice Workload Report that displays open amounts (not closed by a payment) on all invoices. This report is reviewed and action is taken to resolve partially open invoices. Furthermore, system settings prevent a payment in excess of the amount of the invoice.
- The finance office performs a preliminary review of an invoice prior to issuing to program office for review/approval.
- Daily pre-payment audit of invoices for accuracy, and corrective actions prior to disbursement, are in place, thereby helping to prevent improper payments from occurring.
- Financial system edit checks if the vendor's name on the payment does not agree with that on the obligation, or if the payment amount is greater than the obligation or accrual amount.

- The monthly vendor statement for purchase cards is interfaced into the financial system, thereby reducing data entry error.
- An accountant or supervisor reviews individual payments before releasing for payment to help ensure that the correct banking information or payment addresses are used, and that the correct amount will be paid.
- Multiple reviews of a payment prior to the payment being made.
- Monthly post-payment random sample audits are performed for detection purposes.
- Contracts include a clause requiring the contractor to notify the contracting officer if the government overpays when making an invoice payment or a contract financing payment.
- The circumstances of what caused an improper payment is reviewed by the finance office, and any corrective actions are taken as appropriate.

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

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

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

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

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

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

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

The following table shows the dollar amounts and the number of payments reviewed for improper payments in FY 2016, per the payment offices' monthly Adjudication Reports submitted to the Do Not Pay portal.

RESULTS FOR FY 2016 OF THE DO NOT PAY INITIATIVE IN PREVENTING IMPROPER PAYMENTS

(Numbers in Actual Amounts; Dollars in Millions)

Department-wide	Number of Payments Reviewed for Possible Improper Payments[1]	Dollars of Payments Reviewed for Possible Improper Payments[1]	Number of Payments Stopped[2]	Dollars of Payments Stopped[2]	Number of Potential Improper Payments Reviewed Further and Determined Proper[3]	Dollars of Potential Improper Payments Reviewed Further and Determined Proper[3]
Reviews with DMF	246,068	$ 3,938.25	–	$ –	33	$ 0.07
Reviews with SAM Exclusion Records	246,068	$ 3,938.25	–	$ –	33	$ 0.07

1 Payments reviewed for improper payments by Do Not Pay portal databases.

2 Payments that were intercepted or were not disbursed due to the Do Not Pay Initiative.

3 Payments requiring further reviewed as a result of matching against the Do Not Pay portal databases and subsequently identified as proper.

FREEZE THE FOOTPRINT

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

FREEZE THE FOOTPRINT BASELINE COMPARISONS

(In Millions)	FY 2012 Baseline	FY 2015	+/- Change
Square Footage	11.837	11.280	(0.556)

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

(In Millions)	FY 2012 Baseline	FY 2015	+/- Change
Operation and Maintenance Costs	$39.503	$35.039	($4.464)

The Department of Commerce's FY 2012 baseline is 11.84 million square feet of office and warehouse space. The FY 2015 area was 11.28 million square feet. The nearly five percent reduction to the baseline of 11.84 million square feet is significant.

Operating costs have seen an 11 percent reduction since the FY 2012 baseline. Operating costs savings are constrained by the slow progress in improving utilization rates in owned and direct lease office buildings by the National Oceanic and Atmospheric Administration and the National Institute of Standards and Technology.

CIVIL MONETARY PENALTIES' ADJUSTMENTS FOR INFLATION

The Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Debt Collection Improvement Act of 1996, required agencies to adjust their civil monetary penalties (CMP) for inflation at least every four years 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 had been adjusting its CMPs every four years from 1996 through 2012 in accordance with the Federal Civil Penalties Inflation Adjustment Act of 1990.

On November 2, 2015, the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 further amended the Federal Civil Penalties Inflation Adjustment Act of 1990 to improve the effectiveness of CMPs and to maintain their deterrent effect. This amendment required agencies to adjust the CMP levels in effect as of November 2, 2015, with initial catch up adjustments for inflation through an interim final rulemaking published by July 1, 2016, and to take effect no later than August 1, 2016. The maximum amount for an initial catch up adjustment for inflation could not exceed 150 percent of the amount of that CMP on the date of enactment of the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 (November 2, 2015). The Department published its latest adjustments for inflation to CMPs (15 CFR Part 6, *Civil Monetary Penalty Adjustments for Inflation*), in accordance with this amendment, in the Federal Register on June 7, 2016 (Vol. 81, No. 109, *Rules and Regulations*, pages 36454-36458), and which is also available at the Department's website at *http://www.osec.doc.gov/ofm/OFM_Publications.html*. The latest adjusted CMP levels became effective on July 7, 2016. This amendment further requires agencies to make subsequent annual adjustments for inflation to CMPs, beginning in 2017, to take effect not later than January 15.

