U.S. DEPARTMENT OF THE INTERIOR

PERFORMANCE AND ACCOUNTABILITY REPORT

FISCAL YEAR 2006

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****.*

AGA

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In recognition of your outstanding efforts preparing DOI's Performance and Accountability Report for the fiscal year ended September 30, 2005.

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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 fufills 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.

PART 1.
MANAGEMENT'S DISCUSSION AND ANALYSIS

Who We Are and How We Serve

Interior's legacy spans more than 150 years. It was established March 3, 1849, on the last day of the Thirtieth Congress and on the the eve of Zachary Taylor's inauguration as the 12th President of the United States. Sometimes dubbed the "Department of Everything Else," the Department of the Interior has evolved to become the Nation's principal Federal conservation agency. Today, about 73,000 Interior employees (or 69,000 full-time equivalents) and 200,000 volunteers (or 4,600 full-time equivalents) manage the protection and enjoyment of many of the Nation's special natural, cultural, and historic places (see Figure 1-3). We conserve habitats, species, lands, and waters. We

FIGURE 1-1

Interior's Mission in 1849

In 1849, the Interior Department had a wide and diverse range of responsibilities entrusted to it, including:

- the construction of Washington, D.C.'s water system;
- the colonization of freed slaves in Haiti;
- exploration of western wilderness;
- oversight of the District of Columbia jail;
- regulation of territorial governments;
- management of hospitals and universities;
- management of public parks; and
- the basic responsibilities for Indians, public lands, patents, and pensions.

In one way or another, all of these had to do with the internal development of the Nation or the welfare of its people—hence the name, Department of the Interior.

FIGURE 1-2

Interior's Mission, Vision, and Key Business Principles

Mission

The U.S. Department of the Interior protects and manages the Nation's natural resources and cultural heritage; provides scientific and other information about those resources; and honors its trust responsibilities or special commitments to American Indians, Alaska Natives, and affiliated island communities.

Vision

Communication, consultation, and cooperation—all in the service of conservation.

Key Business Principles

- Value
- Accountability
- Modernization
- Integration

fulfill America's trust responsibilities to native peoples and affiliated island communities. We supply water and hydropower to most of the western United States, as well as provide responsible access to much of the Nation's energy resources. Our scientists provide the data needed to enhance our understanding of the natural world and to inform decisions related to natural resource conservation and sustainable development, as well as disaster preparedness and response.

Each of our eight bureaus has discrete responsibilities for discharging our mission (Figure 1-5, Bureau missions). Departmental offices, including those specifically mentioned in this report—the Offices of the Special Trustee for American Indians (OST), Insular Affairs (OIA), Inspector General (OIG), Law Enforcement and Security (OLES) and Wildland Fire Coordination (OWFC)—support critical Interior operations and help our bureaus carry out our stewardship charge.

FIGURE 1-3

Interior's 2006 Workforce (in Full Time Equivalents)

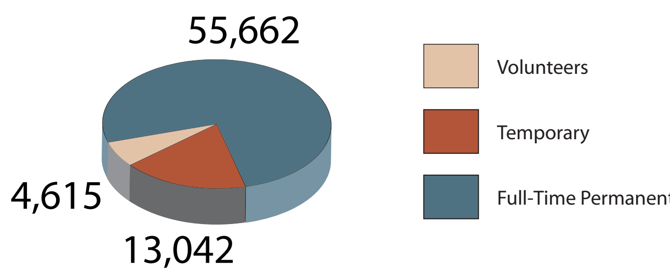

FIGURE 1-4

Did You Know….

Many other Federal agencies have their roots with the Department of the Interior

- When Interior was formed in 1849, it was called the Home Department and included organizations that now reside within the **Departments of State, Defense, Treasury, Commerce,** and **Veterans Affairs.**
- In 1869, the Bureau of Education was placed under the Department of the Interior. Later, it was transferred to the **Department of Health, Education and Welfare.**
- Interior's Bureau of Labor was established in 1884, becoming the **Department of Labor** in 1888.

FIGURE 1-5

Bureau Missions

Bureau of Reclamation (BOR)

Manage, develop, and protect water and related resources in an environmentally and economically sound manner in the interest of the American public.

Minerals Management Service (MMS)

The Minerals Management Service manages the mineral resources on the Outer Continental Shelf and Federal and Indian mineral revenues to enhance public and trust benefit, promote responsible use and realize fair value.

Bureau of Indian Affairs (BIA)

Fulfill its trust responsibilities and promote self-determination on behalf of Tribal governments, American Indians, and Alaska Natives.

U.S. Geological Survey (USGS)

Provide the Nation with reliable, unbiased information to describe and understand the earth; minimize loss of life and property from natural disasters; manage water, biological, energy and mineral resources; and enhance and protect our quality of life.

Fish and Wildlife Service (FWS)

Working with others to conserve, protect, and enhance fish, wildlife and plants, and their habitats for the continuing benefit of the American people.

National Park Service (NPS)

Preserve unimpaired the natural and cultural resources and values of the national park system for the enjoyment, education, and inspiration of this and future generations. The National Park Service cooperates with partners to extend the benefits of natural and cultural resource conservation and outdoor recreation throughout this country and the world.

Bureau of Land Management (BLM)

To sustain the health, diversity, and productivity of the public lands for the use and enjoyment of present and future generations.

Office of Surface Mining (OSM)

Ensure that coal mines are operated in a manner that protects citizens and the environment during mining and assures that the land is restored to beneficial use following mining, and mitigate the effects of past mining by aggressively pursuing reclamation of abandoned coal mine lands.

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How We Performed in FY 2006

Interior's Government Performance and Results Act (GPRA) Plan emphasizes accountability. It is organized into the four main areas of Interior's mission:

- Resource Protection
- Resource Use
- Recreation
- Serving Communities

A fifth area, Management Excellence, provides the enabling framework within which we carry out our mission responsibilities using improved business processes, practices, and tools and a highly trained and skilled workforce. We use partnerships with others to augment our resources and the decision making processes we use to carry out these responsibilities (see Figure 1-7: The Strategic Plan House).

FIGURE 1-6

> Interior's first Strategic Plan was published in 1998 and consisted of ten volumes—one for each of its bureaus plus a Departmental Overview—and spanned more than 400 pages. Today's Strategic Plan is a unified report consisting of fewer than 100 pages.

The Strategic Plan Mission areas and the Management Excellence framework are each defined by their own strategic goals, they are supported by several related end-outcome goals, or our desired results. Those end-outcome goals capture the contribution of related programs and services administered by one or more of the Department's bureaus and offices. Each end-outcome goal is supported by a series of intermediate milestones and performance measures (please see Part 2 of this report, Performance Data and Analysis for more about our Strategic Plan). This report documents our performance against each of these measures.

Beginning in FY 2005, we described costs related to our end-outcome goals as part of our budget submission process. Our present financial accounting system will soon allow us to evaluate

FIGURE 1-7

expenditures for work activities, using established Activity-Based Costing Management (ABC/M) tools, against these goals. In FY 2006, we moved a step beyond the end-outcome goal level to begin costing at the performance measure and intermediate goal level in preparation for the FY 2008 budget request. This effort represents one more step toward linking performance costs at the Departmental level to a more detailed level of performance measurement within our Departmental budget submission process. Yet, we know we have much work ahead of us to improve reporting to managers about cost information related to performance.

Interior uses defined criteria against which we test the validity and integrity of our performance data to ensure that information is properly collected, recorded, processed, and aggregated for use by decision-makers. We provide more information about our data validation and verification (V&V) process and definitions of the types of performance data we report in Part 2, Performance Data and Analysis.

The Department of the Interior's FY 2003-2008 Strategic Plan can be viewed at http://www.doi.gov/ppp/strat_plan_fy2003_2008.pdf. The results reported in this document are for performance measures established for the 2003-2008 Plan. In July 2005, Interior began the statutorily required revision of the DOI Strategic Plan under GPRA. Although not a wholesale revision of our previous plan, the new 2007-2012 plan updates several of our performance measures to more accurately reflect mission-critical goals. We will provide the final revised plan to Congress and OMB in early FY 2007. The new draft plan can be viewed online at: ***http://www.doi.gov/ppp/.*** We anticipate that our 2007 PAR will report results against measures contained in the updated plan.

Interior's broad range of responsibilities has resulted in the need to report on the performance of a significant number of programs, including some administrative improvement areas. Consequently, Interior reports on 209 performance metrics—which, although a large number, is almost 40% lower than the record 351 measures we started with in FY 2002. Our highly integrated Departmental strategic plan accounts for the decrease in reportable measures.

In FY 2006, the Department met or exceeded 68% (or 142 out of 209) of the performance measures we monitored (see Interior's Scorecard and How We Performed—2002 through 2006, Figure 1-9). In FY 2005, we met or exceeded 76% of the performance measures we monitored (or 163 out of 214).

Eighteen percent of our measures were not reportable. While we had data for 3 (or 8%) of the 37 measures denoted as "no reports", we do not use preliminary data to determine whether a performance goal has been achieved because the preliminary data sets have not yet been verified. We were unable to report on these measures because data were insufficient to generate or estimate performance. In some cases, data were unavailable due to problems with the methods used to collect the data. In other cases, technological factors such as automated system interruptions or the inability of entities outside of Interior to provide data needed to compute performance contributed to our "no reports." Our updated FY 2007-2012 Strategic Plan is expected to address many of these methodological problems. Therefore, we hope to reduce the number of "no reports," in FY 2007.

Performance information for the measures stipulated as "no report," "preliminary," and "estimated" will be provided during FY 2007 as a supplement to this report.

The Department has highlighted results for selected measures using an easy-to-read scorecard (see Figures 1-21, 1-32, 1-42, 1-49, and 1-52, provided in each of the Mission Area and Management Excellence chapters).

The President's Management Agenda: Scorecard

In FY 2006, Interior continued to make progress in areas targeted by the President's Management Agenda

FIGURE 1-8

Linking Costs and Performance Data to Make Funding and Resource Decisions

DOI bureaus are actively using performance data at the unit cost level to assist managers in making resource allocation and funding decisions. For example:

- The FWS has worked diligently to implement a holistic cost and performance management system that integrates existing budgeting and planning processes with financial and performance data systems. At its heart are program-specific, outcome-based performance measures that step down from the goals in the Department's strategic plan. The effort fosters a cohesive approach to mission performance for improved program and service delivery, new technical capabilities, enhanced inter-bureau cooperation, and improved standards of accountability that stretch across the entire Department. The FWS hierarchy of performance provides managers with a clear line of sight from Interior outcomes to the bureau's field work by mapping activity-based management cost data to performance measures. Using the process, FWS ensures that programs are achieving desired results at an acceptable cost while understanding the full cost of business operations. It has also helped FWS streamline its business processes while creating a performance-based culture.

- The NPS is using a core operations analysis process, called Core Ops, which integrates management tools to improve park efficiency. The process provides park units and regions with a way to consistently review their core operations and ensure funds are spent efficiently on the highest priority park programs. The process also ensures that a park's request for any additional funding is well supported, and that the park has adequate funds and staff to conserve and protect the resources and administer core operations for which it is responsible. The process involves 1) projecting costs into the future and comparing these costs with probable funding scenarios; 2) using strategic goals and measures to develop clear purpose statements that articulate the park's highest priorities; 3) using past performance to determine what should be done next to achieve these priorities; 4) relating work to results by reviewing staffing resources to ensure these are aligned with highest priorities or core operations to produce the desired performance results; 5) identifying efficiencies that reduced cost per unit output, avoided costs, eliminated lower priority activities, or generated cost recoveries; and 6) developing an implementation plan that reflects operational changes in the park's performance goals and measures.

FIGURE 1-9

Interior's Scorecard: How We Performed FY 2002-2006[1]

		FY 2002	FY 2003	FY 2004[2]	FY 2005[2]	FY 2006[3]
Met or Exceeded		55% of 351	66% of 323	71% of 223	76% of 214	68% of 209
Not Met		35% of 351	29% of 323	23% of 223	16% of 214	14% of 209
No Report		9% of 351	5% of 323	7% of 223	8% of 214	18% of 209

Notes:

[1]Totals may not equal 100% due to independent rounding.
[2]FY 2004 and 2005 have been adjusted to reflect actual results after publication of our Supplemental PAR during the 3rd quarter of the succeeding respective fiscal years.
[3]FY 2006 data reflect results as of the PAR publication date (November 15, 2006). These values will be adjusted to reflect actual results after publication of our Supplemental PAR data during the 3rd quarter of FY 2007.

(PMA). That agenda focuses on improving Federal management and administrative program performance. Organized around five mutually reinforcing components, the President's Management Agenda applies to every department and agency. Its components share a goal of enhancing citizen-centered governance focused on delivering results to the American public.

In addition to the six management areas shown in Figure 1-10, Interior is pursuing improvements in three other areas: Transportation Management, Energy Management, and Environmental Stewardship. We will report progress in these areas beginning in FY 2007.

OMB uses an Executive Branch Management Scorecard to monitor agencies' status and progress toward attaining PMA goals. Color-coded ratings visually depict how an agency has performed toward making specific improvements.

Interior is very proud of the progress we made this year toward realizing several of the President's Management Agenda goals. We moved from red to yellow in our status for the Real Property Initiative. Our asset management plan is in place and has been approved by OMB. Our bureaus are preparing site-specific asset management business plans based on Departmental guidance. We have some solid performance mea-

FIGURE 1-10

Interior's FY 2005 and FY 2006 Scorecards – How OMB Scored Us

Initiative Name	September 30, 2005				September 30, 2006			
	Status		Progress		Status		Progress	
President's Management Agenda Goal								
Human Capital	Green		Green		Green		Green	
Competitive Sourcing	Green		Green		Green		Red	
Financial Performance	Red		Yellow		Red		Green	
E-government	Red		Red		Yellow		Red	
Budget & Performance Integration	Yellow		Green		Yellow		Green	
Other Government-wide Initiatives in Which DOI Participates								
Real Property	Red		Green		Yellow		Green	

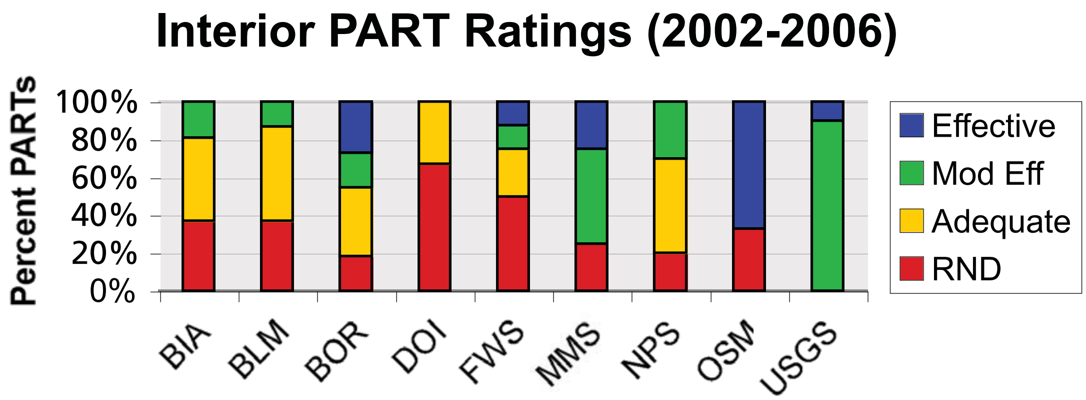
FIGURE 1-11

Figure 1-10: PART Program Rating Table 2002-2006

Bureau	Results Not Demonstrated	Adequate	Moderately Effective	Effective	Total Number of PARTed Programs
BIA	6 (37%)	7 (44%)	3 (19%)	0 (0%)	16
BLM	3 (37%)	4 (50%)	1 (13%)	0 (0%)	8
BOR	2 (18.5%)	4 (36%)	2 (18.5%)	3 (27%)	11
DOI	2 (67%)	1 (33%)	0 (0%)	0 (0%)	3
FWS	4 (50%)	2 (25%)	1 (12.5%)	1 (12.5%)	8
MMS	1 (25%)	0 (0%)	2 (50%)	1 (25%)	4
NPS	2 (20%)	5 (50%)	3 (30%)	0 (0%)	10
OSM	1 (33%)	0 (0%)	0 (0%)	2 (67%)	3
USGS	0 (0%)	0 (0%)	9 (90%)	1 (10%)	10
Total DOI:	21	23	21	8	73
Total %:	29%	31%	29%	11%	100%

Note: The above table does not count eight reassessments to eliminate double-counts. The numbers on the graph are used by Interior executives to monitor the current number of PARTs in Results Not Demonstrated status. Therefore, the most recent rating of a reassessed program is the rating counted.

FIGURE 1-12



sures in place that will tell us how well we are progressing toward meeting specific asset-management goals. In the near future, we hope to improve our status to green as we use performance metrics to make asset management-related decisions and make better use of the Federal Real Property Profile (FRPP) to identify candidates for disposition.

We also saw improvements in Electronic Government. Interior moved from a status score of red at the end of FY 2005 to yellow in FY 2006. We completed all of our E-government milestones during the year, with the exception of those for the E-Travel initiative. We are working to further improve our status in FY 2007 by demonstrating that we use earned value management data to make decisions related to our major IT portfolio and that our performance against IT-related goals is within 10% of that goal.

We continue to face challenges in the area of Financial Performance. However, while our status remained red for FY 2006, we made much progress during the year, resulting in a green progress rating from OMB. Effort to reduce our material weaknesses will help us improve our status score in FY 2007.

PART

Since FY 2002, Interior has worked with OMB to review our programs using a government-wide evaluation approach called the Program Assessment Rating Tool, or PART. PART is a standardized and systematic process by which OMB evaluates program performance against a standard set of criteria. Its results are being used to improve program performance through the development and implementation of program-specific recommendations.

PART is helping Interior take a focused look at its programs. We have undergone 73 PART analyses since the process began in 2002, plus eight reassessments. In 2006, twelve Interior programs were assessed or reassessed using the PART process. A listing of these evaluated programs is provided in Figure 2-15, Part 2 of this report.

PART assessments have led to several recommendations for improvement. For example, USGS's cooperative water program had been maintaining a roughly half-and-half proportion of data collection activities to research studies. Given Administration priorities and PART recommendations for emphasizing data collection, USGS reduced its number of research studies (systematic investigations) so that it could maintain its data collection efforts (number of stream gauges reporting real-time) to the fullest extent possible.

All Interior bureaus are actively monitoring progress toward implementing post-PART actions and recommendations using a Web-enabled tracking system.

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RESOURCE PROTECTION: PROTECT THE NATION'S NATURAL, CULTURAL, AND HERITAGE RESOURCES

The Department of the Interior is steward and caretaker for many of the Nation's natural and cultural resources. We conserve federally managed lands and waters, ensuring that these assets are available for current future generations to enjoy. We are the guardians of many of our Nation's unique cultural and historic sites. We work with partners to conserve thousands of native plant and animal species, including 1,311 U.S. species with special status under the Endangered Species Act (ESA), and we work cooperatively and holistically to limit the effect of invasive species.

FIGURE 1-13

Keeping an Unbridled American Spirit Strong and Free: "Save the Mustangs"

In May 2005, Interior's Bureau of Land Management, Take Pride in America, and the Ford Motor Company joined forces to establish the "Save the Mustangs" fund (*www.savethemustangs.org*) to build public awareness and support for America's wild horses. As of May 2006, only one year later, the partnership had raised more than $200,000 for distribution to eligible wild horse and equine rescue groups to help place thousands of mustangs into private, long-term care.

The Bureau of Land Management manages the Nation's wild horses and burros under authority of the 1971 Wild Free-Roaming Horses and Burros Act. Herds are managed to keep wild populations at balanced levels to ensure they remain healthy and thriving. To assist with herd management, BLM sponsors adoptions and sales. Since 1973, the bureau has placed more than 208,000 wild horses and burros into private care through its adoption program (www.wildhorseandburro.blm.gov).

