

# U.S. DEPARTMENT OF THE INTERIOR



## FISCAL YEAR 2006 ANNUAL REPORT ON PERFORMANCE & ACCOUNTABILITY

*NOVEMBER 15, 2006*

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*An electronic version of this document is available on the Internet at <http://www.doi.gov/pfm/par/par2006/>  
The Department of the Interior's strategic plan is available at [www.doi.gov/ppp/gpra](http://www.doi.gov/ppp/gpra).*

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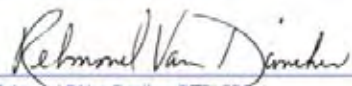
## *Department of the Interior*

In recognition of your outstanding efforts  
preparing DOI's Performance and  
Accountability Report for the fiscal  
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Executive Director, AGA

## Message from the Secretary



I am pleased to share with you the Department of the Interior's Annual Report on Performance and Accountability for Fiscal Year 2006. The report summarizes how we have served the American public over the past year in our role as the Nation's steward and caretaker of our unique natural, cultural, and historic resources. It also provides an accounting to the American people of the way we have managed our fiscal resources.

The Department of the Interior's mission touches the lives of Americans in special ways. Nearly every American lives within a one-hour drive of lands or waters that we manage. We manage one of every five acres of land in the United States, providing opportunities for recreation, wildlife conservation, and resource use. Our responsibilities range from supplying water to the West to providing access to precious energy resources that help keep the Nation on the move and productive, to preserving habitat, cultural and historic resources.

In 2006, we commemorated several milestones of significance to the Department of the Interior and the Nation in general. In April, we remembered the Great San Francisco Earthquake of 1906 with a virtual tour of the earthquake-ravaged area based on historic and scientific data. The tour, developed by the U.S. Geological Survey, uses geographic interactive software to explain the science, engineering, and human dimensions of the historic earthquake, helping us visualize and understand the causes and effects of this and future earthquakes.

In May, we celebrated the 50th birthday of the Folsom Dam, managed by Interior's Bureau of Reclamation. This dam, like many others, plays an important role in managing precious water for agriculture, hydroelectric power and public drinking water. During its construction in 1955, then again in 1964 and 1986, the Folsom Dam saved the Sacramento, California, area from heavy flooding when torrential rains and heavy snows fell in the Sierra Nevada and other nearby river basins.

June saw the 100th anniversary of the Antiquities Act, signed into law by President Theodore Roosevelt in 1906. This Act established the first legal general protection of cultural and natural resources in the United States. It provides the authority under which the Department of the Interior protects and preserves many of our Nation's archeological assets and national monuments. It was under this authority that President Bush created the largest marine conservation area on earth in June 2006. The Northwestern Hawaiian Islands Marine National Monument covers more than 140,000 square miles of U.S. waters, including 4,500 square miles of relatively undisturbed coral reef habitat that is home to more than 7,000 species. Interior's U.S. Fish and Wildlife Service and the Department of Commerce's National Oceanic and Atmospheric Administration will manage the monument in close cooperation with the State of Hawaii.

In August, President George W. Bush joined us in celebrating the 90th anniversary of the National Park Service (NPS). In a special message given at Yellowstone National Park, President Bush called upon the NPS to continue the cooperation necessary for the national parks to flourish for the next 100 years and beyond. He asked me as Secretary of the Interior to establish specific performance goals to help prepare our national parks for another century of conservation, preservation, and enjoyment. Part of our efforts will involve identifying signature projects and programs that are consistent with the performance goals we establish, and that continue the NPS legacy of leveraging philanthropic, partnership, and government investments for the benefit of the national parks and their visitors.