The following table provides detailed information on each of the Department's CMPs as of July 7, 2016.

Statutory Authority	CMP Name	Year CMP Originally Enacted	Latest Year of CMP Non-inflation Adjustment (via Statute or Regulation)	Current CMP Level
Department of Commerce				
31 U.S.C. 3802(a)(1), Program Fraud Civil Remedies Act of 1986	Violation	1986	1986	Maximum $10,781
31 U.S.C. 3802(a)(2), Program Fraud Civil Remedies Act of 1986	Violation	1986	1986	Maximum $10,781
31 U.S.C. 3729(a)(1)(G), False Claims Act	Violation	1863	1986	Minimum $10,781 Maximum $21,563

All footnotes are listed at the end of this table.

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Statutory Authority	CMP Name	Year CMP Originally Enacted	Latest Year of CMP Non-inflation Adjustment (via Statute or Regulation)	Current CMP Level
Bureau of Industry and Security				
15 U.S.C. 5408(b)(1), Fastener Quality Act	Violation	1990	1990	Maximum $44,539
22 U.S.C. 6761(a)(1)(A), Chemical Weapons Convention Implementation Act	Violation	1998	1998	Maximum $36,256
22 U.S.C. 6761(a)(1)(B), Chemical Weapons Convention Implementation Act	Violation	1998	1998	Maximum $7,251
50 U.S.C. 1705(b), International Emergency Economic Powers Act	Violation	1977	2007	Maximum $284,582
22 U.S.C. 8142(a), United States Additional Protocol Implementation Act	Violation	2006	2006	Maximum $29,464
Census Bureau				
13 U.S.C. 304, Collection of Foreign Trade Statistics	Each day's delinquency of a violation; total of not to exceed maximum violation	1962	2002	Each day's delinquency of a violation: Maximum $1,312
	Maximum per violation			Maximum per violation: $13,118
13 U.S.C. 305(b), Collection of Foreign Trade Statistics	Violation	1962	2002	Maximum $13,118
Economics and Statistics Administration				
22 U.S.C. 3105(a), International Investment and Trade in Services Act	Failure to furnish information	Minimum: 1990 Maximum: 1976	Minimum: 1990 Maximum: 1990	Minimum $4,454 Maximum $44,539
International Trade Administration				
19 U.S.C. 81s, Foreign Trade Zone	Violation	1934	1934	Maximum $2,750
19 U.S.C. 1677f(f)(4), U.S.-Canada FTA Protective Order	Violation	1988	1988	Maximum $197,869
National Oceanic and Atmospheric Administration				
51 U.S.C. 60123(a), Land Remote Sensing Policy Act of 2010	Violation	2010	2010	Maximum $10,874
51 U.S.C. 60148(c), Land Remote Sensing Policy Act of 2010	Violation	2010	2010	Maximum $10,874
16 U.S.C. 773f(a), Northern Pacific Halibut Act of 1982	Violation	1982	2007	Maximum $227,666
16 U.S.C. 783, Sponge Act	Violation	1914	1914	Maximum $1,625

All footnotes are listed at the end of this table.