The "Save the Mustangs" fund will provide non-profit wild horse and equine rescue organizations that buy saleable wild horses with financial assistance to care for the horses. The program represents an excellent example of creative solutions between the public, private organizations, and government to help protect an American legacy.

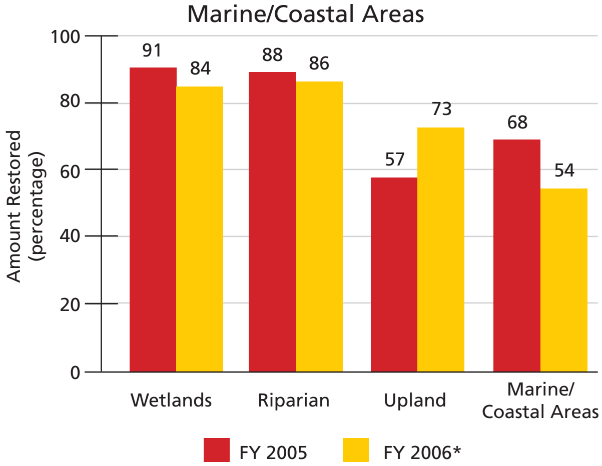
In FY 2006, we met 79% of our performance targets for our Resource Protection responsibility. We did not meet 19% of our targets. This compares with 83% of targets met and 15% of targets where we fell short in FY 2005. The remaining were "no reports." (See Figure 1-22 for more detail). Note: Within the narrative discussion for each mission area, we include parenthetical references to Performance Measure ID numbers used in the results tables in the Performance Data and Analysis section. These are for the convenience of readers wanting to cross-reference the data.

We fell short of meeting targets in the area of Resource Protection due to:

- constraints and complicating factors resulting from natural events, such as hurricanes and fires, which either prevented or hampered land and water treatment and habitat recovery efforts (Ref #1, 14, 18, 20);
- targeting errors and inherent difficulties in setting precise targets for projects that vary in size and scope, particularly in instances where the extent of issues being addressed is still an unknown (Ref. #7, 27);

FIGURE 1-15

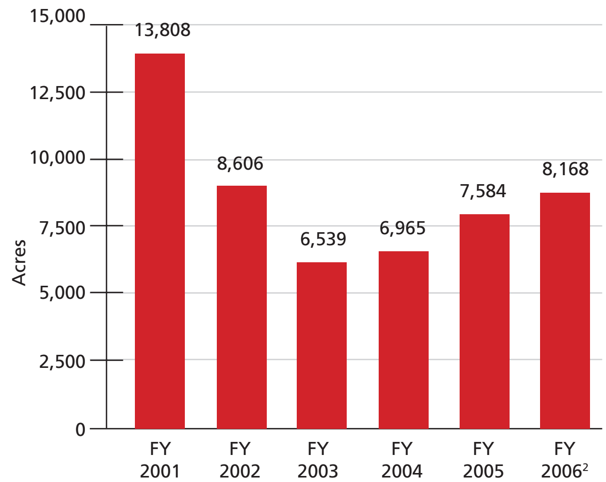
Percent of total acres restored in FY06 that represent Targeted Wetlands, Riparian, Upland, and Marine/Coastal Areas



*Based on estimated data.

FIGURE 1-14

Lands Reclaimed From Past Mining[1]



[1] Data prior to FY 2005 represent the Office of Surface Mining, Reclamation and Enforcement (OSM) contribution only.
[2] Estimated.

- discrepancies in the accuracy of data reporting, particularly when the reporting involves external partners and cooperators (Ref. 36).

Restoring Our Lands and Waters

Interior's resource protection responsibilities extend to monitoring and repairing damage done by past mining, even if the lands affected are not federally managed. In FY 2006, we reclaimed an estimated 8,168 acres of land, and improved 69 stream miles and 32 surface acres of water degraded by past mining (see Figure 1-14 for trend data) (Ref #5, 6, 7). This compares to 7,584 acres of land, 28 stream miles and 35 surface acres of water that were improved in FY 2005.

Our efforts to support healthy and productive lands depend upon partnerships with others. We actively implement the President's Facilitation of Cooperative Conservation Executive Order, which directs land-managing agencies to work with others to improve the use, enhancement, and enjoyment of natural resources, and to protect the environment.

Cooperative Conservation uses the synergy of partnerships, collaboration, leverage, innovation, and incentives to achieve the Nation's environmental goals. A suite of cooperative grant and cost-share programs underpins Interior's conservation partnerships. Landowner Incentive Programs, Private Stewardship Grants, the Challenge Program, and Partners for Fish and Wildlife and Coastal programs all emphasize local input and involvement, using various monetary and non-monetary incentives to inspire and encourage landowners to manage private lands in a manner that supports resource protection goals and a sustainable environment.

In FY 2006, our collaborative efforts helped achieve desired conditions for upland, riparian, wetland, and marine and coastal areas, as specified in our management plans (see Figure 1-15 , Ref #1, 2, 3, 4). We used voluntary partnerships to help us achieve watershed and landscape goals, restoring an estimated 670,620 acres against a target of 651,087 and an estimated 677 stream/shoreline miles against a target of 658 (Ref #22 and 23). Our work with wetland areas addresses President Bush's Wetland Initiative, which set a government-wide goal of increasing wetland acres by 3 million acres by 2009.

Science is the basis for sound land and resource decisionmaking. Our U.S. Geological Survey (USGS) serves as the Department's principal science agency. USGS shares data with partners and others who can use the information to advance their missions. In FY 2006, 96% of those surveyed reported they were satisfied with the science information and products we provided to them (Ref #17).

The War on Invasive Species

Invasive species threaten ecological and economic health worldwide. These invaders are non-native plants, animals, or other organisms, such as microbes, whose introduction hurt the economy or harm environmental, wildlife, or human health. Problems arise when these species are released into the wild, where they often spread, choking out our endemic flora and fauna and competing for resources like water, food, and sunlight. The spread of invasive plants, animals, and pathogens is considered to be one of the most serious ecological problems in the 21st Century, second only to habitat destruction.

In FY 2006, Interior continued to address invasive plant species on Federal lands, controlling an

FIGURE 1-16

Watching Out for Suckers

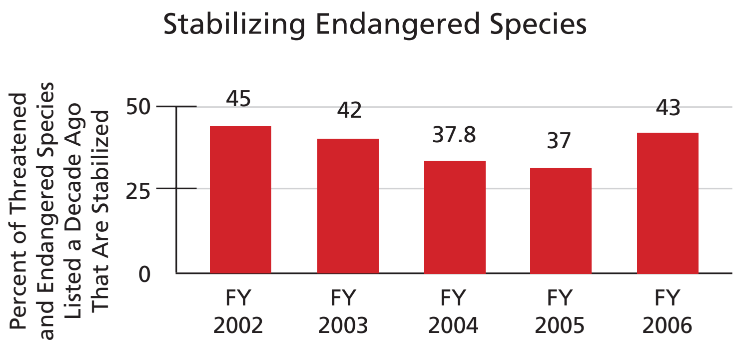
Lost River suckers and shortnose suckers are fish that live most of their life in quiet lakes and migrate up fast-running streams in the spring to spawn. They can live up to 45 and 33 years, respectively. At one time, these fish were so plentiful that canneries were built to package them for human consumption. Over-harvesting, pollution, and habitat loss have taken their toll, reducing both the population size of the fish and their reproductive abilities. Both of these once abundant fish are now on the endangered species list.

As part of an effort to restore these species to healthy levels, USGS has been monitoring spawning populations of endangered Lost River suckers and shortnose suckers in the Upper Klamath River basin of Oregon and California since 1995. The USGS is complementing biological data with hydrologic information because water availability and quality are primary concerns of the DOI, State, and tribal natural resource agencies that manage fishery and aquatic resources, National Wildlife Refuges, and agricultural interests in the upper Klamath Basin.

The USGS ongoing, long-term sucker monitoring program tracks the current status and health of adult populations, including species types, size and growth rates, their reproductive abilities, spawning success, and the rate of population change. USGS has developed a ground water model of the region that helps resource managers optimize the amount, timing, and location of ground water withdrawals used to augment flows and lake levels for fish. USGS hydrologists have used their data to improve seasonal runoff forecasts for Upper Klamath Lake, providing water managers with access to accurate information on water availability well before the beginning of an irrigation season. These scientists are also investigating the internal sources of nutrients that cause severe water-quality problems for fish in order to determine how these nutrients can be controlled, where and what control measures are most effective, and how long it would take for benefits to occur. Researchers are developing a hydrodynamic model of Upper Klamath Lake to assess the environmental factors that most affect fish die-off events, such as lake water level, wind speed and direction, and water temperature.

The Lost River suckers and shortnose suckers may be endangered for now. But USGS experts are providing essential scientific data that natural resource managers need to make informed decisions regarding water resources in the Klamath Basin, to recover these fish populations to healthy levels, and to restore critical habitats.

FIGURE 1-17



estimated 2% (or 660,410 acres) of known infestations (Ref #30), and restoring an estimated 487,670 acres of land and 1,685 (Ref #32, 33) miles of stream- and shoreline to mitigate or eliminate the effects of these invaders. These efforts supported native species by creating habitat conditions that enable them to flourish and met our performance targets for the year.

Improving the Status of Endangered Species and Other Species of Management Concern

A key part of our resource protection mission is recovering endangered species under the Endangered Species Act (ESA). Restoring the populations and viability of endangered and threatened species to the point where they can be delisted is a prime responsibility of the Fish and Wildlife Service (FWS). FWS determines whether to list a species, depending on the five criteria identified within the ESA.

In FY 2006, Interior reported that 43% (Ref #28) of threatened or endangered species listed a decade or more have been stabilized or improved (Figure 1-17). We helped bring an estimated 43% (Ref #27) of species of management concern back to self-sustaining levels, falling short of our target of 47% (or 431 species out of 923) due to targeting errors.

Protecting, Preserving, and Restoring Physical Assets

As guardians of the Nation's cultural heritage, we are responsible for priceless national assets, ranging from commemorative sites like the World War II Memorial in Washington, D.C., to Native American

FIGURE 1-18

Not So Itsy, Bitsy Spider Makes a Comeback

Imagine crawling on your hands and knees in a dark, mud-lined lava tube and coming face-to-face with a couple dozen baby wolf spiders. Is this a dream or a nightmare? For biologists of the U.S. Fish and Wildlife Service, it's a dream come true. For the first time in 10 years, researchers have observed actual hatched spiderlings of the rare Kauai cave wolf spider. The spider, first discovered in 1971, is found only in the lava tubes and cave-bearing rock in Kauai's Koloa Basin. It is thought that the existing population is fewer than 30 individual spiders. Unlike most wolf spiders that produce 100 to 300 spiderlings per clutch, the Kauai cave wolf spider is thought to produce fewer than 30. The encouraging sighting has been attributed to collaborative efforts of researchers and private landowners to protect critical habitat and to educate the public about the species.

archeological and cultural sites such as Tuzigoot in Arizona. In 2005, Interior finalized its Asset Management Plan (AMP), which establishes a strategy to manage and oversee Interior-owned and leased assets, such as buildings, structures, our motor vehicle fleet, and office and warehouse space. Among the ways we measure performance with physical assets is to conduct annual condition assessments of all assets using the Facility Condition Index (FCI). The Facility Condition Index compares replacement costs versus maintenance costs on facilities. With the FCI as a starting point, managers can determine the investment needed to bring the asset to an acceptable condition over time.

The Department plans to repair facilities to "acceptable condition" and reduce deferred maintenance to the established goal of an acceptable facility condition index for each asset type. With the completion of the first round of Comprehensive Condition Assessments in FY 2006, we will review the existing FCIs and the existing conditions of the assets in the inventory, and develop DOI ranges for good, fair, and poor ratings by asset type.

An estimated 33% of the cultural resource collections in DOI inventory were in good condition, short of a target of 36% (Ref #41). An estimated 59% of our cultural properties (Ref #40) were in good condition.

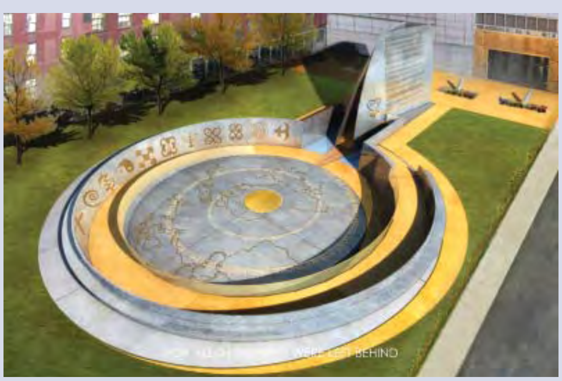
FIGURE 1-19

Preserving Our African American Legacy: Meet the Newest Additions to the National Park System

In February 2006, two new units were added to the National Park System, bringing the total number to 390. Both are significant historical and cultural treasures that contribute to America's African American heritage. The new sites are Carter G. Woodson Home National Historic Site in Washington, D.C., and African Burial Ground National Monument in New York City.

The Carter G. Woodson site is the home of Dr. Carter G. Woodson, who was instrumental in establishing African American history as an academic discipline. Dr. Woodson, who was trained at Harvard and served as a D.C. public school teacher, is probably best known for establishing Negro History Week in 1926, now recognized as African American History Month (or Black History Month).

The African Burial Ground is part of an original, seven-acre site containing the remains of approximately 15,000 people, making it the largest and oldest African cemetery excavated in North America. Archeologists confirm that the site is of unprecedented national and international historical significance.



African Burial Ground National Monument, New York City

FIGURE 1-20

Establishment of World's Largest Marine Conservation Area Complements 100th Anniversary of Antiquities Act

In June 2006, President Bush created the world's largest marine conservation area, the Northwestern Hawaiian Islands Marine National Monument. Located off the coast of the northern Hawaiian Islands, the 140,000 square mile area will permanently protect pristine coral reefs and unique marine species. The new national monument was established under the Antiquities Act, a law established 100 years ago in June 1906 by President Theodore Roosevelt. The Act gives the President of the United States the authority to declare by public proclamation, historic landmarks, historic and prehistoric structures, and other objects of historic or scientific interest that are situated upon the lands owned or controlled by the Government of the United States to be national monuments.

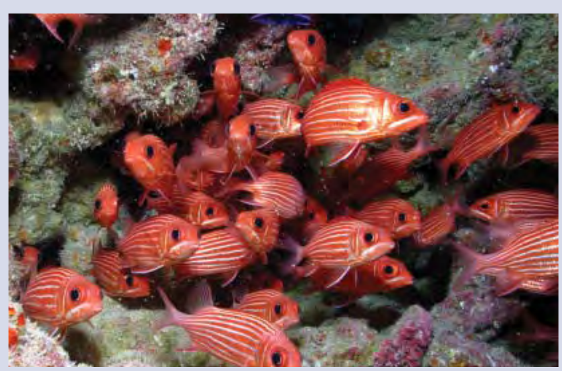


FIGURE 1-21

How Interior Performed at a Glance: FY 2005-2006

Selected Performance Measures from Resource Protection Mission Area

Legend: ☐ = No Report ■ = Target Not Met ■ = Target Met ■ = Target Exceeded

Performance Measure	FY 2005	FY 2006
#1: Wetland areas—Percent of acres achieving desired conditions	91%	84% E
#2: Riparian areas—Percent of stream-miles achieving desired conditions	88%	86% E
#3: Upland areas—Percent of acres achieving desired conditions	57%	73% E
#4: Marine and coastal areas—Percent of acres achieving desired marine and coastal conditions	68%	54% E
#5: Number of land acres reclaimed or mitigated from the effects of degradation from past mining	7584	8168 E
#6: Number of stream-miles for which degradation from past surface coal mining has been improved	28	69
#7: Number of surface acres of water for which degradation from past surface mining has been improved	35	32
#17: Satisfaction with science information and products	100%	96%
#22: Number of acres achieving watershed and landscape goals through voluntary partnerships	1,004,596	670,620 E
#23: Number of stream/shoreline miles achieving watershed and landscape goals through voluntary partnerships	888	677 E
#27: Percent of species of management concern that are managed to self-sustaining levels, in cooperation with affected States and others, as defined in approved management documents	50%	43% E
#28: Percent of threatened or endangered species listed a decade or more that are stabilized or improved	37%	43%
#30: Percent of baseline area infested with invasive plant species that is controlled	2%	2% E
#32: Number of acres restored or enhanced to achieve habitat conditions to support species conservation consistent with management documents, program objectives	383,478	487,670 E
#33: Number of stream/shoreline miles restored or enhanced to achieve habitat conditions to support species conservation consistent with management documents, program objectives	1313	1685 E
#40: Percent of cultural properties on DOI inventory in good condition	57%	59% E
#41: Percent of collections in DOI inventory in good condition	49%	33% E

FIGURE 1-22

Resource Protection—Protect the Nation's natural, cultural, and heritage resources				
Performance and Cost Scorecard				
End Outcome Goal	Number of Goals Met	Number of Unmet Goals	Number of No Reports*	Goal Activity Costs (rounded to thousands)
Goal #1: Improve Health of Watersheds, Landscapes, and Marine Resources that are DOI Managed or Influenced in a Manner Consistent with Obligations Regarding the Allocation and Use of Water	20	6	0	$2,350,629
Goal #2: Sustain Biological Communities on DOI Managed and Influenced Lands and Waters in a Manner Consistent with Obligations Regarding Allocation and Use of Water	11	2	0	$1,257,776
Goal #3: Protect Cultural and Natural Heritage Resources	7	1	1	$338,429
TOTAL	38	9	1	$3,946,834
Percentage Out of a Total of 48 Measures	79%	19%	2%	

* For the purpose of this chart, preliminary data are considered a "no report."

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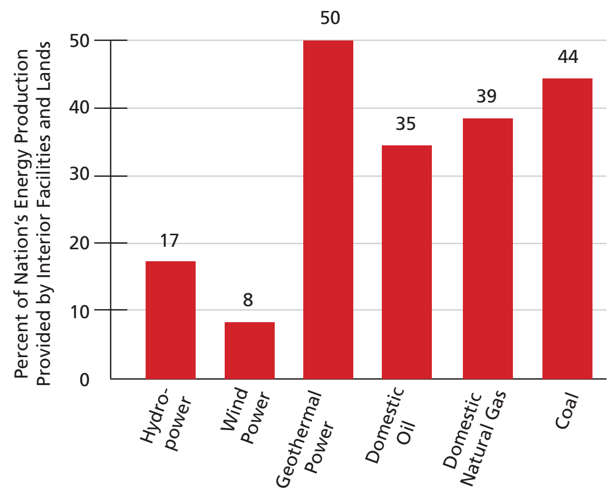
Resource Use: Manage Natural Resources to Promote Responsible Use and Sustain a Dynamic Economy

Recent headlines about high fuel prices have reminded Americans of our dependency on oil and gas to maintain our standard of living. According to the Energy Information Administration (EIA), one barrel of crude oil produces about 42 gallons of oil or 20 gallons of finished gasoline. In 2005, the United States used almost 20.7 million barrels of crude oil per day.

FIGURE 1-23

DOI Contributes to Nation's Energy Production



The Department of the Interior plays a vital role in maintaining the Nation's energy supply (Figure 1-23). Approximately 30% of the Nation's domestic energy is produced on Interior-managed lands and waters. Of this, nearly one third of America's domestic oil and 21% of our domestic natural gas were produced from the Outer Continental Shelf (OCS) prior to Hurricanes Katrina and Rita (August and September 2005). From a near-complete "shut-in" or precautionary discontinuation of OCS petroleum production after 2005 hurricanes, The Minerals Management Service (MMS) oversaw resumption of production to approximately 88% for oil and 91% for gas of pre-Katrina levels as of June 19, 2006.