**We also:**

- Worked closely with local communities, interest groups, State, and municipal government agencies to improve the use and enjoyment of natural resources. Through cooperative conservation and voluntary partnerships, we restored 670,620 acres of land and 677 miles of shoreline to meet watershed and landscape goals. One such partnership involved a wine-grape grower who became the first landowner enrolled in California's first Safe Harbor Agreement—a voluntary agreement that provides landowners with incentives to restore habitat for endangered species while also ensuring that farming can continue. Our partners also helped make more than 432 million acres of land and close to 158,000 miles of shoreline available for recreation;
- Continued to protect threatened and endangered species. We brought an estimated 487,670 acres of land and 1,685 miles of shoreline back to habitat conditions suitable for supporting species conservation. Forty-three percent of endangered species listed a decade ago have stabilized or improved. This includes the peregrine falcon, which was delisted in 1999, and the population continues to grow. The results of the second round of post-delisting monitoring places the number of peregrine falcon nesting pairs in the U.S. at about 3,000—about 10 times the number of nesting pairs reported back in 1970 when the peregrine was first listed as an endangered species. This post-delisting monitoring effort is a partnership success story; more than 300 observers across the country contributed to the collection of this year's data. Monitoring will be continuing through 2015;
- Provided America with access to energy and minerals, both onshore and offshore. Interior's U.S. Geological Survey contributed to this effort by conducting resource assessments of six targeted onshore basins containing oil and gas resources. Our Bureau of Land Management sponsored a new program that will provide public land leases to interested parties willing to conduct oil shale research on portions of public land known to contain the largest known concentration of oil shale in the world. Scientists estimate that U.S. oil shale resources hold about the equivalent of 800 billion barrels of recoverable oil;
- Generated about 44 billion kilowatt-hours of hydroelectricity—enough to meet the annual needs of nine million people—through Bureau of Reclamation hydropower plants. The Bureau of Reclamation has a history of being a reliable and low-cost hydropower producer. In 2006, its hydroelectric generating units were available 93 percent of the time to the interconnected Western electrical system during daily peak summer demand periods;
- Served close to 500 million visitors to recreation areas managed by Interior, providing facilitated programs, such as interpretive education and ranger-led tours to 187 million people;
- Reduced risks to communities from wildland fires by treating more than 527,000 high priority acres of wildland-urban interface land at a cost of about \$250 per acre; and
- Advanced quality of life goals for tribes and Alaska Natives by dramatically improving the accuracy with which we process Indian Account Beneficiary information, moving from being accurate in 18 percent of the financial information we provide to 100 percent. We also provided loans that created 1,838 jobs for American Indians and Alaska Natives.

But we still face daunting challenges. As diverse as the Department of the Interior's responsibilities are, one of our central challenges is how to set priorities and allocate resources to meet our goals. Tools such as activity-based cost management and our Government Performance Results Act Strategic Plan performance metrics are helping us to better understand the real costs of doing our work—and of doing it well. In 2007 and beyond, we will focus on linking our strategic metrics to work activities. We are beginning to use the data collected in our performance and costing systems to make funding decisions.

Another of our challenges involves effectively managing our information technology systems. Although we have made significant progress toward building an integrated and consolidated information technology infrastructure, there are ever-increasing threats to security. In the next few years, we plan to deploy an automated process for certification and accreditation of our systems. We will issue smart cards to employees and contractors who have met requirements of our security certification process.

Finally, there is a matter of Indian trust management. Interior has responsibility for the largest land trust in the world. Over 10 million acres belong to individual Indians and 46 million acres are held in trust for Indian Tribes. We manage leases on these lands for uses such as farming and grazing, and oil and gas production on behalf of individual Indians and tribes. We manage several billion dollars in tribal funds for individual Indians. Between 1996 and the end of 2006, we will have invested almost \$3.4 billion in management, reform, and improvement of our Indian trust programs. The next few years will see us fully implementing planned reforms and operating re-engineered trust programs. While we have made progress, such as improving the timeliness and accuracy of financial data provided to trust beneficiaries, the near future holds additional improvements such as eliminating the backlog of probate cases.

The financial and performance data we present in this report are complete and reliable as required by the Office of Management and Budget guidance. This report provides the status of Interior's compliance with certain legal and regulatory requirements. The annual assurance statement required by the Federal Managers' Financial Integrity Act (FMFIA) concludes that the Department can provide reasonable assurance that its systems of management, accounting, and administrative controls, taken as a whole, meet the objectives specified in Section 2 of the FMFIA.