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Statutory Authority	CMP Name	Year CMP Originally Enacted	Latest Year of CMP Non-inflation Adjustment (via Statute or Regulation)	Current CMP Level
National Oceanic and Atmospheric Administration *(continued)*				
16 U.S.C. 957(d), (e), and (f), Tuna Conventions Act of 1950	Violations	1962	1962	(i) Violation of 16 U.S.C. 957(a): Maximum $81,250 (ii) Subsequent violation of 16 U.S.C. 957(a): Maximum $175,000 (iii) Violation of 16 U.S.C. 957(b): Maximum $2,750 (iv) Subsequent violation of 16 U.S.C. 957 (b): Maximum $16,250 (v) Violation of 16 U.S.C. 957(c): Maximum $350,000
16 U.S.C. 957(i), Tuna Conventions Act of 1950	Violation	2015	2015	Maximum $178,156[1]
16 U.S.C. 959, Tuna Conventions Act of 1950	Violation	2015	2015	Maximum $178,156[1]
16 U.S.C. 971f(a), Atlantic Tunas Convention Act of 1975	Violation	2015	2015	Maximum $178,156[1]
16 U.S.C. 973f(a), South Pacific Tuna Act of 1988	Violation	1988	1988	Maximum $494,672
16 U.S.C. 1174(b), Fur Seal Act Amendments of 1983	Violation	1983	1983	Maximum $23,548
16 U.S.C. 1375(a) (1), Marine Mammal Protection Act of 1972	Violation	1972	1972	Maximum $27,500
16 U.S.C. 1385(e), Dolphin Protection Consumer Information Act	Violation	1990	2015	Maximum $178,156[1]
16 U.S.C. 1437(d)(1), National Marine Sanctuaries Act	Violation	1984	1992	Maximum $167,728
16 U.S.C. 1540(a)(1), Endangered Species Act of 1973	Violations	1973	1988	(i) Violation as specified: Maximum $49,467 (ii) Violation as specified: Maximum $23,744 (iii) Otherwise violation: Maximum $1,625
16 U.S.C. 1858(a), Magnuson-Stevens Fishery Conservation and Management Act	Violation	1976	1990	Maximum $178,156

All footnotes are listed at the end of this table.

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Statutory Authority	CMP Name	Year CMP Originally Enacted	Latest Year of CMP Non-inflation Adjustment (via Statute or Regulation)	Current CMP Level
National Oceanic and Atmospheric Administration *(continued)*				
16 U.S.C. 2437(a)(1), Antarctic Marine Living Resources Convention Act of 1984	Violation	1984	2015	Maximum $178,156[1]
16 U.S.C. 2465(a), Antarctic Protection Act of 1990	Violation	1990	1990	Maximum $178,156[1]
16 U.S.C. 3373(a), Lacey Act Amendments of 1981	Violations	1981	1981	(i) 16 U.S.C. 3373(a)(1): Maximum $25,464 (ii) 16 U.S.C. 3373(a)(2): Maximum $637
16 U.S.C. 3606(b)(1), Atlantic Salmon Convention Act of 1982	Violation	1982	1982	Maximum $178,156[1]
16 U.S.C. 3637(b), Pacific Salmon Treaty Act of 1985	Violation	1985	1985	Maximum $178,156[1]
16 U.S.C. 4016(b)(1)(B), Fish and Seafood Promotion Act of 1986	Violation	1986	1986	Minimum $1,078 Maximum $10,781
16 U.S.C. 5010, North Pacific Anadromous Stocks Act of 1992	Violation	1992	2015	Maximum $178,156[1]
16 U.S.C. 5103(b)(2), Atlantic Coastal Fisheries Cooperative Management Act	Violation	1993	1993	Maximum $178,156[1]
16 U.S.C. 5154(c)(1), Atlantic Striped Bass Conservation Act	Violation	1984	1997	Maximum $178,156[1]
16 U.S.C. 5507(a), High Seas Fishing Compliance Act of 1995	Violation	1995	1995	Maximum $154,742
16 U.S.C. 5606(b), Northwest Atlantic Fisheries Convention Act of 1995	Violation	1995	1995	Maximum $178,156[1]
16 U.S.C. 6905(c), Western and Central Pacific Fisheries Convention Implementation Act	Violation	1997	1997	Maximum $178,156[1]
16 U.S.C. 7009(c) and (d), Pacific Whiting Act of 2006	Violation	2007	2007	Maximum $178,156[1]
22 U.S.C. 1978(e), Fishermen's Protective Act of 1967	Violations	1971	1971	Violation: Maximum $27,500 Subsequent violation: Maximum $81,250
30 U.S.C. 1462(a), Deep Seabed Hard Mineral Resources Act	Violation	1980	1980	Maximum $70,117
42 U.S.C. 9152(c), Ocean Thermal Energy Conversion Act of 1980	Violation	1980	1980	Maximum $70,117
16 U.S.C. 1827a, Billfish Conservation Act of 2012	Violation	2012	2012	Maximum $178,156[1]

All footnotes are listed at the end of this table.

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Statutory Authority	CMP Name	Year CMP Originally Enacted	Latest Year of CMP Non-inflation Adjustment (via Statute or Regulation)	Current CMP Level
National Oceanic and Atmospheric Administration *(continued)*				
16 U.S.C. 7407(b)(1), Port States Measures Agreement Act of 2015	Violation	2015	2015	Maximum $178,156[1]
16 U.S.C. 1826g(f), High Seas Driftnet Fishing Moratorium Protection Act	Violation	2015	2015	Maximum $178,156[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.