At the same time, we increased renewable energy production on Federal lands. The Energy Policy Act of 2005 for the first time gave MMS authority over offshore renewable energy and alternative use projects, while providing BLM authority over geothermal resources. We are also exploring alternative energy sources, such as petroleum extracted from oil shale and gas hydrates.

In FY 2006, we met 85% of our performance targets for our Resource Use Mission Area. We did not meet 15% of our targets. This compares with 80% of targets met and 15% of targets where we fell short in FY 2005. (see Figure 1-34 for more detail). We fell short of meeting targets in the area of Resource Use in part due to:

- additional time needed for revised administrative processes to mature before the benefits of reengineering efforts can be seen in terms of decreases in backlogs related to processing applications for permits to drill and lease energy minerals on BLM lands (Ref. #57, 58); and

- In some cases, we exceeded performance targets due to issues related to the manner in which funding is applied to water infrastructure and delivery projects (Ref. #78, 82). Revisions are expected to be made in future years that will address these issues, and enable us to set more refined targets.

FIGURE 1-24

BLM Oil Shale Research and Development Leases

The United States has the largest known concentration of oil shale in the world. Scientists estimate that our oil shale resources, which span a total area of 16,000 square miles underground, hold about the equivalent of 800 billion barrels of recoverable oil. More than 70% of this resource underlies Federal land, primarily in Colorado, Utah, and Wyoming.

BLM recently requested proposals for oil shale research development and demonstration (RD&D) leases for some of this public land. This is part of BLM's ongoing effort to provide the Nation with secure, reliable, affordable energy sources by boosting domestic energy production. Six proposals were selected among 20 nominations for leasing consideration. The next step involves an environmental analysis under the National Environmental Policy Act (NEPA) of each of these proposals before final decisions will be made to award the leases.

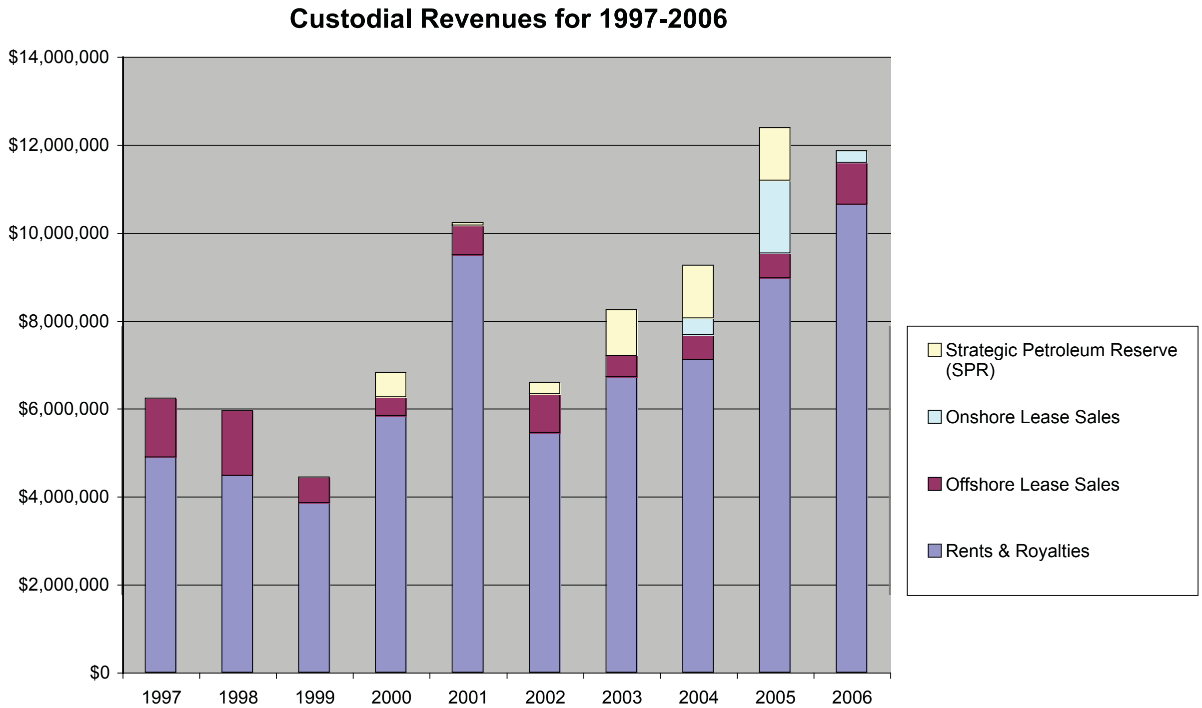
FIGURE 1-25

5-Year Outer Continental Shelf (OCS) Oil and Gas Leasing Program

In August 2005, the Department began its process for developing the OCS Oil and Gas Leasing Program for 2007-2012. The current program was effective in 2002 and runs through June 2007. It includes a total of 20 OCS lease sales in eight OCS planning areas in the Gulf of Mexico and offshore Alaska. About 40 million acres of Federal OCS are currently under lease for potential oil and natural gas exploration and development.

The 5-Year Outer Continental Shelf (OCS) Oil and Gas Leasing Program is governed by the OCS Lands Act. The Act requires MMS to specify the size, timing, and location of areas to be assessed for Federal offshore natural gas and oil leasing. The MMS is in the midst of developing a new 5-Year Program for 2007-2012. The proposed program, the third step in a multi-step planning process, was announced on August 24, 2006. It was accompanied by a draft Environmental Impact Statement. Once public comments are evaluated, a Proposed Final Program and Final EIS will be issued in 2007. The current program ends and the new program begins on July 11, 2007. Copies of the proposed program, the draft EIS, and instructions for commenting are available at: http://www.mms.gov/5-year/.

FIGURE 1-26



Note: Historical SPR revenues represent value of oil taken in-kind for delivery to SPR rather than actual dollars. Beginning in FY 2005 the Statement of Custodial Activity was revised to present an additional revenue category for onshore lease sale activity; FY 2004 was also revised to include this category. This chart reflects those revisions.

FIGURE 1-27

More Than Just Hot Air: Unique Helium Reserve Partnership Benefits Nation

In March 2006, the MMS successfully completed its fourth natural gas sale from the BLM's Cliffside Helium Enrichment Unit (CHEU) located near Amarillo, Texas.

Sometime after World War I, scientists discovered that helium is lost to the atmosphere if not separated from natural gas and somehow captured and stored. The United States prevented significant helium loss with passage of the 1960 Helium Amendment Act, which allowed helium to be stored at the Cliffside gas field. Today, the Cliffside gas field continues to hold much of the gas extracted during the last 45 years. Recently, the BLM oversaw development of the CHEU, an engineering marvel, which provides a means for separating helium from natural gas. Besides providing up to 6,500 thousand cubic feet (Mcf) per day of crude helium, the CHEU produces a residue stream of pipeline quality natural gas. Because MMS already had a well-developed natural gas sales program in place, BLM entered into an interagency agreement with MMS to sell this natural gas. Proceeds are returned to BLM, which uses revenue from both helium and gas sales to fund its Cliffside helium operations. Remaining revenues not used to fund operations are returned to the U.S. Treasury for the benefit of all Americans. The approximately 9,000 MMBtu per day of gas now entering the consumer market is enough to supply the gas needs of approximately 36,000 average homes in Colorado.

Providing America with Access to Energy and Minerals—Onshore and Offshore

We met our goal of supporting the President's National Energy Policy by holding two offshore oil and gas lease sales (Ref #50), offering access to some 42.17 million acres and attracting more than $929 million in high bids for the Federal Treasury. This is consistent with the Secretary of the Interior's 5-Year Program.

USGS, our science bureau, contributed to the success of the energy policy by conducting resource assessments on six targeted onshore basins with oil and gas resources, meeting our target (Ref #61).

Onshore and offshore mineral- and energy leases managed by Interior's MMS and BLM generate revenues that are collected and disbursed to the general fund and the States, as well as to the Office of the Special Trustee for American Indians for disbursement to Tribes and individual Indian mineral owners. MMS mineral revenues over the last 10 years are shown in Figure 1-26.

In its FY 2006 Financial Statements, MMS reported mineral revenues of about $11.9 billion. It disbursed these in a timely manner, meeting performance goals (Ref. #56). About 60% of all MMS mineral revenues were from offshore leases and 40% from onshore leases. MMS collected an additional $4.2 billion in revenues from BLM-managed energy on-shore leases.

The BLM manages over 300,000 leases and mining claims on public lands that have been designated as appropriate for mineral and energy development. In FY 2002, 2.1 trillion cubic feet (tcf) of natural gas were produced from Federal non-Indian lands. In FY 2003 and FY 2004, 2.2 tcf and 3.1 tcf, respectively, were produced from these lands.

BLM is experiencing a steady increase in the demand for natural gas drilling permits. In 2000, BLM received 3,977 applications for permits to drill (APDs). In 2005, this number swelled to 8,351 APDs. To address this need, BLM has taken numerous administrative steps to ensure that APDs are processed promptly, while at the same time ensuring that environmental protections are fully addressed during the review process. Together with increased funding, these administrative steps will help BLM make significant progress

FIGURE 1-28

GRAPH: Trends in Decreasing APD Backlog

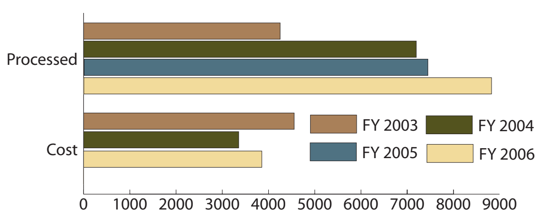
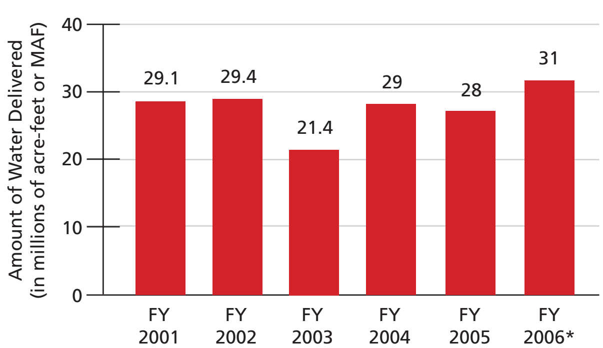


FIGURE 1-29

Delivering Water To Meet the Needs of the West



*Estimated data.

FIGURE 1-30

Flagstaff Rinses Smart

In February 2006, Interior's Bureau of Reclamation presented the City of Flagstaff, Arizona, with the 2005 Lower Colorado Region Water Conservation Field Services Program Award. The award recognizes Federal water users and partners for their innovative and effective water conservation programs. Flagstaff's water conservation program has been active since 2003 and includes water reuse, rebates for low water use products, an inverted rate structure, and a strict water conservation ordinance. Flagstaff also recently volunteered as one of the pilot areas for the new Arizona Rinse Smart Program. Within the program, older model pre-rinse spray heads used at food service establishments will be replaced with new units, each of which will save up to 50,000 gallons of water per year—a priceless savings for the thirsty West.

Potential Pre-Rinse Spray Valve Savings

	Water Savings		
	CCF	Gallons	Acre-Feet
Annually	66.4	50,000	0.153
5-year Life of PRSV	332	250,000	0.765

FIGURE 1-31

Did You Know….

The Bureau of Reclamation is the Nation's largest wholesaler of water, and the second largest producer of hydroelectric power in the western United States. Created in 1902, and best known for its dams and canals, Reclamation's water projects contributed to successful homesteading and subsequent economic development of the West.

in processing APDs. In FY 2006, out of everything received, BLM reported 2,310 (Ref #57) pending applications (against a target of 1,226) in backlog status for fluid energy minerals such as oil and gas, and 33 (Ref #58) (against a target of 33) for solid energy minerals such as coal. The number of APDs in backlog over 60 days was 1,675. Although BLM was short of its performance targets, it did improve from FY 2005, when it reported 2,461 pending cases for fluid energy minerals and 35 for solid energy minerals. Changes in administrative processes will likely need some time to mature before benefits of these changes are manifested in terms of quantitative performance.

Providing Water and Hydropower

Interior is a major provider of water to the Nation's western States. The Department's Bureau of Reclamation manages 472 dams and 348 reservoirs that serve the water needs of over 31 million people and irrigate 10 million acres of farmland, contributing to the production of 25% of the Nation's fruits and nuts and 60% of our vegetables. This water is also used to

FIGURE 1-32

How Interior Performed at a Glance: FY 2005-2006		
Selected Performance Measures from Resource Use Mission Area		
Performance Measure	FY 2005	FY 2006
Legend: □ = No Report ■ = Target Not Met ■ = Target Met ■ = Target Exceeded		
#50: Implement National Energy Policy by holding 17 offshore sales consistent with the Secretary's 5-Year Program (MMS)	4	2
#56: Percent of revenues disbursed on a timely basis per statute (MMS)	98%	95%
#57: Number of pending cases of permits and lease applications that are in backlog status for fluid energy minerals (APDs) (BLM)	2461	2310
#58: Number of pending cases of permits and lease applications that are in backlog status for solid energy minerals (Leased Backlog Applications or LBAs) (BLM)	35	33
#61: Number of targeted basins with oil and gas resource assessments available to support management decisions (USGS)	7	6
#78: Water infrastructure area in fair to good condition as measured by the Facilities Reliability Rating (FRR) (Reclamation)	96%	98%
#83: Reclamation base operation and Maintenance (O&M) costs for power, expressed as $/MW, will not increase annually beyond the 5-year rolling average percent increase in cost, +/-5% (Reclamation)	New for 2006	7.15% E
#84: Percent of time in forced outage equal to or better (lower) than the industry average (Reclamation)	.40%	1.2%
#86: Hydropower facilities are in fair to good condition as measured by the FRR (Reclamation)	98%	100%
#87: Percent of time that Bureau of Reclamation hydroelectric generating units are available to the interconnected Western Electrical System during daily peak summer demand periods (Reclamation)	93%	93%

generate enough hydroelectric power to make BOR the second largest producer in the western United States.

Ongoing drought and burgeoning western populations have made the Bureau of Reclamation's job of delivering water throughout the western States more challenging in recent years. Despite these challenges, Reclamation is finding ways to improve water delivery systems through better water management strategies and operations. For instance, through its Water 2025 Challenge Grants, Reclamation is funding a variety of projects to make more efficient use of existing water supplies through water conservation and marketing. The projects focus on effective, low-cost options for increasing water.

Projects funded in FY 2006 include effective, low-cost options for increasing water supplies such as on-the-

FIGURE 1-33

Folsom Dam Turns 50

In May 2006, fans of Folsom Dam celebrated a milestone anniversary as the dam logged a half-century of service to Sacramento County, California. Completed in 1959 for flood control, Folsom Dam also provides water for agriculture, fisheries, homes, hydropower generation, habitat protection, and recreation. It has a storage capacity of more than 1 million acre-feet.

FIGURE 1-34

Resource Use—Manage natural resources to promote responsible use and sustain a dynamic economy

Performance and Cost Scorecard

End Outcome Goal	Number of Goals Met	Number of Unmet Goals	Number of No Reports*	Goal Activity Costs (rounded to thousands)
Goal #1: Energy—Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use, and Ensure Optimal Value	13	1	0	$2,518,666
Goal #2 Non-Energy Minerals—Manage or Influence Resource Use	4	1	0	$172,823
Goal #3: Forage—Manage or Influence Resource Use	2	0	0	$76,834
Goal #4: Forest Products	1	3	0	$75,826
Goal #5: Water—Deliver Water Consistent with Applicable Federal and State Law, in an Environmentally Responsible and Cost-Efficient Manner	8	1	0	$898,153
Goal #6: Hydropower—Generate Hydropower Consistent with Applicable Federal and State Law	5	0	0	$200,337
TOTAL	33	6	0	3,942,639
Percentage of Total Number of Measures Out of 39	85%	15%	0%	

* For the purpose of this chart, preliminary data are considered a "no report."

ground improvements to existing irrigation facilities and installation of water management tools such as computerized water measurement and canal control devices; increasing water marketing opportunities; and making water purification more affordable. Increasing the efficiency of existing water delivery systems across the West is one strategy that will help reduce crises and conflicts and help make more water supplies available for farms, cities, people, and the environment.

In addition to its core mission to deliver water, the Bureau of Reclamation is among the lowest-cost hydropower producers. On the average, Reclamation generates about 44 billion kilowatt-hours of hydroelectricity, enough to meet the annual needs of 9 million people.

In FY 2006, Reclamation's power operation and management (O&M) costs did not increase annually beyond the 5-year rolling average increase in cost plus 5% (Ref #83). Reclamation estimates that it met the target of 7.15% for the year.

The Bureau of Reclamation operates and maintains reliable, safe, and secure power facilities. In FY 2006, 98% of Reclamation's water infrastructure was in fair to good condition as measured by the Facilities Reliability Rating (FRR), exceeding its target (Ref #78). One hundred percent of its hydropower facilities were in fair to good condition against a target of 95% (Ref #86).

Reclamation has an outstanding record of reliable power delivery, with a forced outage factor equal to or better than the industry average of 2.5% (Ref #84). In FY 2006, Reclamation's forced outage rate was lower than the industry average at 1.2%, in part because of its focus on preventive maintenance. Forced outage refers to the number of hours that hydropower facilities are out of service per 8,760 total operating hours in the year, weighted for plant size and capacity. Reclamation's hydroelectric generating units are available to the interconnected Western Electrical System during daily peak summer demand periods 93% of the time (Ref #87).

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Recreation: Provide Recreation Opportunities for America

The merchant John Wanamaker once said, "People who cannot find time for recreation are often obliged sooner or later to find time for illness." Complementary to Mr. Wanamaker's observation, Webster defines recreation as a means "to refresh strength and spirits after toil." Every year, close to 500 million people from all over the world renew their spirits on lands and waters managed by the Department of the Interior. Interior maintains and manages thousands of recreation areas, including 390 units within the National Park Service, 547 National Wildlife Refuges, 308 Bureau of Reclamation recreation areas, and close to 3,500 public land recreation sites administered by the BLM. These areas offer countless ways to renew the spirit and energize the body as well as mind. Boating, hiking, mountain climbing, hunting, fishing, swimming, wildlife viewing, bicycling, and horseback riding—the opportunities are endless and diverse—and many are available within only an hour's drive.

FIGURE 1-35

Not Just for the Birds: Factoring Customer Input into Wildlife Management Decisionmaking

Results of the first ever National Duck Hunter Survey suggest that the majority of the hunting public agrees with recent waterfowl season lengths and bag limits set by the U.S. Fish and Wildlife Service. The independent survey was commissioned by the National Flyway Council and the Wildlife Management Institute. Responses were received from more than 10,000 duck hunters representing 49 States.

Waterfowl hunting is regulated by the FWS in cooperation with State fish and wildlife agencies. These agencies work through structures called flyway councils, which geographically represent the general north-south migration patterns of waterfowl. Together, these agencies, along with non-profit organizations and conservation organizations, will review and discuss the survey findings to inform future decisions regarding waterfowl hunting and management.