These objectives are intended to ensure that: 1) programs achieve their intended results; 2) resources are used consistent with agency mission; 3) programs and resources are protected from waste, fraud, and mismanagement; 4) laws and regulations are followed; and 5) reliable and timely information is obtained, maintained, reported, and used for decision making. With regard to the five FMFIA material weaknesses carried forward from FY 2005, all five (100 percent) were corrected or downgraded.

As Mayor, United States Senator, and Governor, I have worked on issues at the heart of Interior's mission—the conservation of habitat for fish and wildlife; improving economic conditions and education opportunities in Indian country; resolving longstanding water conflicts; and providing responsible energy development on public lands. I worked on these issues with Interior officials, and across State and political lines, to formulate regional, consensus-based strategies with my peers. As Secretary of the Interior, I will continue to foster that kind of collaboration and partnership to solve challenges.

After seeing the Grand Canyon for the first time, President Theodore Roosevelt was inspired to say, "Keep it for your children, your children's children, and for all who come after you." This Nation, its people and natural beauty are well worth our effort to conserve and protect. I look forward to providing the leadership to the Department of the Interior that will help us overcome our challenges and continue to better fulfill our great mission.



Dirk Kempthorne  
Secretary of the Interior  
November 15, 2006





# FROM MISSION TO MEASUREMENT: HOW TO READ THIS REPORT

The Performance and Accountability Report (PAR) is our principal report to the President and the American people regarding the Department of the Interior's stewardship, management, and leadership of the public resources for which we have been entrusted.

The PAR fulfills the Department's legal requirement to provide an annual report. It provides the most important financial and program performance information for an agency, combining what were once two separate reports: the Annual Performance Plan and the Annual Financial Report. Federal agencies are required to submit this audited, annual accounting of fiscal and programmatic integrity to the President, the Congress, and the Office of Management and Budget (OMB) by November 15, about 6 weeks after the end of the fiscal year.

Our report contains four parts. Combined, these four elements provide an accurate and thorough accounting of the Department's stewardship of our critical resources and services to the American people.

**Part 1: Management's Discussion and Analysis (MD&A)** is an overview of the Department's financial and organizational performance in FY 2006. It is designed for anyone interested in a general summary of our accomplishments.

After a brief discussion of Interior's mission, our strategic plan, and the process we use to measure our performance, Part 1 summarizes our performance for the year by our Government Performance and Results Act (GPRA) Strategic Plan mission areas and strategic Management Excellence goal. Specific examples of the ways we have and have not met our performance goals are offered, along with an overview of key management challenges. Our scorecard, as measured by the President's Management Agenda (PMA), and a discussion of Interior's Program Assessment Rating Tool (PART) evaluations complete the performance summary.

Part 1 also discusses the Department's compliance with legal and regulatory requirements, including GPRA, FMFIA, the Federal Financial Management Improvement Act (FFMIA), Inspector General Act

Amendments (Audit Follow-up), the Improper Payments Act, a biennial review of user fees, and other key legal and regulatory requirements. An analysis of financial statement data concludes this portion of the report.

**Part 2: Performance Data and Analysis** presents the Department of the Interior's performance results in detail. This information will be most useful to anyone seeking a detailed understanding of our work last year.

Part 2 lists all Interior targets for all of Interior's key measures, strategic mission areas, and Management Excellence goals for at least the past 3 years. Our presentation visually highlights whether we met a given performance target. Where applicable, we have explained why and to what extent our performance fell short of or exceeded plans, and ways we will improve our performance in the future.

**Part 3: Financial Section**, along with Part 4, will interest those concerned with accounting for the Department's financial performance. This section comprises consolidated financial statements, footnotes, deferred maintenance data, intragovernmental transaction disclosures, stewardship information, and other supplementary information.

Part 3 also contains an assessment of the Department's consolidated financial statements by an independent, certified public accounting firm. The objective of a financial statement audit is to determine whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by management, as well as an evaluation of the overall financial statement presentation.

This section also presents the most serious management challenges facing the Department. This assessment was prepared by the Office of the Inspectors General (OIG) in accordance with the Reports Consolidation Act of 2000.

**Part 4: Other Accompanying Information** contains information about improper payments, a list of program reviews performed, an organization chart of the Department, a glossary of acronyms, and a list of figures and charts.

This report was developed and prepared by employees of the Department of the Interior.