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, *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 2016 and subsequent fiscal years with regard to 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).

Five bureaus report information under this guidance: 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 and Agreements Management Division (GAMD) manages all grants awarded by NIST as well as a portion of those grants funded by NTIA. NOAA's Grants Management Division (GMD) manages all grants awarded by NOAA as well as those grants awarded by ITA and MBDA and the remainder of the NTIA awards.

Both NIST GAMD and NOAA GMD have teams that are specifically responsible for reviewing, closing out, and deobligating undisbursed balances in expired awards. Monthly, these teams 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 review of expired awards with undisbursed obligations, NIST GAMD reconciles the Standard Form (SF) 425, *Federal Financial Report*, of each award against the amount of funding remaining in the payment system and in NIST's financial system. NIST GAMD also reviews the final SF 425s to ensure that recipients do not have any outstanding unliquidated obligations. In cases where the amount of funds does not reconcile appropriately, when the recipient indicates having unliquidated obligations, or when the applicable NIST program office indicates other concerns such as outstanding audit issues, NIST GAMD works with all relevant parties to resolve any discrepancies prior to the deobligation of funds. There are at times outstanding audit issues, legal matters, or cost-share related discrepancies that delay the closeout and deobligation processes. NIST GAMD and other applicable NIST offices begin the deobligation process once it is determined that the recipient is not owed any further federal funding and that all relevant issues are resolved. NIST currently has several employees and contractors assigned to work on deobligating and closing out expired awards. This group actively checks the grants system for awards eligible for closeout, assigns awards for deobligation and closeout regularly, and begins those processes. For awards with potential audit findings or other unresolved matters, this group coordinates with the appropriate team to identify funds to deobligate or to coordinate any remaining actions that need to be taken prior to deobligation and closeout. NIST has a Grants Management Officer assigned to oversee the entire closeout process. This individual obtains reports from the Grant Management Information System (GMIS), which is the database for all NIST financial assistance awards. This report is run at least twice monthly to identify any awards that have expired and are eligible to go through the closeout process. This report also identifies if any undisbursed obligations remain in the award account. All awards eligible for closeout are assigned to staff to begin the closeout process and any awards with undispersed obligations are to be given priority to ensure NIST is deobligating funds in a timely manner. The Grant Management Officer also collects regular status updates on all the awards in the closeout process, and advises NIST GAMD staff on appropriate next steps to resolve any outstanding issues that may be preventing a deobligation or the closeout of an award. The status reports are reconciled against reports run from GMIS to help ensure no awards are missed in 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. NIST has made significant progress in reducing the backlog of closeouts and deobligations in the past three fiscal years and is beginning to keep up with closeouts as they become available. Any aged closeouts are being tracked and reported to the Department's GMD monthly to ensure progress is being made.

NOAA GMD obtains and reviews monthly an Undisbursed Funds Chart which is used to track expired grant awards with undisbursed obligations. The monthly Undisbursed Funds Charts are also provided to the Department's GMD. Upon review and acceptance of the recipient's SF 425, NOAA GMD completes and submits to NOAA's finance office a deobligation request. 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. NOAA will continue to expedite deobligations and closeout of expired to the maximum extent within 90 days from NOAA receipt of a recipient's final SF 425. Recipients have 90 days after award expiration to drawdown remaining funds for expenses incurred during the award period.

Each bureau submits a monthly report to the Department's GMD detailing the current status of expired awards – number of expired awards not yet closed and undisbursed balances of funds in these awards. GMD consolidates these reports and presents the information during the Department's bi-monthly Grants Council meeting for review and analysis. Over the past three 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 page presents, for each budget account that had undisbursed obligations for expired grant awards as of October 1, 2015 (first day of FY 2016), October 1, 2014 (first day of FY 2015), or October 1, 2013 (first day of FY 2014), the dollar amount of undisbursed obligations for expired grant awards as of October 1, 2015, 2014, and 2013; the dollar amount of the total unobligated balance for the budget account as of October 1, 2015, 2014, and 2013; and, for each bureau reported, the total number of expired grant awards with undisbursed obligations as of October 1, 2015, 2014, and 2013.