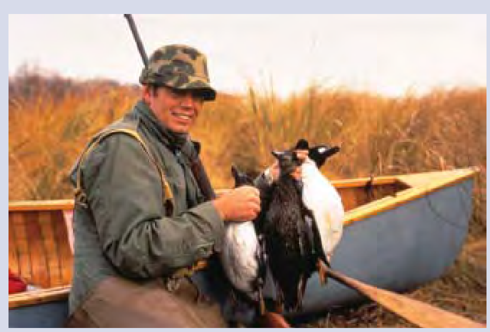


FIGURE 1-36

Take a Virtual Vacation: Check Out a National Park Webcam

Did you know that you can visit several units of the National Park System without even leaving your arm chair? Check out Interior's park webcams at http://www.doi.gov/webcam.html . You can take a "virtual" trip to Glacier National Park in Montana for real-time vistas from six different park locations. Zoom over to the Grand Canyon in Arizona for an entirely different experience—the expanse of a water-carved canyon with its large buttes, rocky spires, and towering cliffs. Visit Point Reyes National Seashore and the scenic panorama of rugged ocean coastline, thundering waves, and foggy horizons. Go east to North Carolina and Tennessee to the Great Smoky Mountains National Park for a relaxing glimpse of ancient mountains, endless forests, and the simple pleasures of nature. Each of the webcam sites provides links to the National Park Service website for additional information, current weather, including air quality measurements, and park maps showing the camera field of view. It's a cyber vacation that makes you want to be there in person!


Olympic National Park

Glacier National Park

In FY 2006, we met 100% of our performance targets for our Recreation Mission Area (Figure 1-41). This compares with 87% of targets met, and 13% of targets for which we had preliminary data or no reports in FY 2005. There were no unmet targets in FY 2005. Of the measures against which we reported performance in FY 2006, four exceeded performance targets by 5% or more. In one case, this is attributable to our increased emphasis on educating the public regarding Interior on-line recreation systems (Ref. #92), resulting in a milestone number of on-line recreation transactions supported by Interior in 2006. In another case, Interior was able to exceed the percent of universally accessible facilities we targeted for 2006, in relation to our total number of recreation areas (Ref. #91), by making this a priority goal.

Measuring the Quality of Visitor Services

One of Interior's goals is to improve visitor services at national parks, refuges, and other public lands in response to growing visitation and use. Interior's NPS has conducted over 150 in-depth visitor studies in more than 130 units of the National Park System through its Visitor Services Project (VSP). The studies provide park managers with accurate information about visitors—who they are, what they do, and their needs and opinions (Figures 1-37 and 1-38). Park managers use this information to improve visitor services, protect resources, and manage parks more efficiently. The VSP produces an annual report, Serving the Visitor, which describes how well the NPS is serving its customers. Copies of that report and survey instruments are available at http://www.psu.uidaho.edu/vsp.htm. In FY 2006, an estimated 93% of visitors responding to surveys indicated they were satisfied with the quality of their experience (Ref. #88).

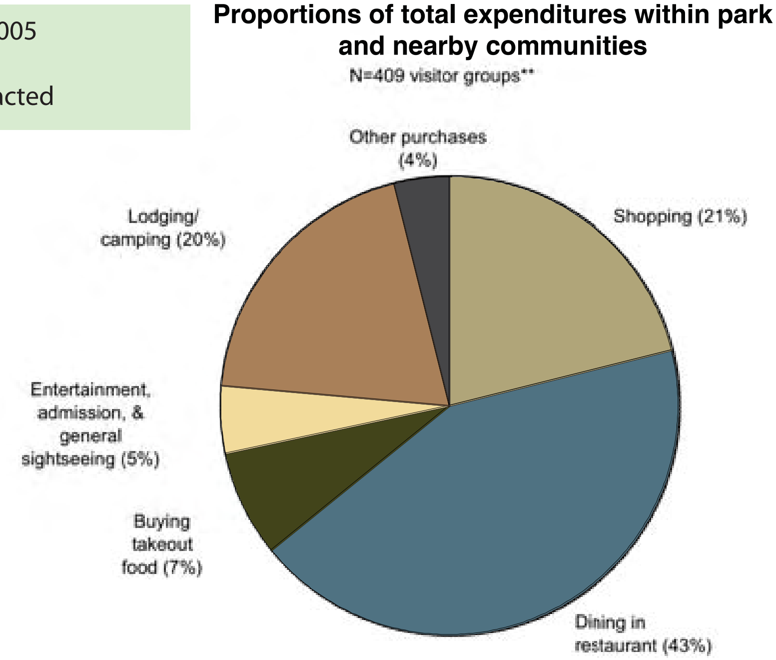
Providing and Receiving Fair Value in Recreation

Late in 2005, Interior transitioned its recreation fee operations from the Recreational Fee Demonstration Program to the Federal Lands Recreation Enhancement Act (REA), enacted in December 2004. The Fee Demo Program enabled agencies to charge user fees for recreation sites and to retain revenues collected to improve those sites. The Act extends the recreation fee authority for 10 years and makes a

FIGURE 1-37/38

Cuyahoga Valley National Park visitor study results

Study dates: July 23-31, 2005
79% response rate from
1,294 visitor groups contacted



Harpers Ferry National Historic Park visitor study results

Study dates: July 23-31, 2005
61% response rate from
645 visitor groups contacted

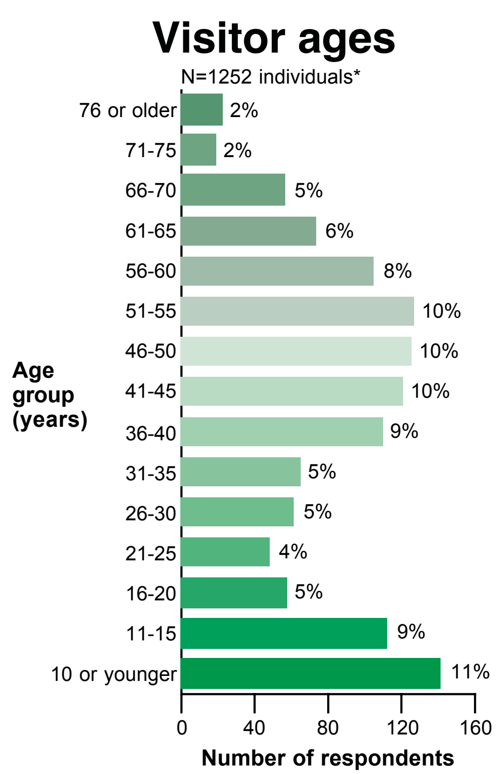


FIGURE 1-39

Jewel Cave Just Got Longer

Far below the Black Hills of South Dakota and Wyoming lies a gem of nature aptly named Jewel Cave. A unit of the National Park System, Jewel Cave National Monument features the world's second longest cave—and it just got longer. Modern day explorers of this dark, mineralized world recently pushed its known length to just more than 135 miles after 4-day expedition. Their journey of discovery took these cavers "where no man (or woman) has gone before, " and into an awesome world of flower-like mineral deposits, crystal-crusted walls, and even a mummified bat, hanging still and alone from a roof filled with fossils from the even more distant past.

As a recreational activity, caving is not for everyone. Cavers often must crawl hundreds of feet on their bellies, carrying critical equipment like head lamps, food, and special equipment. And they pack out any waste. But for many, the thrill of discovery more than makes up for discomfort associated with this hobby.

The exploration of Jewel Cave will continue as scientists and National Park Service managers work to understand the lost world tucked away beneath the splendors of Mount Rushmore, Black Hills National Forest, and Custer State Park.

number of adjustments to the program. For example, the Act establishes additional parameters to ensure that fees are charged only in appropriate locations and assures revenues are appropriately spent on infrastructure and services that directly benefit the public. It also authorizes the creation of a new pass, which will cover entrance and standard amenity fees for the five Departments of the Interior and Agriculture bureaus authorized under the Act. The pass, once established, will replace the existing Golden Eagle, Golden Age, Golden Access, and National Park Pass. The new pass should be available to the public by January 1, 2007.

In FY 2006, 20% of recreation fee program receipts were spent on fee collection (Ref #102), meeting our target for the year. The remainder was reinvested to improve visitor services and facilities. Visitors surveyed reported an estimated 87% satisfaction level with value for the fee they paid, just shy of our target of 88% (Ref #99).

FIGURE 1-40

Which Park Is It?

This was America's first National Park. It was established in 1872 by President Ulysses S. Grant. It sits in the middle of a large caldera, the remains of a huge volcano that exploded more than 640,000 years ago. Which park is it?

Answer: Yellowstone

FIGURE 1-41

Recreation—Provide recreation opportunities for America				
Performance and Cost Scorecard				
End Outcome Goal	Number of Goals Met	Number of Unmet Goals	Number of No Reports*	Goal Activity Costs (rounded to thousands)
Goal #1: Provide for a Quality Recreation Experience, Including Access and Enjoyment of Natural and Cultural Resources on DOI Managed and Partnered Lands and Waters	11	0	0	$1,641,905
Goal #2: Provide for and Receive Fair Value in Recreation	4	0	0	$138,789
TOTAL	15	0	0	$1,780,694
Percentage of Measures Out of a Total of 15	100%	0	0	

* For the purpose of this chart, preliminary data are considered a "no report."

FIGURE 1-42

How Interior Performed at a Glance: FY 2005-2006		
Selected Performance Measures from Recreation Mission Area		
Performance Measure	FY 2005	FY 2006
Legend: ☐ = No Report ■ = Target Not Met ■ = Target Met ■ = Target Exceeded		
#88: Satisfaction with quality of experience	94%	93% E
#99: Customer satisfaction with value for fee paid	89%	87% E
#102: Percent of recreation fee program receipts spent on fee collection	17%	20% E

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Serving Communities: Safeguard Lives, Property and Assets; Advance Scientific Knowledge; and Improve the Quality of Life for Communities We Serve

Interior is responsible for protecting lives, resources, and property; for providing scientific information for better decisionmaking; and for fulfilling the Nation's trust and other special responsibilities to American Indians, Alaska Natives, and residents of our affiliated island communities. We protect communities from catastrophic wildland fires; safeguard public land visitors from illegal activities; and provide scientific information to reduce risks from earthquakes, landslides, tsunamis, and volcanic eruptions. The Department's USGS also provides scientific assessments on the quality and quantity of the Nation's water resources and conducts multi-purpose natural science research.

FIGURE 1-43

A Whole Lotta Shaking: Virtual Tour Marks Centennial of Great San Francisco Earthquake

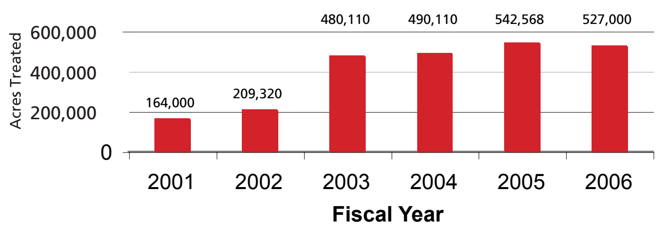
April 18, 1906, lives on in history as the date of America's most damaging earthquake. One hundred years ago this year, San Francisco and surrounding cities in Northern California were violently rocked by a magnitude 7.8 earthquake. The Great San Francisco earthquake woke up scientists to significance of the San Andreas fault and gave birth to the science of earthquake prediction and measurement.

To mark this earth-shaking event and to add to the body of scientific knowledge and awareness, the USGS launched an on-line "virtual tour" that can help all of us better understand and visualize the causes and effects of earthquakes. The interactive tour uses the three-dimensional geographic mapping tool Google Earth –beginning with a view from space and then zooming in on the 300-mile rupture of the 1906 earthquake along the San Andreas fault. The historic and scientific significance of the 1906 earthquake is told by overlays of ground-shaking intensity and damage maps, historic photos, and first-hand accounts. Users can also explore the present day earthquake hazard in the San Francisco Bay Area with maps and other on-line resources.

To see the virtual tour, visit *http://earthquake.usgs.gov/regional/nca/virtualtour/* .

FIGURE 1-44

Interior Triples Amount of Wildland-Urban Interface Acres Treated Since FY 2001



In FY 2006, we met 48% of our performance targets for our Serving Communities Mission Area (Figure 1-50). We did not meet 13% of our targets. This compares with 69% of our targets met and 18% of our targets not met in FY 2005. Thirty-nine percent of our measures remain unreported in FY 2006. Due to the discontinued use of select performance measures by the Bureau of Indian Affairs, Serving Communities experienced an increase in No Reports for 2006, 13% to 39%. This resulted in a decrease within Serving Communities of goals met or exceeded from 69% in 2005 to 48% in 2006.

Safeguarding Communities from Hazards

At Interior, we take seriously our responsibility to protect our employees and visitors to our lands and the communities we serve. In FY 2006, we limited the number of serious injuries on lands and waters that we influence or manage to an estimated 7,242 injuries (Ref #115). Our efforts have reduced safety risks to 393,728 people exposed to abandoned mine land hazard. This far exceeds our target of 160,000 people (Ref #111) in part due to the sites' proximity to communities, recreational areas, schools, and a portion of a national park. Our science agency, the USGS, reports that in FY 2006, an estimated 48% of communities used DOI science on hazard mitigation, preparedness, and avoidance for each of our hazard management activities (Ref #110). One hundred percent of sampled users reported that the science data they received was adequate to help inform their decision-making for managing hazards (Ref #124).

Interior's law enforcement officers, firefighters, and scientists contribute to the safety and well-being of the communities we serve. Over the past 6 years, Interior has actively participated in and supported the National Fire Plan. The plan, combined with tools under the President's Healthy Forests Initiative and Healthy Forests Restoration Act, has provided strategies and tactics to battle or prevent wildland fires. In FY 2006, thanks to the hard work of our wildland fire program managers and firefighters, Interior limited the number of acres burned by unplanned and unwanted wildland fires to an estimated 3,074,232 acres against a target of 5,135,013, controlling 98% of unplanned and unwanted wildland fires during initial attack (Ref #116 and 117). We plan our performance targets regarding the number of acres burned based on a highly variable 10-year average. Actual acres burned can vary significantly based on where fires actually occur and how quickly they are contained. We treated 49% or an

FIGURE 1-45

Preventing Wildland Fires While Benefiting Local Community Economies and Providing An Alternative Energy Source

The Healthy Forests Restoration Act gives Federal agencies statutory authorization to increase their use of biomass. Biomass is the term used to describe the by-products of restoration and wildland fire treatments of forested areas—the limbs, tops, leaves, needles, and other parts of trees and woody plants removed to help reduce hazardous wildland fire fuels and create healthier forests. Biomass is used to produce paper and pulp, furniture, and bio-energy and bio-based products such as ethanol and diesel fuel. Agencies, such as Interior's BLM, are offering thousands of tons of biomass through stewardship contracts that benefit local communities.
An example of a successful Stewardship project is the 10-year Gerber projects in south central Oregon. When completed, it will have treated 10,000 acres to improve forest and woodland health, improve rangeland health, reduce hazardous fuels, improve wildlife and fisheries habitat, and enhance riparian areas. In its third year, with 1,500 acres under contract, the project has sold 750 million board feet of timber and 15,000 tons of biomass for energy development.

FIGURE 1-46

Keeping the Public Informed About Avian Flu

Next to homeland security, few issues have appeared to dominate the news headlines recently as much as Bird Flu. The Departments of Interior, Agriculture, and Health and Human Services continue to work together to monitor the spread of the highly pathogenic H5N1 (a subtype of the influenza A virus capable of causing illness in many animal species, including humans) since it first appeared in Hong Kong in 1997. These agencies have conducted thousands of tests on migratory birds in the Alaska, Pacific, and Atlantic flyways since 1998, and no highly pathogenic avian influenza isolates have been identified. Efforts continue because as we intensify monitoring of migratory bird populations, we increase the likelihood of early detection—a key to controlling the spread of the virus, particularly in domestic poultry.

Within Interior, both the USGS and FWS are actively monitoring bird mortalities to detect the virus and provide an early warning to agricultural, public health, and wildlife communities. USGS recently released a new book titled, "Disease Emergence and Resurgence: The Wildlife-Human Connection." The 400-page publication focuses on concepts associated with disease emergence in wildlife, the general importance of wildlife as sentinels for disease emergence, and critical issues engaging wildlife as sources for zoonotic disease (diseases that are transmittable between humans and animals). The report and the latest information about avian flu research and monitoring can be found online at www.nwhc.usgs.gov .

estimated 527,000 acres in the wildland-urban interface that had been identified as high priority through collaboration with other agencies and communities (Ref #118, #119), consistent with the 10-Year Implementation Plan. An estimated 3,985 acres were treated per million dollars gross investment against a target of 3,553 acres (Ref #120).

Interior's law enforcement officers protect against illegal activities on our lands. In addition to providing for the safety and security of residents and employees, volunteers, and Indian Country citizens and visitors, our law enforcement programs protect natural and cultural resources and facilities in every State. Interior is in its fourth year of reforming its law enforcement operations and activities, responding to 25 specific areas of improvement identified by a 2002 Inspector General report and mandated for reform by the Secretary of the Interior. We continue to make strategic investments in our law enforcement and security programs, improve oversight of related budgets, and ensure accountability through effective performance goals and measures.

Using Science for Decision-Making

Science informs land management and conservation decisions made by the Department of the Interior. It helps us protect employees and visitors to our lands and helps safeguard the lives of those in the communities that we serve. The USGS is Interior's principal science agency. Founded in 1879, the USGS serves the Nation by providing reliable scientific information to describe and understand the earth; minimize loss of life and property from natural disasters; manage water, biological, energy, and mineral resources; and enhance and protect our quality of life.

In FY 2006, USGS continued its long history of serving communities with accurate and reliable scientific data. It provided temporal and spatial monitoring, research, and assessment/data coverage to meet land use planning and monitoring requirements for 80% of the Nation's surface area (Ref #131).

In FY 2006, 96% of partners surveyed, against a target of 90%, reported that the data provided by USGS helped them to achieve their goals (Ref #130). Eighty-seven percent of those using USGS data reported improved access to needed scientific information during the year (Ref #129).

Fulfilling Our Trust Responsibilities

While we continue to address challenges related to our trust beneficiary assets, Interior has made progress toward improving trust operations and management. Some noteworthy accomplishments include:

- 100% of financial information was accurately processed in Trust beneficiary accounts against a target of 98% (Ref #134);
- 100% of financial account information was provided to Trust beneficiaries in a timely manner against a target of 100% (Ref #135); and

FIGURE 1-47

Helping Alaska Native Communities Meet Their Energy Needs

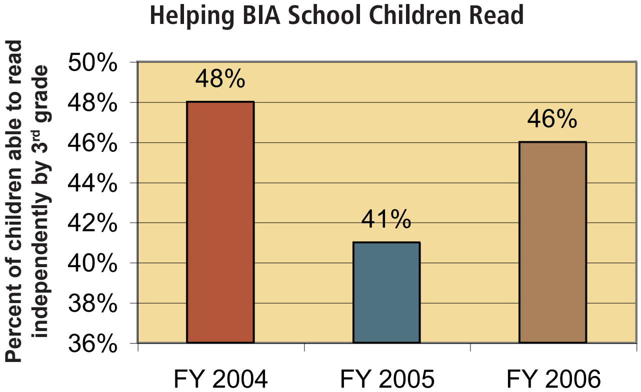
In 2006, the Department of the Interior awarded a grant to the Aleutian Pribilof Islands Association, Inc. (APIA) to develop a wind energy system to supplement diesel-driven electrical generators. APIA is a non-profit tribal organization in Anchorage, Alaska, that is working with Alaska Native communities of the State's Aleutian Island chain to assist in their sustainable economic development. The grant enables APIA to continue its Alternative Energy Development Program, which was started with a grant from Interior in 2005.

Residents of the villages of False Pass, King Cove, Nikolski, and Sand Point and the Pribilof Island Communities make their living largely from fishing. Because of their insular and remote locations, they must import diesel fuel for their energy-producing generators. The rising cost of diesel fuel has significantly increased the villages' costs for producing electricity. Supplementing the diesel-driven generators with wind power may provide the villages with more affordable energy sources.

Interior's 2006 grant to APIA will help pay for many of the technical steps needed before wind turbines can be installed in targeted communities. This includes collecting of wind resource data. Using the U.S. Department of Energy's rating scale for commercial wind energy, which ranges from Class 1 to Class 7—with 7 being the highest—wind speeds within APIA's monitoring area have been measured within the Class 7 category of 8.8 meters per second or higher, making wind power appear quite viable.

FIGURE 1-48

Helping BIA School Children Read



- An estimated 33% of missing owner information (accounts) was recovered, exceeding a target of 20% (Ref #154)

Advance Quality Communities for Native American Tribes and Alaska Natives

Interior also promotes Tribal community economic development opportunities, contributing to improvements in the quality of life of 1.5 million Native Americans and Alaska Natives across the Nation who live on or near federally recognized reservations. Efforts range from supporting education programs to promoting self-governance and self-determination.

Dramatic economic developmental advances have come to Indian Country over the past 4 years in areas such as energy, minerals, forestry, water, agriculture, range and grazing, and wildlife and recreation. Achieving thriving Tribal economies will create a dynamic synergy of jobs, financial resources, and personal fulfillment. More than ever before, tribes and Tribal members have the opportunity to engage in America's free enterprise system. Stronger Tribal economies will strengthen Tribal government, and contribute to a stronger America.

During the last 5 years, Interior has heightened its commitment to the education of American Indian children and adults. Through these efforts, 46% of BIA school children were able to read independently by the 3rd grade in FY 2006, an increase of 5% over FY 2005 performance (Ref #174). Priority attention is being given to repairing and replacing BIA elementary and secondary schools. Between 2001 and 2006, BIA made progress toward replacing 38 schools on the Education Facilities Construction Priority Ranking List. Interior is continuing to ensure that facilities are in fair to good condition as measured by the FCI.

In FY 2006, Interior also progressed toward its goals of increasing economic self-sufficiency and improving financial management practices of insular areas. Our Office of Insular Affairs reported that in FY 2006, it reduced the number of months insular general fund financial statements were late from 19 months in 2005 to 12 months (Ref #184).

FIGURE 1-49

How Interior Performed at a Glance: FY 2005-2006		
Selected Performance Measures from Serving Communities Mission Area		
Performance Measure	FY 2005	FY 2006
Legend: ☐ = No Report ■ = Target Not Met ■ = Target Met ■ = Target Exceeded		
#110: Percent of communities using DOI science on hazard mitigation, preparedness and avoidance for each hazard management activity	45%	48%
#111: Number of people with reduced exposure potential to safety risks from abandoned mine lands	2,244,458	393,728
#115: Reduced number of serious injuries on DOI managed or influence lands and waters	5175	7242 E
#116: Percent of unplanned and unwanted wildland fires controlled during initial attack	97%	98% E
#117: Number of acres burned by unplanned and unwanted wildland fires	8,681,252	3,074,232 E
#118: Number of acres treated that are in the wildland-urban interface and are identified as high priority through collaboration consistent with the 10-Year Implementation Plan – in total	542,568	527,000 E
#119: Number of acres treated that are in the wildland-urban interface and are identified as high priority through collaboration consistent with the 10-Year Implementation Plan as X percent of all acres treated	43%	49% E
#120: Number of acres treated in the wildland-urban interface per million dollars gross investment	4092	3985 E
#124: Percent of sampled stakeholders reporting adequacy of science base to inform decision-making for each hazard management activity	99%	100%
#129: Improve stakeholder access to needed science information	92%	87%
#130: Stakeholders reporting that information helped achieve goal	95%	96%
#131: Percent of surface area with temporal and spatial monitoring, research, and assessment/data coverage to meet land use planning and monitoring requirements	59%	80%
#134: Percent of financial information accurately processed in Trust beneficiary accounts	100%	100%
#135: Percent timeliness of financial account information provided to Trust beneficiaries	99%	100%
#153: Average number of months that active probate cases are before the Office of Hearings and Appeals	6 months	5.7 months
#154: Percent of missing owner information (accounts) recovered	36 %	33%
#157: Number of land acquisitions to increase land use capabilities and reduce fractionation of land interests	72,547	77,577
#170: Facilities are in fair to good condition as measured by the Facilities Condition Index (FCI)	.107	.199
#174: Percent of children able to read independently by the 3rd grade	41%	46%
#184: Total average months late for all insular general fund financial statements	19	12

FIGURE 1-50

Serving Communities—Safeguard lives, property and assets, advance scientific knowledge; and improve the quality of life for communities we serve				
Performance and Cost Scorecard				
End Outcome Goal	Number of Goals Met	Number of Goals Not Met	Number of No Reports*	Goal Activity Costs (rounded to thousands)
Goal #1: Protect Lives, Resources, and Property	15	6	4	$2,385,628
Goal #2: Advance Knowledge Through Scientific Leadership and Inform Decisions Through the Applications of Science	6	0	0	$952,968
Goal #3: Fulfill Indian Fiduciary Trust Responsibilities	12	2	17	$647,476
Goal #4: Advance Quality Communities for Tribes and Alaska Natives	5	3	10	$2,140,811
Goal #5: Increase Economic Self-Sufficiency of Insular Areas	2	0	1	$391,678
TOTAL	40	11	32	$6,518,561
Percentage of Total Out of 83 Measures	48%	13%	39%	

* For the purpose of this chart, preliminary data are considered a "no report."

Management Excellence: Manage the Department to be Highly Skilled, Accountable, Modern, Functionally Integrated, Citizen-Centered and Result-Oriented

As manager of over 500 million acres of land, how well Interior carries out its mission affects many aspects of American life. Interior is accountable to the American public to provide responsive, efficient, and low-cost services. Excellence in performance requires mission clarity, good metrics, and management excellence.

Our Management Excellence Strategic Goal helps us focus on ways we can overcome the many complex challenges facing us by taking new approaches to workforce planning; improving financial and budget management tools; using more objective and comprehensive approaches to facility and asset management; improving information technology (IT) to enhance efficiency and consistency; and actively encouraging managers and employees to identify better ways to achieve desired results. It reminds us of the need to maintain and enhance program results, make wise management choices within the context of constrained resources, and to work smarter.

In FY 2006, we met 67% of our performance targets for our Management Excellence Area. We did not meet 17% of our targets. This compares with 73% of targets met and 27% of targets in FY 2005. While we were able to decrease our performance shortfalls for FY 2006 over those of FY 2005, we increased the number of measures for which we had no data and no reports in FY 2006 (17% unreported in 2006 versus no unreported measures in FY 2005). We attribute the increase in unreported measures, in part, to our inability to report estimated or actual data at the time of this report. Three of the four "no reports" are due to preliminary data being submitted. The Department will continue its efforts to obtain final data for these measures and report on them in the FY 2006 supplemental report.

Ensuring Accountability

Interior holds managers and employees accountable for performance results using clear measures that link budgets to program performance and sound financial management.

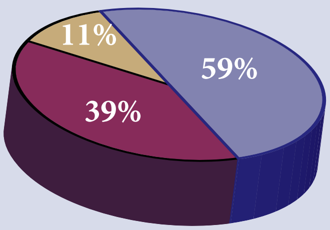
We begin with our GPRA Strategic Plan, which embodies our program focus for the next 5 years. Each quarter, we review and report progress toward

FIGURE 1-51

Competitive Sourcing at Interior

From FY 2001 through FY 2006, DOI has completed 126 competitions on 4,031 FTE with an estimated yearly savings of $13M. DOI has won 116 of the 126 competitions (or 92% of the competitions held since 2001) by increasing cost savings and efficiencies through the development of most efficient organizations (MEO). Only one FTE has been involuntarily separated from service due to competitive sourcing competitions.

Type of studies conducted by DOI to date



We have linked specific GPRA and Management Excellence goals and measures to the performance of our Senior Executive Service (SES) and employees, thus making the connection between executive performance and organizational results.

An important facet of accountability is fiscal responsibility. In FY 2006, we once again completed our audit of Interior's Performance and Accountability Report within 45 days after the end of the fiscal year. We have also, once again, obtained an unqualified audit opinion, continuing a record established 10 years ago, for our consolidated financial statements (Ref #193). An estimated 66% of our material weaknesses and material non-compliance issues are corrected or on schedule. (Ref #194).

meeting our measured targets. This reporting enables us to make any mid-course adjustments before the end of the performance year. Our Plan is a "living" document. In early FY 2007, we will publish a revised GPRA Plan that will serve as the basis against which we will measure our progress through 2012. The new plan will result from close collaboration with our bureaus, offices, and external stakeholders to ensure that we are measuring the right things and that the results will be meaningful, and useful in effecting programmatic change and improvement.

Another tool used to improve our accountability is competitive sourcing. Competitive reviews provide a disciplined, periodic way to review and compare our current operations with alternatives so we can achieve the best value for the services we provide. From FY 2001 through FY 2006, DOI has studied 4,031 full-time equivalents (FTEs) through 126 competitions. In all cases, Interior has given its bureaus ability to retain cost savings to meet increasing demands related to their programs. During FY 2006, 627 FTEs were studied with an estimated cost savings of $30 million over the next 5 years (Ref #208).

FIGURE 1-52

How Interior Performed at a Glance: FY 2005-2006

Selected Performance Measures from Management Excellence Strategic Goal Area

Performance Measure	FY 2005	FY 2006
Legend: ☐ = No Report ■ = Target Not Met ■ = Target Met ■ = Target Exceeded P = Preliminary Data		
#191: Volunteers: Number of volunteer hours per year supporting DOI mission activities (Take Pride in America Office)	9,467,427	8,231,390 E
#193: Obtain unqualified audit for DOI's consolidated financial statements (Office of Financial Management or PFM)	Yes	Yes
#194: Corrective actions: Percent of material weaknesses and material non-compliance issues that are corrected on schedule (PFM)	New FY 2006 Measure	65.6% E
#199: Percent of systems that will be certified and accredited by FY 2005, and will maintain accreditation on a 3-year recurring cycle (Office of the Chief Information Officer or CIO)	98%	98%
#200: Percent of time that networks are operational for all users (CIO)	99.91%	99.90%
#202: Percent of IT investment expenditures for which actual costs are within 90% of cost estimates established in the project or program baseline (CIO)	87%	93%
#208: Number of commercial-type FTE involved in competitive sourcing studies completed during the fiscal year	198	645
#209 Percent of facilities that have a calculated FCI.	75%	100% P

FIGURE 1-53

Geospatial One-Stop Garners Excellence.gov Award

In 2006, Interior and its USGS won one of five coveted Excellence.gov awards, out of a field of 80 applicants. The award, sponsored by the American Council for Technology, recognizes Interior's leadership of the Geospatial One-Stop e-gov initiative. Geospatial One-Stop offers thousands of Federal, State, and local government partners with access to geospatial data through one convenient portal: www.geodata.gov . Geodata.gov combines thousands of geospatial resources from Federal, State, local, tribal, and private sources, providing decision-makers with access to the resources they need to respond more quickly during emergencies. A panel of 23 judges, representing both industry and government, selected Interior for demonstrating best practices in information sharing for federally led IT programs.

Integrating and Modernizing Our Business Practices

The integration and modernization of our business practices starts with our IT Strategic Plan. Our IT plan provides an organizational framework for an architecture that supports electronic interactions. This plan is built upon a governance framework that embraces the distinct needs and strengths of Interior's bureaus. We have adopted a Federal Enterprise Architecture across Interior, and are implementing standardized policies and guidelines to help us successfully develop, implement, operate, and integrate information technology across the Department. A key component is our Enterprise Services Network (ESN), which will bring together secure telecommunications Department-wide.

The first phase of the Enterprise Services Network was completed in 2005, resulting in the creation of an integrated network backbone. Phase II is now underway. Secure telecommunications are now in place for about 650 locations. In FY 2006, efforts concentrated on establishing connectivity for smaller offices and remote locations. Bureaus and offices have completed the transition to managed services and are beginning to operate on a single, consistent system that provides access to the intranet and to a network operations and security support center. They are already seeing service improvements as a result. In FY 2006, our networks were operational 99.9% of the time for all users against a target of 100% (Ref #200), demonstrating that we are making progress toward improving IT service for Interior bureaus and offices.

The ESN is also helping us consolidate directory services, web hosting, messaging, data warehousing, help desk capabilities, and other applications and systems. Through it, we are also implementing the required new internet protocol version six (IPV6) technology.

In 2005, Interior leveraged ESN capabilities to initiate a robust vulnerability scanning process for systems

FIGURE 1-54

Interior Information Technology Total Interior Funding by IT Category (in millions of dollars)

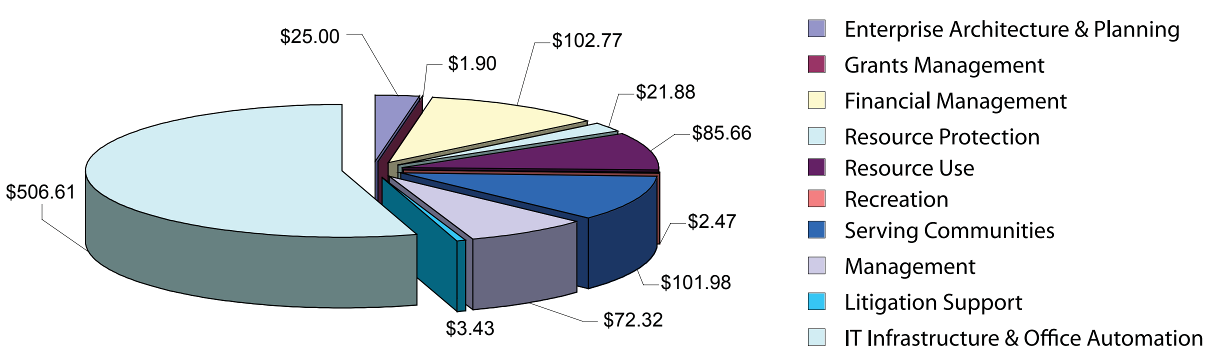
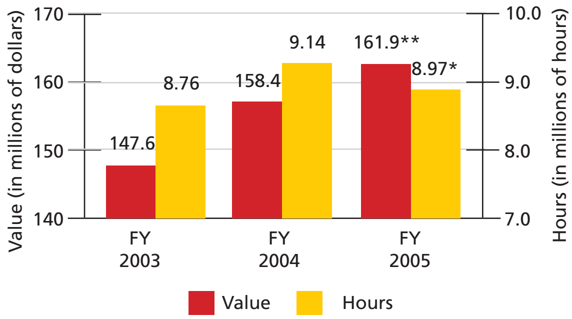


FIGURE 1-55

Volunteer Services to Interior



*Total includes 28,620 hours of volunteer time donated to the Bureau of Reclamation.
**Includes the value of the Bureau of Reclamation hours.
Data not yet available for FY 2006.

accessible from the Internet. Initial tests indicated thousands of potential vulnerabilities. By December 2005, all potential major, critical, and SANS (SysAdmin, Audit, Network, Security) Institute Top 20 vulnerabilities identified through scanning were either mitigated or determined to be false positives. In 2006, Interior tested against internal threats to its systems and applications and identified several additional opportunities for security improvements. Interior has a long-standing concern for the protection of its vital information and technology resources, dating from the issuance of the first computer security policy in 1980. Our IT security program goal is to achieve a level of security commensurate with the sensitivity of information and the risk and magnitude of harm resulting from improper use or losses. The IG has noted that while we continue to make progress toward improving security over our information systems, more work is still needed, particularly in network security and in the establishment and implementation of plans of actions and milestones (POAM) for identified weaknesses.

In FY 2006, we made progress toward achieving another of our IT strategic and GPRA plan goals by certifying and accrediting (C&A) 98% of our systems against a target of 90% (Ref #199).

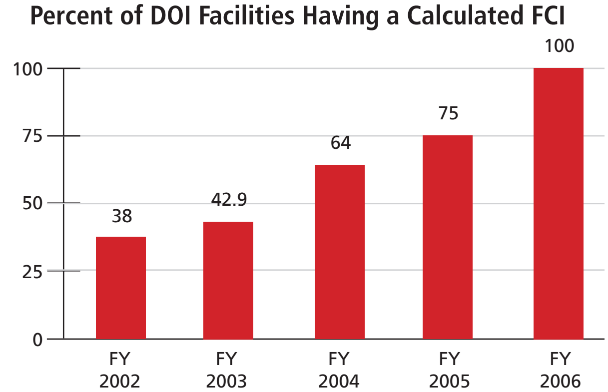
One of our IT strategic goals is to align capital planning and information to appropriately invest in the future with our bureau/DOI integrated Enterprise Architecture. Interior is committed to a Capital Planning and Investment Control (CPIC) framework based on best practices outlined by GAO and OMB. Enterprise Architecture modernization blueprints and IT portfolio management are key tools in identifying and reviewing these critical investments. Modernization blueprints are roadmaps for change that help identify gaps in our IT portfolio that could potentially hamper successful achievement of mission-related goals. These blueprints also highlight system redundancies and identify opportunities for data sharing. By the end of FY 2006, Interior had completed blueprints for four key business lines: wildland fire, recreation, law enforcement and financial management. Six additional blueprints are underway: land management, water management, trust responsibilities, human resources, information technology, and geospatial activities.

In FY 2006, 93% (Ref #202) of our IT investment expenditures were within 90% of their actual cost estimates established in the project or program baseline against a target of 90%.

Another key to improving our administrative practices and processes and maintaining management excellence is to move from outdated systems. Our Financial and Business Management System (FBMS) initiative will enable us to standardize business practices and retire antiquated, expensive, and disparate computer systems. FBMS will create a single system that includes functional areas for: (1) Financial Assistance; (2) Core Financials; (3) Budget; (4) Acquisition; (5) Property (personal, real, and fleet); (6) Travel; and (7) Enterprise Management Information. In 2005, Interior deployed a grants management module of FBMS, as well as much of the necessary infrastructure

FIGURE 1-56

Percent of DOI Facilities Having a Calculated FCI



needed for future deployments, including system configuration, business process standardization, and interface development.

In February 2006, DOI awarded a contract to IBM Business Consulting Services for system integration and implementation support for FBMS. In FY 2005, the project deployed the Financial Assistance (FA) functionality for MMS, OSM, and select programs at FWS. FBMS completed system security certification and accreditation for the FA functionality, as well as implementation of help desk procedures, testing and release control procedures, and implementation of the FBMS Portal for the purpose of single sign-on functionality for the end users.

Activity-Based Cost Management (ABC/M) continues to evolve across the Department of the Interior. In FY 2006, many of our bureaus and offices expanded their capability to use ABC/M data to gauge and measure performance across their organizations. They can use performance-based information to improve their allocation of funding among units and are developing the capability to use marginal cost of performance data to articulate the effects of different funding levels on performance. At the corporate level, the Department has begun to develop the model and processes for linking work activities with GPRA Strategic Plan performance measures to establish a clear line of sight from resources, work done, accomplishment (outputs), and the effect of work done in furthering attainment of the Department's objectives (outcomes).

Assuring Customer Value

We provide customer value, in part, by leveraging resources and fostering partnerships to help us accomplish our mission. One valuable resource is our volunteer partners. In FY 2006, volunteers continued to contribute millions of hours of their time to the Department, working with the NPS, FWS, BLM, USGS, and Reclamation. Individuals of all ages and levels of experience contribute valuable time to help us fulfill our recreation and conservation mission while promoting healthy lifestyles and outdoor recreational opportunities.

Another area in which we provide customer value is by improving the condition of our facilities and the assets that we manage. We use an industry standard metric called the Facility Condition Index (FCI) to determine the relative condition of a specific facility. The FCI then gives us a basis against which we can measure improvement to that facility's condition. We planned to inventory all of our assets and facilities using the FCI metric by the end of FY 2006. Based on preliminary data, 100% of our facilities reported a calculated FCI in FY 2006. (Ref #209).