(Numbers in Actual Amounts; Dollars in Thousands)

	Budget Account		As of October 1, 2015			As of October 1, 2014			As of October 1, 2013		
Bureau	Number	Title	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
ITA	1250	Operations and Administration, ITA, Commerce	3	$ 550	$ 41,633	1	$ 94	$ 46,809	12	$ 544	$ 25,708
MBDA	0201	Minority Business Development, MBDA	1	88	4,920	3	94	4,351	5	165	3,524
NIST	0500	Scientific and Technical Research and Services, NIST		3,161	23,018		1,627	33,748		1,304	29,710
	0514	Construction of Research Facilities, Recovery Act, NIST, Commerce		–	–		–	114		2,882	86
	0515	Construction of Research Facilities, NIST		–	25,746		281	12,908		398	18,898
	0525	Industrial Technology Services, NIST		12,065	21,400		5,065	33,496		5,725	18,956
	0549	Scientific and Technical Research and Services, Recovery Act, NIST, Commerce		–	113		–	2,555		842	2,322
	4650	Working Capital Fund, NIST		1,268	105,119		1,123	88,058		213	95,574
	Total		182	16,494	175,396	187	8,096	170,879	219	11,364	165,546
NOAA	1440	Operations, Research, and Facilities, Recovery Act, NOAA, Commerce		–	–		–	886		584	660
	1450	Operations, Research, and Facilities, NOAA		10,247	364,532		27,149	308,151		10,085	346,046
	1451	Expenses, Pacific Coastal Salmon Recovery, NOAA		400	436		16	649		581	155
	1460	Procurement, Acquisition, and Construction, NOAA, Commerce		1,119	258,716		1,553	138,995		300	164,848

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(Numbers in Actual Amounts; Dollars in Thousands)

	Budget Account		As of October 1, 2015			As of October 1, 2014			As of October 1, 2013		
Bureau	Number	Title	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 (continued)	2055	Fisheries Disaster Assistance, NOAA, Commerce		$ 1,136	$ 4,358		$ –	$ 49,188		$ –	$ –
	4316	Damage Assessment and Restoration Revolving Fund, NOAA		25	166,460		–	110,939		–	74,835
	5139	Promote and Develop Fishery Products and Research Pertaining to American Fisheries, NOAA		7	1,083		–	6,817		124	11,277
	5284	Limited Access System Administration Fund, NOAA		552	12,055		–	12,899		56	11,355
	5439	Western Pacific Sustainable Fisheries Fund, NOAA		–	90		1	–		–	1,771
	Total		306	13,486	807,730	288	28,719	628,524	335	11,730	610,947
NTIA	0550	Salaries and Expenses, NTIA, Commerce		–	29,523		10	30,151		–	32,291
	0551	Public Telecommunication Facilities, Planning and Construction, NTIA, Commerce		4	935		4	1,023		4	9,276
	0554	Broadband Technology Opportunities Program, Recovery Act, NTIA, Commerce		–	166,725		14,586	135,461		161,238	7,651
	Total		41	4	197,183	32	14,600	166,635	55	161,242	49,218
Total			533	$ 30,622	$1,226,862	511	$ 51,603	$ 1,017,198	626	$ 185,045	$ 854,943

GLOSSARY OF ACRONYMS

	Abbreviation	Title
A	AFR	Agency Financial Report
	AMTech	Advanced Manufacturing Technical Consortia (NIST)
	APG	Agency Priority Goal
	ASAP	Automated Standard Application for Payments (Treasury)
B	BAS	Business Application Solutions
	BEA	Bureau of Economic Analysis
	BIS	Bureau of Industry and Security
C	CAP	Cross-Agency Priority Goal
	CBS	Commerce Business Systems
	CEIP	Coastal Energy Impact Program (a NOAA direct loan program)
	CFDA	Catalog of Federal Domestic Assistance
	CFO	Chief Financial Officer
	CFO/ASA	Chief Financial Officer and Assistant Secretary for Administration (DM)
	CMP	Civil Monetary Penalty
	COLA	Cost of Living Adjustment
	COOP	Continuity of Operations Programs
	COTS	Commercial off-the-shelf [software]
	CPI	Consumer Price Index
	CSRS	Civil Service Retirement System (OPM)