FIGURE 1-57

Management Excellence: Manage the Department to be highly skilled, accountable, modern, functionally integrated, citizen-centered, and results-oriented[1].			
Performance and Cost Scorecard			
End Outcome Goal	Number of Goals Met	Number of Unmet Goals	Number of No Reports[2]
Goal #1: Workforce Has Job-Related Knowledge and Skills Necessary to Accomplish Organizational Goals	3	1	2
Goal #2: Accountability	4	1	0
Goal #3: Modernization	8	1	1
Goal #4: Integration	1	1	0
Goal #5: Customer Value	0	0	1
TOTAL	16	4	4
Percentage of Total Out of 24 Measures	67%	17%	17%

[1]Management Excellence costs are part of Mission Area goal costs. Note that percentages do not add to 100% due to rounding.
[2]For the purpose of this chart, preliminary data are considered a "no report."

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Looking to the Future: Our Challenges

Interior's stewardship responsibilities encompass one-fifth of the Nation's land area and all of the Outer Continental Shelf. Among the assets we manage are irreplaceable icons and cultural and historic treasures that are the legacy of millions of Americans.

This responsibility presents challenges. Our work is people-intensive. Pay and benefit costs account for about 53% of our total costs, higher than most other Federal agencies. Many of our business processes are outdated and decentralized. Our Trust beneficiary accounting systems, for example, continue to be a challenge, but are receiving particular management attention. Our physical assets, while many of irreplaceable historical and cultural value, need to be maintained, repaired and refurbished.

In an FY 2006 report, the OIG identified eight management challenges facing the Department. These include:

- Financial Management;
- Information Technology;
- Health, Safety, and Emergency Management;
- Maintenance of Facilities;
- Responsibility to Indians and Insular Affairs;
- Resource Protection and Restoration;
- Revenue Collections; and
- Procurement, Contracts, and Grants.

These issues are considered top challenges because they are important to the Department's mission, involve large expenditures, require significant management improvements, or involve significant fiduciary responsibilities. For additional details concerning the top management challenges, please see "Compliance with Legal and Regulatory Requirements," Figure 1-71.

Over the past 5 years, the Department of the Interior has continuously addressed these challenges. We are using technology to help us work smarter and reduce human resource loads. We are improving the efficiency and effectiveness of our programs using tools such as PART. We have restructured and consolidated workplaces, guided by workforce plans to improve alignment of skilled employees with anticipated needs and potential gaps that will result from baby boomer retirements. We have deployed enterprise information technologies to reduce security risks, modernize business practices, and enhance cost efficiencies. We have inventoried our assets and have set performance measures to guide improved facilities management and prioritization of maintenance, repair, and replacement activities.

Our recent budget requests have balanced the need for fiscal discipline while continuing our commitment to overcoming several of these challenges. For example, we have asked for increased funding and resources to help BIA meet the requirements outlined in the Department's Fiduciary Trust Model while continuing to implement trust reform initiatives. These resources will be critical in helping us reduce the probate backlog, to implement recommendations of the Fiduciary Trust Model, to eliminate cadastral survey backlogs, and to reduce survey costs. The resources will support a Certified Federal Surveyor program in BLM to train State licensed surveyors to become BLM certified surveyors in accordance with the Public Lands Survey System.

In another example, we have requested resources to help us continue restoration of hundreds of acres of lands and resources damaged by the release of hazardous substances or oil. We are using science to improve and expedite the design, implementation, and monitoring of restoration projects.

Many of our challenges are complex and will remain with us for several years to come, despite incremental progress toward overcoming them. New challenges will reveal themselves as the Nation's priorities change. However, we will diligently work collaboratively with those who live on, work on, and love our lands to improve our stewardship and improve America's quality of life for generations to come.

Compliance With Legal and Regulatory Requirements

This section of the report provides the required information on the Department's compliance with the following legal and regulatory requirements:

- Federal Managers' Financial Integrity Act (FMFIA)
- Federal Financial Management Improvement Act (FFMIA)
- Inspector General Act Amendments (Audit Follow-Up)
- Improper Payments Information Act (IPIA)
- Federal Information Security Management Act (FISMA)
- Other key legal and regulatory requirements including the following:

- Prompt Payment Act
- Debt Collection Improvement Act
- Biennial review of user fees

In addition, this section includes summaries of the Department's financial management improvement initiatives regarding the following:

- Audited financial statement results
- Financial management systems
- Financial management human capital
- Financial data stewardship
- Major management challenges facing Interior

Federal Managers' Financial Integrity Act (FMFIA)

The Department believes that maintaining integrity and accountability in all programs and operations (1) is critical for good government; (2) demonstrates responsible stewardship over assets and resources; (3) ensures high-quality, responsible leadership; (4) ensures the effective delivery of services to customers; and (5) maximizes desired program outcomes. Interior has developed and implemented management, administrative, and financial system controls that reasonably ensure the following:

- Programs and operations achieve intended results efficiently and effectively;
- Resources are used in accordance with the mission;
- Programs and resources are protected from waste, fraud, and mismanagement;
- Laws and regulations are followed; and
- Reliable, complete, and timely data are maintained and used for decision-making at all levels.

Interior's management control program is designed to ensure full compliance with the goals, objectives, and requirements of the FMFIA and Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Internal Control, including Appendix A of OMB Circular A-123 on Internal Control over Financial Reporting; OMB Circular A-127, Financial Management Systems, and OMB Circular A-130, Management of Federal Information Resources.

Management Assurances

The FMFIA requires agencies to provide an annual statement of assurance regarding the effectiveness of management, administrative, and accounting controls over financial systems. This year, agencies are also required to provide an assurance statement on management's assessment of the effectiveness of internal control over financial reporting as of June 30 of this fiscal year and for each subsequent year. Interior's FY 2006 Annual Assurance Statements are provided in Figure 1-58 and 1-59. The basis for the two assurance statement conclusions are discussed in the following sections.

Internal Control Assessments

Interior conducted an annual assessment of the effectiveness of management, administrative, and accounting systems controls in accordance with FMFIA and OMB guidelines. The conclusions in the

FIGURE 1-58

FISCAL YEAR 2006 ANNUAL ASSURANCE STATEMENT

Interior's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives and requirements of the Federal Managers' Financial Integrity Act (FMFIA). Interior conducted its annual assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with the requirement of the Office of Management and Budget Circular No. A-123, Management's Responsibility for Internal Control (OMB A-123). Interior can provide, based on the results of this assessment, reasonable assurance that its control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2006, was operating effectively and that no material weaknesses were found in the design or operation of the internal controls.

In addition, Interior conducted an 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. Interior can provide, based on the results of this assessment, reasonable assurance that its internal control over financial reporting as of June 30, 2006, was operating effectively and no material weakness were found in the design or operation of the internal control over financial reporting. Further, subsequent testing through September 30, 2006, did not identify any reportable changes in key financial reporting internal controls. Also, Interior can provide reasonable assurance that its financial systems substantially comply with the component requirements of the Federal Financial Management Improvement Act.

Dirk Kempthorne
Secretary of the Interior
November 15, 2006

FIGURE 1-59

ASSURANCE ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AS OF JUNE 30, 2006

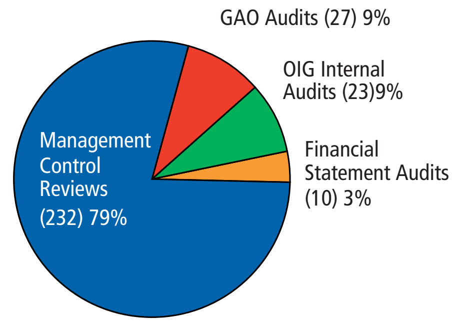
Interior's management is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations. Interior conducted an evaluation of the effectiveness of its internal control over financial reporting in effect as of June 30, 2006, in accordance with the requirements of OMB Circular A-123, Management's Responsibility for Internal Control, dated December 21, 2004, and the CFO Council's Implementation Guide dated July 31, 2005. Based on the results of this evaluation, the Department can provide reasonable assurance that its internal control over financial reporting as of June 30, 2006, was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting.

R. Thomas Weimer

R. Thomas Weimer
Assistant Secretary, Policy, Management, and Budget, and CFO
November 15, 2006

FIGURE 1-60

Basis for FY 2006 Assurance Statement



Secretary's Annual FMFIA Assurance Statement are based on the results of 232 internal control reviews of programs and administrative functions conducted by bureaus and offices (79%); 23 Office of the Inspector General internal program audits (9%); 27 Government Accountability Office program audits (9%); and the 10 financial statement audits (3%) conducted by the independent public accounting firm, KPMG LLP, under the auspices of the Chief Financial Officers Act (CFO Act) of 1990 and the Government Management Reform Act (GMRA) of 1994 (see Figure 1-60). As in

FIGURE 1-61

Crosswalk of Activities Related to Major Management Challenges

Management Accountability and Integrity Program Activities in FY 2006 Related to Interior's Major Management Challenges and President's Management Agenda	Interior's Major Management Challenges								President's Management Agenda									
	Financial Management	Information Technology	Health, Safety, & Emergency Management	Maintenance of Facilities	Responsibilities to Indian & Insular Affairs	Resource Protection and Restoration	Revenue Collections	Procurement, Contracts, and Grants	Competitive Sourcing	Strategic Management of Human Capital	Expanded Electronic Government	Improved Financial Management	Budget and Performance Integration	Federal Real Property Asset Management	Research and Development	Energy Management	Transportation (Fleet)	Environmental Management
Management Control Reviews/Management Studies and Initiatives	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
OIG Audits																		
- Program Audits Completed	✔	✔	✔	✔	✔		✔	✔				✔		✔				
- Financial Statement Audits Completed	✔						✔	✔	✔		✔	✔	✔					
GAO Audits Completed	✔		✔	✔	✔	✔	✔	✔		✔		✔		✔		✔		✔
FMFIA Material Weaknesses																		
- Corrected or Downgraded During FY 2006	✔			✔		✔						✔						
- Pending and Carried Forward to FY 2007			✔		✔							✔						

FIGURE 1-62

Number of FMFIA Material Weaknesses Reported and Corrected or Downgraded			
Reporting Period	Reported	Corrected or Downgraded	Pending at Year End
Prior Years	172	161	11
FY 2003	0	1	10
FY 2004	1	7	4
FY 2005	1	0	5
FY 2006	0	5	0
Total	174	174	0

FIGURE 1-63

Number of Material Non Conformances Reported and Corrected or Downgraded			
Reporting Period	Reported	Corrected or Downgraded	Pending at Year End
Prior Years	65	64	1
FY 2003	0	0	1
FY 2004	0	1	0
FY 2005	0	0	0
FY 2006	0	0	0
Total	65	65	0

prior years, internal control reviews performed by the Department and its bureaus provided the majority of the support (79%) for the Annual FMFIA Assurance Statement. In addition, many of Interior's internal control reviews and related accountability and integrity program activities focused on areas identified as major management challenges and on components of the President's Management Agenda. Figure 1-61 presents a crosswalk of those activities.

FMFIA Material Weaknesses and Accounting System Nonconformances

OMB Circular A-123, Management's Responsibility for Internal Control, requires that each agency identify and report on material weaknesses affecting the agency. Interior has adopted the OMB guidelines for material weakness designations. These guidelines are noted in Figure 1-65. Interior recognizes the importance of correcting material weaknesses in a timely manner. The Department and senior program management officials continuously monitor corrective action progress for all material weaknesses. Prior to FY 2006 and since the inception of the FMFIA in 1982, Interior identified and reported 174 material weaknesses and 65 accounting system non conformances. Prior to FY 2006, Interior corrected 169 of the material weaknesses (98%) and all of the accounting system non conformances. At the beginning of FY 2006, Interior had five FMFIA material weaknesses pending correction carried forward from the previous year.

The Department is instituting a reporting practice in FY 2006 consistent with the December 2004 revision to OMB A-123 and OMB A-136 Financial Reporting Requirements, to only report Department-level material weaknesses. Bureau-level material weaknesses will continue to be reported internally and actively monitored for timely corrective action. Therefore, as shown in figure 1-64: 2 FMFIA material weaknesses were corrected (Inadequate Department-wide Maintenance Management Capability and Controls Over Implementing New Accounting Policies and Procedures); 1 FMFIA material weakness was downgraded to a reported condition (Indian Trust Assets); 2 FMFIA material weaknesses are being carried at the bureau level (Inadequate Wireless Telecommunications and Indian Detention Facilities). As a result, Interior has no Departmental FMFIA material weaknesses to carry over to FY 2007 for Management's reporting purposes, but will continue to monitor their implementation internally.

The Department's progress in correcting FMFIA material weaknesses and accounting system nonconformances is presented in Figures 1-62 and 1-63. These figures present the number of material weaknesses and accounting system nonconformances reported and corrected by fiscal year-end.

Departmental Goal for Timely Correction of Material Weakness.

Interior is committed to the timely correction of material weaknesses in order to improve integrity and accountability in its programs, organizations, and functions. To ensure that the material weaknesses identified and reported in the FMFIA program are corrected in a timely manner, the Department established a performance goal for FY 2006 to complete 100 percent of the material weaknesses targeted for completion in FY 2006. Based on the correction of the two FMFIA material weaknesses scheduled for

FIGURE 1-64

FMFIA Material Weaknesses as of September 30, 2006						
Bureau	**Date First Reported**	**Description**	**Corrective Actions**	**FY 2006 Progress**	**FY 2005 PAR Target Date**	**Status**
OST BIA OS/OHTA	FY 1991	Indian Trust Assets: The OST's conversion to a commercial trust fund accounting system and the implementation of enhanced OST management controls ensure that all collected trust funds are properly accounted for. The remaining items to correct this material weakness include: OHTA's historical accounting; and strengthening the existing system of controls to ensure that BIA ownership and distribution information is correct.	Departmental trust policies, procedures, systems and internal control will continue to be improved and training provided to achieve the goals of the Comprehensive Trust Management Plan.	Bureau of Indian Affairs (BIA) - has: (1) closed 9,400 probate cases; (2) assisted the Department's regulatory initiative team in drafting regulations for probate, owner managed leasing, consolidation by sale, and ownership information; (3) deployed TAAMS and data conversion at 45 agency field offices in 12 regions; (4) published program procedural handbooks for the Trust land and natural resource management programs; and (5) issued policies on Life Estates/Dowers, Witnesses, Timber Sales, Minerals, and Rounding. Office of Historical Trust Accounting (OHTA) has completed to date, historical accounting that supports several significant conclusions: 1.) a very high percentage of records exist and can be located; (2) differences between supporting records and recorded transactions are few in number, small in size, and not systemic; (3) there is no evidence historical records have been altered; and (4) there is ample evidence that monies collected were distributed to the correct recipients. Office of the Secretary (OS) coordinated efforts with BIA, OHTA, and OST to access the Trust weaknesses identified as potential findings in subsequent audit reports. Office of the Special Trustee for American Indians (OST) completed the implementation of a centralized commercial lockbox process that was initiated in FY 2005; this process included policies, procedures and training. OST Regional Trust Administrators are taking the lead in concert with BIA regional directors to oversee the leasing module conversions to the Trust Asset and Accounting Management System (TAAMS). Regarding these conversions 81% of recurring Individual Indian Monies (IIM) income and 73% of IIM accounts were converted to the leasing module of the TAAMS. Beneficiaries serviced by the various agencies that have been converted to the leasing module for TAAMS are receiving quarterly performance statements that provided information regarding source of funds, encumbrance information (who is leasing their property, duration and payment terms of lease), and a listing of the trust property they own.	FY 2008	Downgraded to Reportable Condition — Pending OIG Verification

FIGURE 1-64

FMFIA Material Weaknesses as of September 30, 2006						
Bureau	**Date First Reported**	**Description**	**Corrective Actions**	**FY 2006 Progress**	**FY 2005 PAR Target Date**	**Status**
DOI BIA NPS	FY 2000	Inadequate Wireless Telecommunications: Effective radio communications is critical to employee and public safety and to the efficient management of parks and public lands. The current wireless telecommunications program in some bureaus does not effectively support bureau and public safety operations and does not comply with Department Management Directives.	The Department will develop and implement a plan to meet employee and public safety objectives and to restore the program to efficiency by reviewing bureau narrowband capital investment and implementation plans; revise plans to maximize supporting infrastructure requirements; and ensure maximum use of alternative wireless services.	The Department has developed an overall plan to increase the efficiency and accountability of the Radio Program through various strategic and tactical goals. During FY 2006, the Strategic Plan will be finalized and an Operational Plan developed. In doing so, the Department will institute a Governance Structure, a comprehensive capital investment business case, baseline analysis, and increased sharing with Federal, State, and local cooperators. Bureau of Indian Affairs (BIA) is completing its South Dakota Statewide Trunk migration project, performed site surveys to determine equipment needs, and purchased and consolidated radio equipment. National Park Service (NPS) continues to make progress on the narrowband conversion project. To date, 110 park units (31%) have been completed and 232 park units (62.2%) have begun the transition process. The remainder of the park units will be addressed and scheduled accordingly.	 FY 2010 FY 2009	Downgraded in FY 2004 — Pending OIG Verification — However this is no longer considered a deepartment-wide issue but rather a bureau-specific matter.

FIGURE 1-64

FMFIA Material Weaknesses as of September 30, 2006						
Bureau	**Date First Reported**	**Description**	**Corrective Actions**	**FY 2006 Progress**	**FY 2005 PAR Target Date**	**Status**
BIA	FY 2004	Indian Detention Facilities: Serious safety, security, and maintenance deficiencies exist at most of BIA detention centers. These deficiencies are a hazard to inmates, staff, and the public.	BIA will immediately commence the implementation of the following corrective actions that will improve the security, safety, management, and operating efficiency of detention facilities. - The Deputy Assistant Secretary for Law Enforcement and Security will become actively engaged in managing the detention program. - The Department's Office of Law Enforcement Security and Emergency Management will conduct frequent scheduled and unscheduled compliance inspections. - Clear "serious incident" reporting and follow up protocols will be established and implemented. - Facility staffing models will be developed, and shortages related to officer safety should be immediately identified and corrected. - Recruiting standards and guidelines for detention officers will be developed and adhered to. - A system for identifying and prioritizing facilities repairs impacting inmate and officer safety will be implemented. - Internal controls and other improvements for budgeting, cost tracking, and reporting purposes will be developed and implemented. - Strategic plans for jail replacement and renovation based on comprehensive condition assessments will be developed. - Training standards and models for detention offices will be developed and compliance/certification reviews will be conducted. - Regular regional meetings of detention administrators will be held to identify best practices and address and resolve emerging issues.	The National Policy Memorandum Serious Incident Reporting (SIR) has been approved and distributed in Indian Country. Staffing models have been developed, identifying offices shortages which resulted in increased staffing levels at all BIA-run facilities. In FY 2005, a separate budget was implemented to ensure that expenditures are tracked and justified on a routine basis and that Associate Director and Chief of Detention maintain constant oversight of the budget for each BIA program. Accounting and tracking of contracted bedspace occurred in FY 2006; and District/Regional meetings occurred at District I – Fort Yates, N.D.; Districts II/IV/VI – Towoac, CO; District III – Maricopa, AZ; and at District V – Polson, MT. Further training for correctional officer armed transport was developed and delivered and recruitment is ongoing at the District/Agency levels based on a plan developed and delivered at Truxton Canon, Blackfeet and Lower Brule agencies.	FY 2007	Downgraded — However this is no longer considered a deepartment-wide issue but rather a bureau-specific matter. Delayed. A targeted correction date of FY 2008 has been assigned by BIA.

FIGURE 1-64

FMFIA Material Weaknesses as of September 30, 2006						
Bureau	**Date First Reported**	**Description**	**Corrective Actions**	**FY 2006 Progress**	**FY 2005 PAR Target Date**	**Status**
USGS NPS FWS	FY-1999	Inadequate Departmentwide Maintenance Management Capability: Interior lacks consistent, reliable, and complete information to plan for budget and to account for resources dedicated to maintenance activities.	U.S. Gelogical Survey (USGS)— Identify and implement a comprehensive maintenance management system with an appropriate linkage to the accounting. NPS and FWS— Conduct comprehensive condition assessments; make determinations to repair, replace, or relocate facilities; repair, replace, and relocate facilities to "good condition"; and reduce deferred maintenance to established goals (5% or less of replacement cost).	Interior adopted MAXIMO as the core management enterprise software system to manage its facilities inventories, condition assessments, work management, and reporting requirements. Interior established the Facility Condition Index as a standard performance measure for bureau management programs. This enables Interior to effectively determine at what pace its facilities condition is improving and how effectively the bureaus are using their maintenance funding. Interior has also developed a 5-Year Deferred Maintenance Plan and Capital Improvement Plan. Based on these plans, condition assessment is under way in all bureaus. All bureaus have completed 100% implementation of the Facilities Maintenance Management System. In FY 2005, this weakness was downgraded to the bureau level for USGS, NPS, and FWS. The bureaus have corrected this weakness.	FY 2006	Corrected
BOR DO	FY 2005	Controls Over Implementing New Accounting Policies and Procedures: Interior had not fully developed accounting policies and procedures to change its processes for recognizing the transfer of funds between Federal entities and had not fully developed posting models by September 30, 2006.	During FY 2005, Interior had developed some accounting policies and procedures. Interior will further develop the policies and procedures and implement them once approved.	Interior applied significant resources and efforts, including coordinating with the U.S. Treasury and OMB to implement OMB's guidance in a relatively short time period.	FY 2006	Corrected

correction in FY 2006, the Department met it's 100% goal (see Figure 1-64).

Internal Control over Financial Reporting

The revised Circular A-123, Management's Responsibility for Internal Control, Appendix A, strengthens internal control requirements over financial reporting in Federal agencies. The revised circular provides updated internal control standards and new requirements in FY 2006 for conducting management's assessment of the effectiveness of internal controls over financial reporting. To prepare for FY 2006 compliance with Appendix A, the Department developed an implementation plan that was reported in the FY 2005 Performance and Accountability Report.

In FY 2006, the Department completed an assessment of the effectiveness of internal controls over financial reporting utilizing the plan. The results of the assessment revealed that adequate controls exist and that financial reporting can be relied upon by senior management when used in conjunction with other decisionmaking processes. Also, the assessment did not disclose any material weaknesses in the Department's financial reporting activities. Although minor deficiencies were found in some financial reporting business processes, the deficiencies were corrected by the end of the fiscal year. The Department's internal controls over financial reporting do assure the safeguarding of assets from waste, loss, and unauthorized use or misappropriation, as well as assure compliance with laws and regulations pertaining to financial reporting (See Figure 1-58, Annual Assurance Statement, paragraph 2).

Departmental policymakers and program managers continuously seek ways to achieve missions, meet program goals and measures, enhance operational processes, and implement new technological developments. The new OMB financial reporting requirement strengthens accountability of Departmental managers over internal controls, and improves the quality and reliability of the Department's financial information.

Federal Financial Management Improvement Act (FFMIA)

The Federal Financial Management Improvement Act builds upon and complements the CFO Act, the GPRA, and the GMRA. The FFMIA requires that Federal agencies substantially comply with applicable Federal accounting standards, the government-wide Standard General Ledger (SGL), and Federal financial management system requirements that support full disclosure of Federal financial data, including the costs of Federal programs and activities.

Federal agencies are required to address compliance with the requirements of the FFMIA in the representation letter to the financial statement auditor. The auditor is required to report on the agency's compliance with FFMIA requirements in the Independent Auditor Report. If an agency is not in compliance with the requirements of the FFMIA, the agency head is required to establish a remediation plan to achieve substantial compliance.

Although the FY 2006 Department financial statement audit report did identify reportable conditions concerning applicable Federal accounting standards, the Department substantially complies with Section 4 of the FMFIA and the FFMIA.

Highlights of FFMIA Improvement Plan.

In our view, the issues identified by the auditors are not substantial or represent a different interpretation of the standard. We have been working with the Federal finance community to draft interpretations and establish consistent criteria for determining substantial compliance.

Inspector General Act Amendments (Audit Follow-up)

Interior believes that the timely implementation of OIG and GAO audit recommendations is essential to improving efficiency and effectiveness in its programs and operations, as well as to achieving integrity and accountability goals. As a result, Interior has instituted a comprehensive audit followup program to ensure that audit recommendations are implemented in a timely and cost-effective manner and that disallowed costs and other funds due from contractors and grantees are collected or offset. In FY 2006, Interior

FIGURE 1-65

Material Weakness Guidelines

OMB and the Department define a material weakness as follows:

> A control deficiency, or combination of control deficiencies, that in management's judgement, should be communicated because they represent significant weaknesses in the design or operation of internal control that could adversely affect the organization's ability to meet its internal control objective which the agency head determines to be significant enough to report outside the agency.

The Department will report a material weakness corrected or downgraded when the following occurs:

- Senior management has demonstrated its commitment to resolving the material weakness as evidenced by resource deployment and frequent and regular monitoring of corrective action progress;
- Substantial and timely documented progress in completing material weakness corrective actions is provided;
- Corrective actions have been substantially completed, and the remaining actions are minor in scope and will be completed within the next fiscal year;
- Implemented corrective actions have eliminated or minimized the root cause(s) of the material weakness; and
- Substantial validation of corrective action effectiveness has been performed.

monitored a substantial number of new Single Audit (319), OIG (23), and GAO (27)audits. Audit follow-up actions include analyzing audit reports referred; advising grantors of audit findings; tracking, reviewing, and validating audit recommendations; developing mutually acceptable and timely resolution to disputed audit findings and recommendations; and monitoring the recovery of disallowed costs.

Departmental Goal for Timely Implementation of Audit Recommendations

To further demonstrate the importance of timely implementation of OIG and GAO audit recommendations, Interior established an aggressive performance goal of implementing 85% of all GAO and OIG prior year recommendations where implementations were scheduled to occur within the year. We also included audits conducted under the CFO Act issued in FY 2006 that were completed in FY 2006. In addition, our methodology also reflects the number of FY 2006 report recommendations in both the numerator and the denominator that were scheduled for completion after FY 2006 but were implemented in FY 2006, including the FY 2006 CFO recommendations classified as completed by the OIG.

In FY 2006 Interior exceeded its performance goal with a composite implementation rate of 94% (Figure 1-66). The primary reason for Interior's success in achieving the performance goal for the fourth consecutive year is the aggressive progress monitoring process. Monthly and quarterly follow-up program management control and monthly audit followup program progress scorecards are prepared for each bureau and office to ensure that audit recommendation implementation commitments are being met, and that senior management attention is directed immediately to slippage when it occurs. This same aggressive progress monitoring will continue in FY 2007 to ensure achievement of the performance goal.

Single Audits

Interior provides over $2 billion each year in funding for grants, cooperative agreements, Indian self-determination contracts, and self-governance compacts to State and local governments; Indian tribes, colleges and universities; and other nonprofit organizations. Under the provisions of the Single Audit Act, the grantees' financial operations, management control structure, and level of compliance with applicable laws and regulations must be audited each year. All Single Audit reports are forwarded to and screened by the Federal Single Audit Clearinghouse. Those Single Audit reports, with findings and recommendations requiring audit followup, are forwarded to the Department for distribution to the appropriate bureaus for audit followup, resolution, and tracking. Each bureau is responsible for meeting with grantees and negotiating a resolution to the deficiencies identified in the audit reports, as well as for determining the allowability of any expenditure of Federal funds that has been questioned by the auditors.

Collecting and Offsetting Disallowed Costs in Single Audits

As shown in Figure 1-67, Interior closed 21 of 67 (31%) audits in tracking during FY 2006. There were 19 audits referred for tracking with $4.8 million in disallowed costs. The $4.8 million in disallowed costs recovered represented about 17% of total disallowed costs in tracking during the year. Of the 46 audits in tracking at the end of the year, 16 (35%) had management decision dates greater than 1 year old. As in previous years, the Department plans to continue its aggressive monitoring and followup activities during FY 2007 to close the number of audit reports with disallowed costs.

FIGURE 1-66

FY 2006 Departmental Performance Goal for Implementation of OIG and GAO Audit Recommendations

Bureau/ Office	Number of Recommendations Meeting Dept. Goal Criteria	Number of Recommendations Implemented Within Planned One Year Target	Percentage Implemented
BIA	89	84	94
NPS	101	101	100
FWS	24	24	100
BLM	25	22	88
MMS	10	9	90
OSM	4	4	100
BOR	34	32	94
USGS	25	25	100
OS (Dept)	188	169	90
PIA (Dept)	1	1	100
OST (Dept)	10	9	90
TOTAL	**511**	**480**	**94**

Internal Audits

Internal audits are OIG-conducted audits of Interior's programs, organizations, and financial and administrative operations. During FY 2006, 43 audits were being tracked (20 audits carried over from FY 2005 and 23 new audits were referred for tracking during FY 2006), and 24 (55%) of those audits were closed. A total of 539 recommendations from OIG internal audit reports were in tracking during the year, of which 437 (81%) were completed or closed during FY 2006. For the 19 audits pending at the end of FY 2006, 138 recommendations await final implementation action.

One category of OIG internal audits, FBU audits, presents recommendations to improve efficiency and where funds can be put to better use. Interior tracks the successful implementation of FBU audit recommendations and FBU dollar estimates, which are agreed to by management. As noted in Figure 1-68, there were three audits with $48.4 million in FBU dollars tracked during FY 2006.

GAO Audits

GAO audits are a major component of Interior's audit followup program workload and cover a variety of programs, operations, and activities. A total of 22 GAO reports with 69 recommendations were carried over from FY 2005. During FY 2006, GAO issued a total of 27 new reports with 23 recommendations.

The Department was successful in closing 36 of the 67 reports in tracking during FY 2006 (Figure 1-69).

Audited Financial Statement Results

As required by the GMRA, Interior prepares consolidated financial statements. Beginning in FY 2001, these financial statements have been audited by KPMG LLP, an independent public accounting firm (the OIG audited the financial statements prior to FY 2001). Additionally, each individual bureau prepares financial statements that are also audited.

The preparation and audit of financial statements are an integral part of the Department's centralized process to ensure the integrity of financial information maintained by Interior.

The results of the FY 2006 and FY 2005 financial statement audit process are summarized in Figure 1-70. As shown in the table, Interior again achieved an unqualified audit opinion for the Department's consolidated financial statements.

In one instance, internal control over financial reporting was noted as a material weakness (Figure 1-71). The Department does not concur and believes a variety of actions have been taken to significantly improve internal control activities and systems for Indian trust. Extensive amounts of documentation were provided to the auditors. The audit identified two instances where non compliance with laws and regulations occured. The department concurs with one of the findings (See Figure 1-72) .

Status of Resolution of Internal Control Weaknesses and Noncompliance Issues Reported in FY 2006 and FY 2005 Audited Financial Statements

Figures 1-71 and 1-72 summarize the status of material weaknesses and noncompliance issues reported in the FY 2005 audited financial statements. As noted before, based on OMB Circulars A-123 and A-136, for FY 2006, we will report only Department-level material weaknesses and noncompliances. Implementation of bureau-level material weaknesses and noncompliances will continue to be monitored internally. The Department has established an internal goal of completing corrective actions for material weaknesses and noncompliance issues by the end of the following fiscal year, unless the magnitude of the corrective action involves a multiyear effort.

The Department made progress in correcting material weaknesses reported in the FY 2005 audits. In summary, one of two Department-level material weaknesses reported in FY 2005 financial statements were corrected during FY 2006.

The Department made progress in correcting noncompliance issues reported in the FY 2005 audits. In summary, two of four noncompliance issues reported in FY 2005 financial statements were corrected during FY 2006.

Figures 1-71 and 1-72 present summaries of each of the material weaknesses and noncompliance issues reported in the Department's consolidated FY 2006 and FY 2005 financial statement audit opinions. A total of one material weakness is

FIGURE 1-67

FY 2006 Summary of Actions Taken on Contract, Grant, and Single Audits with Disallowed Costs

				Number of Reports	Disallowed Costs
(A) Opening balance as of October 1, 2005, restated				33	$12,566,769
(B) Post FY 2005 Opening balance correction				15	$3,908,064
(C) FY 2005 Audits				19	$4,851,453
(D) Amounts reinstated				-	$3,278,402
Total tracked during FY 2006				67	$24,604,688
(E) Final actions taken during FY 2006				21	$4,261, 726
	Collected	9*	($2,211,977)		
	Written Off	1*	($24,140)		
	Offset	3*	($245,177)		
	Reinstated	6	($3,278,402)		
	Referred to Treasury for Collection Action noncollectable	8	(1,780,432)		
(E) Ending balance as of September 30, 2006				46	17, 064, 560
	Mgmt Dec < 1 yr old	30	11,803,394		
	Mgmt Dec > 1 yr old	16	$5,261, 166		

Note - Data on opening balances for number of reports and disallowed costs as of October 1, 2005, was restated to present information only on reports with sustained costs.

* During FY 2006, final actions taken for some of the 21 reports with disallowed costs were cross-cutting—instances occurred where amounts were collected, offset, reinstated, and/or waived for the same report.

FIGURE 1-68

FY 2006 Summary of Actions Taken with Funds to be Put to Better Use (FBU)

			Number of Reports	FBU Dollars
(A) Reports on hand at beginning of report period			2	$38,219,271
(B) New reports received during report period			1	10,200,000
Total reports in tracking			3	$48,419,271
(C) Reports closed during report period			0	0
(D) Reports in progress at end of report period			3	$48,419,271
Mgmt Dec < 1 yr old	1	10,200,000		
Mgmt Dec > 1 yr old	2	$38,219,271		

Note - Includes only audits with monetary impact to Federal funds (excludes audits of non-Federal funds for insular area governments and indirect cost proposals negotiated).

reported. As mentioned above, the department does not concur with the material weakness.

A total of two noncompliance issues were reported, with none carried over from FY 2005. As mentioned earlier, the Department does not concur with one of the noncompliance issues.

Major Management Challenges Confronting Interior

The OIG and the GAO annually advise Congress on what they consider to be the major management challenges facing the Department. Figure 4-2 presents a summary of the major management challenges identified by the OIG and GAO and actions taken to address these challenges to date.

Improper Payments Information Act of 2002

The Improper Payments Information Act (IPIA) of 2002 (P.L. 107-300) requires Federal agencies to carry out a cost-effective program for identifying payment errors and recovering any amounts overpaid. An improper (or erroneous) payment includes any payment that should not have been made, or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirement. Incorrect amounts include overpayments; underpayments (including inappropriate denials of payment or service); any payment made to an ineligible recipient or for an ineligible service; duplicate payments; payments for services not received; and payments that do not account for credit for applicable discounts.

To implement the IPIA, OMB requires agencies to review all programs (meeting OMB's definition of "program") to determine the risk susceptibility of making improper payments and to perform more in-depth assessments for those programs meeting OMB's criteria for "significant erroneous payments." The threshold for significant erroneous payments is erroneous payments exceeding both 2.5% of program payments and $10 million annually. For all programs meeting the criteria, agencies are required to quantify the amount of erroneous payments using a statistically valid method with a 90% confidence level.

Summary of Risk Assessments and Payment Audits Performed during FY 2006

Based on a series of internal control review techniques, Interior determined that none of its programs is risk-susceptible for making significant improper payments at or above the threshold levels set by OMB. These reviews were conducted in addition to audits under the Single Audit Act Amendments of 1996, the CFO Act of 1990, GAO reviews, and reviews by Interior's Inspector General. Different techniques were used to arrive at this determination: (1) risk assessments of internal controls related to payments for all programs; and (2) pre-payment and post-payment audits and recoveries. Each of the two techniques is summarized in the sections that follow.

Risk Assessments. Interior's Management Control Guidance for FY 2006 required managers to conduct risk assessments of all programs with outlays in excess of $100 million to determine if any were risk-susceptible for making significant improper payments. In all, 24 major programs were assessed with annual payments totaling $10 billion. The assessments were used to establish risk profiles for these programs. The results of these reviews concluded that none of these programs pose a high-risk of making significant improper payments based on OMB's criteria. Figure 1-73 presents a summary listing of Interior program outlays reviewed by bureau, and major programs where risk assessments were performed.

Pre- and Post-Payment Audits and Recoveries

Prepayment Audit of Government Bills of Lading (GBLs). Interior has been conducting prepayment audits of freight bills via GBL for a number of years. This effort is required by the Travel and Transportation Reform Act of 1998. Efforts have continued with our bureaus to assure that all freight bills receive pre-payment audits. During FY 2006, prepayment audit contractors identified $101,583 in savings in the 4,324 government bills of lading reviewed; this amounts to approximately .8% in savings to the government.

The Department coordinated the hiring of an independent recovery audit contractor in May 2003 to be used by all bureaus to conduct a vendor statement review, disbursement audit, and contract compliance audit to ensure compliance with IPIA.

FIGURE 1-69

Summary of Actions Taken in FY 2006 on Reports Issued by the GAO				Number of Recommendations	Number of Reports
In tracking as of October 1, 2005				69	22
FY 2005 audits added to tracking system after October 1, 2005				30	18
Issued during FY 2006				23	27
Subtotal				122	67
Closed during FY 2006				(43)	(36)
In tracking as of September 30, 2006				79	31
Code	Status of final reports in tracking	No. of Recommendations	No. of Reports		
D1	Mgmt decisions < 1 yr old	20	8		
D2	Mgmt decisions > 1 yr old	59	23		
D3	Mgmt decision under formal appeal	0	0		

FIGURE 1-70

Summary of FY 2006 and 2005 Financial Statement Audits

	Unqualified Opinion on Financial Statement		Material Weakness in Report on Internal Controls		Substantial Compliance with Laws and Regulations (Non-FFMIA)		Substantial Compliance with Laws and Regulations (FFMIA)		Substantial Component Compliance with Laws and Regulations (FFMIA) Systems, Accounting, and SGL		
	FY 2006	FY 2005	FY 2006	FY 2005	FY 2006	FY 2005	FY 2006	FY 2005	FY 2006 System	FY 2006 Accounting	FY 2006 SGL
Dept	Yes	Yes	No	Yes	No (2,4)	No (1,2,3)	No	No	Yes	No	Yes

(1) DEBT COLLECTION IMPROVEMENT ACT
(2) SINGLE AUDIT ACT
(3) OMB CIRCULAR A-25
(4) OTHER MATTERS RELATED TO POTENTIAL NONCOMPLIANCE

FIGURE 1-71

FY 2006 and 2005 Audited Financial Statements
Material Weakness Corrective Action Plan (as of September 30 2006)

Bureau	Material Weakness Description	Corrective Action	Fiscal Year 2005	Fiscal Year 2006	Original Target Date	Status	Department Concur/Non-Concur
DEPT BOR/DO	Control Over Implementing New Accounting Policies And Balances	Improve policies and procedures related to recording assets and liabilities in accordance with OMB Guidance.	X		09/30/06	Completed	
DEPT BIA/DO/OST	Control over Trust Funds	FY 2005 - Implement and /or revise controls and procedures to ensure that the Indian Trust Funds' activity and balances are properly and timely recorded, and controls and plans are in place to resolve the other deficiencies noted. FY 2006 - Develop and implement procedures and internal controls to address the deficiencies in controls related to Indian Trust Funds	X	X	11/30/07	Carryover	Management does not concur

FIGURE 1-72

FY 2006 and 2005 Audited Financial Statements
Noncompliance Corrective Action Plan (as of September 30 2006)

Bureau	Noncompliance Description	Corrective Action	Fiscal Year 2005	Fiscal Year 2006	Original Target Date	Status	Department Concur/Non-Concur
DEPT BIA/BLM BOR/FWS/ NPS/DO	Federal Financial Management Improvement Act (FFMIA)	FY 2005- Improve controls to comply with the U.S. Standard General Ledger at the transaction level. FY 2006- Interior should improve procedures and internal controls to ensure that the financial statements and related disclosures are prepared in accordance with the federal accounting standards.	X	X	9/30/2006	Carryover	Management does not concur
DEPT BIA/MMS	Debt Collection Improvement Act of 1996	Establish a process to ensure eligible bureau receivables are referred to the U.S. Department of the Treasury in a timely manner.	X		9/30/2006	Completed	
DEPT BIA	OMB Circular A-125, User Charges	Implement policies and procedures that comply with OMB Circular A-25, develop and implement a methodology to track administration costs; and properly charge other Federal entities for the administration costs.	X		9/30/2006	Completed	
DEPT USGS	Single Audit Act Amendments	FY 2005- Improve grantee monitoring processes to ensure compliance with the reporting requirements of the Single Audit Act Amendments FY 2006- Interior should obtain single audit reports and issue management decisions on audit findings in accordance with the requirements of the *Single Audit Act Amendments of 1996* and the related OMB A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*	X	X	9/30/2006	Carryover	Management concurs

The audit base during 2006 for Interior was $5.73 billion; actual monies identified and recovered were $520,000 through September 30, 2006.