Abbreviation	Title
D	
DATA Act	Digital Accountability and Transparency Act
DM	Departmental Management
DMF	Death Master File (data from the Social Security Administration)
DM&R	Deferred Maintenance and Repairs
DOL	U.S. Department of Labor
E	
EDA	Economic Development Administration
ELGP-Steel	Emergency Steel Loan Guarantee Program
EPP	Educational Partnership Program (NOAA)
ES	Enterprise Services
ESA	Economics and Statistics Administration
ESOC	Enterprise Security Oversight Center
F	
FASAB	Federal Accounting Standards Advisory Board
FCC	Federal Communications Commission
FCI	Facility Condition Index (DM&R)
FCCS	Federal Claims Collection Standards
FECA	Federal Employees Compensation Act
FEGLI	Federal Employees Group Life Insurance Program (OPM)
FEHB	Federal Employees Health Benefit Program (OPM)
FERS	Federal Employees Retirement System (OPM)
FFMIA	Federal Financial Management Improvement Act of 1996
FirstNet	First Responder Network Authority (an independent authority within NTIA)
FKNMS	Florida Keys National Marine Sanctuary (NOAA)
FMFIA	Federal Managers' Financial Integrity Act of 1982
FVOG	Fishing Vessel Obligation Guarantee Program (a NOAA loan guarantee program)
FWC	Future Workers' Compensation
FY	Fiscal Year ended September 30

Abbreviation	Title
G **GAAP**	Generally Accepted Accounting Principles
GAMD	Grants and Agreements Management Division (NIST)
GAO	U.S. Government Accountability Office
GCCMIF	Global Climate Change Migration Incentive Fund (EDA)
GMD	Grants Management Division (DM; and NOAA)
GMIS	Grant Management Information System (NIST)
GOES – R	Geostationary Operational Environmental Satellites – R (NOAA)
GSA	U.S. General Services Administration
I **ICVS**	Integrated Calibration and Validation System (NESDIS STAR)
IFQ	Individual Fishing Quota Loans (a NOAA direct loan program)
IP	Intellectual Property
IPERA	Improper Payments Elimination and Recovery Act of 2010
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA	Improper Payments Information Act of 2002
ISO	Information Services Office (NIST)
IT	Information Technology
ITA	International Trade Administration
IV&V	Independent Verification and Validation
J **JPSS**	Joint Polar Satellite System (NOAA)
M **MBDA**	Minority Business Development Agency
MD&A	Management's Discussion and Analysis
MSI	Minority Serving Institutions (EPP)

Abbreviation	Title
N	
NERR	National Estuarine Research Reserves (NOAA)
NESDIS	National Environmental Satellite, Data, and Information Service (NOAA)
NFC	National Finance Center (U.S. Department of Agriculture)
NHTSA	National Highway Traffic Safety Administration (U.S. Department of Transportation)
NIST	National Institute of Standards and Technology
NMFS	National Marine Fisheries Service (NOAA)
NNMI	National Network for Manufacturing Innovation, former name for Manufacturing USA (NIST)
NOAA	National Oceanic and Atmospheric Administration
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)
OIG	Office of Inspector General (DM)
OMB	Office of Management and Budget
OPM	U.S. Office of Personnel Management
P	
PAR	Performance and Accountability Report
PEP	Partnership Education Program (NOAA)
PIFSC	Pacific Islands Fisheries Science Center (NOAA)
PP&E	Property, Plant, and Equipment
PYSO	PIFSC Young Scientist Opportunity (NOAA)
R	
RAMI	Revitalize American Manufacturing and Innovation Act of 2014
R&D	Research and Development

Abbreviation	Title
S	
SAM	System for Award Management (GSA)
S&E	Salaries and Expenses (DM)
SBR	Combined Statement of Budgetary Resources
SCNP	Consolidated Statement of Changes in Net Position
SEFSC	Southeast Fisheries Science Center (NOAA)
SF 425	Standard Form 425, *Federal Financial Report*
SFFAS	Statement of Federal Financial Accounting Standards (FASAB)
SOS	Schedule of Spending by Major Budget Account (Unaudited)
SPRI	Strategic Plan Review and Implementation
STAR	Center for Satellite Applications and Research (NESDIS)
STC	Standard Terms and Conditions
T	
TIP	Technology Innovation Program (NIST)
Treasury	U.S. Department of the Treasury
TRL	Technology Readiness Level
TSP	Thrift Savings Plan
U	
USPTO	U.S. Patent and Trademark Office
W	
WCF	Working Capital Fund (DM)
WHSA	Woods Hole Science Aquarium (NOAA)
WIPO	World Intellectual Property Organization

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