***Interior Plans for FY 2006* – FY 2008.** Annual performance goals are established to maintain adequate controls over payment processes to ensure that erroneous payments are minimized. Figure 1-74 displays future plans and current year performance on measures to maintain a focus on recovery efforts. The Department will continue using contractor assistance to perform prepayment audits of bills of lading.

In addition to the measures listed in Figure 1-74, Interior issued management control guidance for FY 2006 requiring bureaus to conduct annual risk assessments of all programs and continued to perform recovery audits throughout FY 2006. During the third quarter of 2006, bureaus completed risk assessments resulting in no programs being identified as high risk.

First Quarter
- Issue management control guidance for FY 2006 requiring bureaus to conduct annual risk assessments of all programs.

- Continue to perform recovery audits.

Second Quarter
- Continue to perform recovery audits.

Third Quarter
- Complete bureau risk assessments.

- Continue to perform recovery audits.

Fourth Quarter
- Review and analyze bureau risk assessment reports to determine if any corrective action plans are necessary, and if so, have the appropriate bureaus provide the plans.

- Continue to perform recovery audits.

- Prepare data to fulfill the reporting requirements of the Improper Payments Improvement Act and OMB for inclusion in Interior's Performance and Accountability Report for FY 2006.

FIGURE 1-73

FY 2006 Outlays by Major Program Area

Department Bureaus and Offices (Major Programs Listed in Parenthesis)	FY 2006 Outlays (millions)
Indian Affairs (Office of Self-Governance and Self-Determination, Law Enforcement and Security, Indian School Equalization, New School Construction, Facilities Improvement and Repair, Indian Reservation Roads, and Contract Support Funds)	$1,549
Land Management (Management of Land & Resources, Fire Management, and Oregon and California Grant Lands)	1,279
Reclamation (Water and Related Resources)	948
Fish and Wildlife (Resource Management, Federal Aid in Wildlife Restoration, Cooperative Endangered Species Fund, and Federal Aid in Sport Fisheries)	1,683
Geological Survey (Survey, Investigations, and Research)	922
Minerals Management (Mineral Leasing, Royalty and Offshore Management)	615
National Parks (Operation of NPS, Construction & Maintenance, Land Acquisition and State Assistance, Recreation Fee Permanent Appropriations, and Other Permanent Appropriations)	2,481
Surface Mining (Abandoned Mine Reclamation)	278
Departmental Management (Payment in Lieu of Taxes)	232
Insular Affairs (Compact of Free Association and Payments to US Territories)	138
Total	$10,125

Federal Information Security Management Act

The Federal Information Security Management Act (FISMA) provides a framework and relevant agency roles to ensure the effectiveness of security controls with regard to information resources that support Federal operations and assets. The law gives latitude for OMB and the Department of Commerce through the National Institute of Standards and Technology (NIST) to identify minimum standards for operating information systems within the Federal Government.

During FY 2006, Interior identified the following priorities for improving its overall information security posture:

- Publish updated Certification and Accreditation (C&A) standards and IT security policies to maintain compliance with the rapidly evolving standards and guidelines issued by NIST and OMB;

- Develop the Interior Enterprise Security

Architecture (ESA) to enable standardization of network infrastructure and application security architectures across Interior;

- Improve the use of automated tools to support the IT security program, providing for greater productivity from IT security and network operations personnel; and

- Define standards and provide oversight and guidance in the implementation of Internal Control Reviews (ICRs) to ensure compliance with OMB, FISMA, and A-123 requirements across Interior.

FIGURE 1-74

Erroneous Payments					
	FY 2006 Actual	FY 2006 Plan	FY 2007 Plan	FY 2008 Plan	FY 2009 Plan
Federal Assistance - Percent of Audit Disallowances	17%	5%	10%	10%	10%
Federal Assistance - Percent of Disallowances Returned to Government	99%	70%	80%	90%	90%

By focusing on these priorities, Interior was able to make significant progress in improving and strengthening its overall security posture during FY 2006. In addition to addressing the priorities listed above, the following milestones were achieved:

- All bureau networks were connected to the Enterprise Services Network (ESN). Also, management of bureau networks was consolidated by transferring management responsibilities to the ESN Network Operations and Security Center (NOSC). The center provides full-time (24x7) monitoring and maintenance support for the network. Major network backbone nodes and circuits were migrated to a vendor provided service, which increased overall network performance and security;

- A consolidated, centrally managed remote access solution was developed which supports work-at-home initiatives and continuity of operations. As a result, stronger network perimeter security is achieved for all bureaus and offices within Interior;

- Extensive penetration testing was performed on all bureau networks. Robust network perimeter vulnerability scanning was also implemented. These activities provide for ongoing, proactive monitoring and improvement of Interior's IT security posture;
- Quality reviews of 54 Certification and Accreditation packages for bureau systems were conducted to ensure compliance with appropriate standards and to establish a consistent level of quality in the C&A documentation of Interior systems;

- Overall awareness of IT security issues was increased by delivering security awareness training to 98% of Interior employees and contractors using IT systems. Sixty-one percent of employees having significant IT security responsibilities received specialized role-based security training;

- In order to ensure consistent interpretation and application of regulatory guidance, on-site FISMA compliance reviews of all bureau and office IT security programs were conducted;

- Interior remained free of significant data losses, breaches of confidentiality, or significant contamination due to cyber attacks or malicious code; and

- Continued integrating the IT security program with Enterprise Architecture (EA), IT Capital Planning and Investment Control (CPIC) and consolidated operations. A streamlined governance process with clearer roles and decisionmaking authority has been established. The Interior Enterprise Architecture (IEA) program was rated #1 by OMB across the Federal Government for two rating cycles in a row. In order to receive a "Green" rating by OMB, agencies must be rated a level 3 for "Completion, Use and Results" of their EAs. Interior's scores for the 2006 rating was: Completion: 4.5; Use: 4.2; and Results: 3.7.

Interior measures the progress of implementing required security controls using five levels of effectiveness as follows:

- Level 1— control objective documented in security policy
- Level 2— security controls documented as procedures.
- Level 3— procedures have been implemented.
- Level 4— procedures and security controls are tested and reviewed.
- Level 5— procedures and security controls are fully integrated into a comprehensive program.

Consistent with results from independent reviews of Interior's IT security program, the policies, processes, and procedures implemented by Interior have resulted in Interior achieving a Level 3.77 maturity when measured against the assessment criteria.

Interior's Office of the Inspector General (OIG) reviewed the OCIO IT security program and found continued improvement within the program, corrective actions addressing the FY 2005 audit issues, as well as other measures taken to achieve FISMA compliance. The OIG specifically noted that eight of ten areas audited for compliance with FISMA had improved over the past two years.

The OIG also addressed good progress made within the system inventory, POA&M, and in IT security language within contracts while stating that DOI is not yet in full compliance with FISMA. They further mentioned high degrees of commitment and dedication from IT security professionals throughout the DOI and evidence of efforts being made to institute needed improvements in the quality of C&A practices and in standardized security configurations, even without adequate resources.

Overall, DOI generally meets the basic requirements of FISMA

Specific milestones achieved or initiated in FY 2006 include:

- ***Control Objectives Documented in Security Policy.*** Interior has been updating the Departmental Manual (375 DM 19), IT Security Program Plan, IT Security Handbook, and OCIO Directives relating to IT security policy to reflect new emerging policy requirements and to address new threats due to evolving challenges introduced by new technologies.

- ***Security Controls Documented as Procedures.*** Certification and Accreditation. Interior has been updating C&A process guides to address rapidly evolving requirements based on new NIST standards. C&A activities have resulted in 98% of systems maintaining full Authority to Operate (ATO) certification and accreditation status by September 2006, including all operational financial systems;

  Senior management commitment towards ensuring FISMA compliance and continuous improvement with regard to assessing risk, demonstrating commensurate controls, and documenting agency official approval of operations is demonstrated by Interior's C&A performance metrics (Figure 1-75);

  Minimum Standards for Security Configurations. Interior maintains an inventory of approved STIGS for critical IT security components, such as operating systems, router configuration, database hardening, etc., and has created/revised STIGS reflecting the current "best-practices" such as securing wireless technologies and managing inventories of wireless enabled devices;

- ***Implemented Procedures. Plans of Action*** & ***Milestones (POA***&***M).*** The POA&M is the OMB-required, authoritative format for tracking identified weaknesses in IT security programs and systems. Designated Approving Authorities (DAAs), CIOs, and System Owners must review POA&Ms and determine reasonable remediation milestones, schedules, resources, and priorities within their system release plans. Interior implemented a policy for maintaining POA&M entries and has developed POA&M management standards to further strengthen this process;

- ***IT Security Awareness, Education, and Training.*** Ninety-eight percent of Interior employees and contractors with access to Interior IT systems completed annual IT security awareness training. Interior also deployed an IT security role-based training capability for use by all bureaus. Sixty-one percent of Interior employees and contractors with significant IT security responsibilities received specialized training;

Incident Response. Policy is established within the Departmental Manual (375 DM 19). In FY 2006, Interior remained free of significant data losses, breaches of confidentiality or significant contamination due to cyber attacks or malicious code;

- ***Procedures and Security Control Testing and Review.*** In addition to C&A Security Test and Evaluations, Interior followed NIST guidance in conducting security self-assessment reviews (NIST SP 800-26) for all systems. Independent technical testing was commissioned via monthly scanning of perimeter network Internet-accessible systems against the SANS Top 20 vulnerability list. In September 2003, almost 100 hosts had vulnerabilities on the SANS Top 20 list. By March 2004, Interior achieved no related vulnerabilities and has maintained that status to this day. In addition, in FY 2006, Interior initiated more robust automated vulnerability scan testing of over 5,000 Internet-accessible systems and network devices against 7,400 types of known vulnerabilities, including the SANS Top 20 vulnerability list. Interior is aggressively addressing newly identified potential vulnerabilities resulting from the more rigorous monthly scanning efforts.

  Ninety-three percent (162 of 175) of systems have completed annual requirements testing of contingency plans.

  Independent third-party contractor reviews indicate that existing IT security policies, C&A standards, oversight reviews, and POA&M management processes are effective in improving the overall quality of C&A packages, enhancing the effectiveness of management, operational, and technical security controls, and ensuring senior management attention towards correcting weaknesses identified on the POA&Ms; and

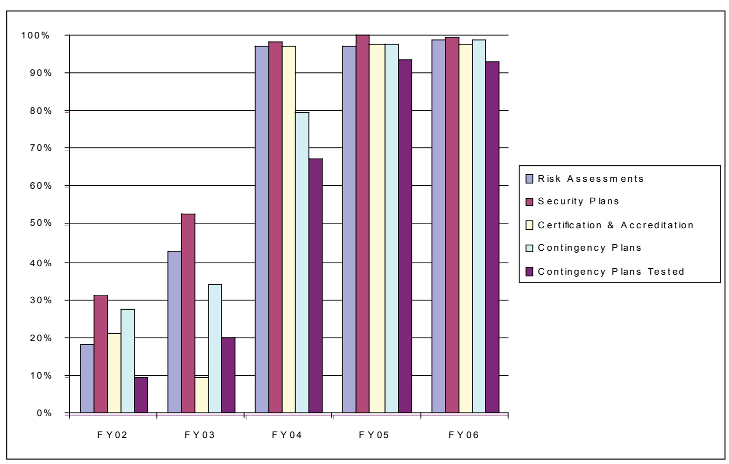
- ***Security Controls Integrated into a Comprehensive Program.*** Interior includes all security program budget costs in appropriate OMB submissions. Furthermore, EA is a means of capital asset control in which Interior has made substantial progress. Clean security architecture will enable system owners to build and change systems in accordance with pre-approved patterns. Benefits of architecture include operational consistency, cost-effective licensing, and ease of security control maintenance/validation. In FY 2006, Interior received the highest scores for its EA out of 25 agencies reviewed by OMB.

In FY 2006, Interior made substantial progress towards implementing a single Departmental ESN. The ESN architecture includes robust network perimeter security controls and enables Interior to manage perimeter controls more consistently, effectively, and cost-efficiently. A total of 13 bureau networks have been consolidated. This enhanced network perimeter architecture significantly reduces network attack vectors and enables security resources to focus on further enhancing perimeter security controls and monitoring for potential intrusions in a most cost-effective manner. Interior systems are also migrating to Interior's Enterprise Directory System (Active Directory) which enables more consistent implementation of security control configurations relating to authentication, access, and authorization.

Interior has integrated IT security costs as part of the Capital Planning and Investment Control process. IT Security costs for maintenance of security patches, anti-virus, and other routine maintenance of security

FIGURE 1-75

Certification and Accreditation Activities



controls are included as part of the operational and maintenance (O&M) costs for each system. Costs for implementing planned corrective actions to resolve identified weaknesses within each system are also budgeted for as part of each investments' OMB Exhibit 53 and 300.

The nearly $100 million identified for Interior IT security program initiatives in FY 2004— FY 2006 is focused on the right objectives and achieving lasting results. The annual FISMA evaluations of the OIG and CIO appropriately recognized that IT security at Interior is not perfect, that risks and vulnerabilities still remain, and that improvements need to be made. Nonetheless, Interior believes the policies and processes in place to address those risks are adequate, that improvements have been and will continue to be made in a timely and cost-effective manner, and that Interior substantially complies with FISMA.

Compliance with Key Legal and Regulatory Requirements

Interior is required to comply with several key legal and regulatory financial requirements, including the Prompt Payment Act, the Debt Collection Improvement Act, and the Independent Offices Appropriation Act (User Fees).

Based on the results of the FY 2006 independent financial statement audit, Interior was determined to be compliant with legal and regulatory financial requirements and the U.S. Government SGL components of the FFMIA. As noted earlier in this section, Figure 1-70 presents a summary of the Department's areas of compliance reported in the FY 2006 financial statement audit opinions.

Prompt Pay, Debt Collection, and Electronic Funds Transfer

The Department is continuing to improve performance under the requirements of the Prompt Payment Act and the Debt Collection Improvement Act. The Prompt Payment Act requires that payments be made within 30 days of receipt of invoice; otherwise, the Federal Government is required to pay interest, if more than $1.

The Department's FY 2006 performance resulted in achieving goals for Prompt Payment (Figure 1-76), Debt Collection Improvement Act (Figure 1-77), and payments made by Electronic Funds Transfer (Figure 1-78).

Financial Management Improvement Initiatives

The Department is moving forward to fully comply with the E-Gov travel initiative. During FY 2007, Interior will begin to roll out an automated travel voucher system that will complement the already automated Travel Manager Center and On-line Booking Engine. The system will be interfaced with the current finance system (FFS), as well as integrated with FBMS as it is deployed throughout the Department.

Improved Cost Information

The Department is in the process of validating the cost data reported in the Statement of Net Cost by implementing a reconciliation process between the Statement and the cost data accumulated and reported in the managerial cost accounting system. The cost information developed and reported through this process will allow bureau managers to evaluate how well bureau programs are meeting the Department's strategic goals and objectives. The process will be implemented in FY 2007

Financial Management Systems.

The Department shares the view of the government-wide CFO Council that a key to improved financial and program management is improved financial management systems. Improving financial management systems will provide for and strengthen decisionmaking capabilities and enable Interior program and financial managers to more effectively achieve the Department's missions. The Department recognizes the importance of its financial management systems as a part of its capital assets portfolio and uses sound information technology investment management principles to plan and monitor these systems. With FBMS, Interior's goal is to achieve and maintain the objective stated in OMB Circular A-127 for each agency to establish a single, integrated financial management system. In pursuing this goal, the Department will follow the information technology investment management practices and principles identified in the Clinger-Cohen Act of 1996.

Financial Management Systems Improvement Strategy.

The Department's goal is to continue to improve financial transaction processing and to enhance financial management systems support through an effective partnership of program, information system, and financial managers.

The Department relies on a unified set of financial management systems planned for and managed together and operated in an integrated fashion to collectively support program and financial managers. These systems are managed at various levels within the Department. Some of these systems are managed on a Departmental level, others are maintained at a bureau or local level, and some are government-wide systems on which the Department relies. Collectively, they represent the Department's financial management systems architecture.

The Department has viewed the movement toward a single, integrated financial system as encompassing four interrelated elements: (1) migrating to and enhancing standard Department-wide systems; (2) improving or replacing financial and mixed systems to take advantage of new technological capabilities (e.g., Internet browser and smart card technology); (3) effectively interfacing or integrating financial management systems through electronic transfer of data and establishing standardized financial data classifications for movement of data to support finance and program managers; and (4) following sound investment principles in selecting and evaluating financial management systems and recognizing those systems as part of the Department's portfolio of capital assets.

The Department's current financial management system improvement efforts involve three major thrusts:

- ***Financial and Business Management System.*** Define, carefully plan, and implement a new generation of financial management systems to take advantage of new technology and processing opportunities;
- ***Critical Programmatic/Financial Management Systems.*** Continue to improve certain critical bureau-based programmatic/financial management programs: Minerals Revenue Management and Indian Trust Funds; and
- ***Improve the Information Technology (IT) Infrastructure Supporting Financial Systems.*** The IT infrastructure is critical to maintaining quality financial management systems. One of the major IT infrastructure efforts is the Interior Information Architecture Program.

Financial and Business Management System. The Department of the Interior is in the process of implementing the Financial and Business Management System (FBMS). When fully operational, the FBMS will provide Interior with standard business practices supported by a single, integrated finance and administrative system for all bureaus. FBMS is an integrated suite of software applications that will help Interior to manage a variety of business functions, including core financials, acquisition, budget formulation, personal property and fleet management, real property, travel, financial assistance, and enterprise management information.

The financial systems and tools that are in place today do not meet the needs of the employees who report on key information, make decisions based on that information, and apply the limited resources that they have to serve each bureau's mission. In many areas, redundant administrative tasks take away time that could be better spent on mission-focused activities.

The FBMS is taking a comprehensive approach to improving the current business functions in its core systems by replacing the current computer systems with state-of-the-art software. The combination of standard business practices and new computer system functionality will enable the bureaus to improve service to their customers and to operate more efficiently.

Benefits gained from implementing this suite of applications will include:

- Access and share real-time, accurate business information;
- Support effective business decisions for mission delivery;
- Issue accurate financial reports and analysis of core financial acquisition, financial assistance, and property data.

FY 2006 Accomplishments

- Awarded a contract for FBMS implementation to IBM Business Consulting;
- Accomplished the necessary activities to ensure successful FY 2007 FBMS implementation—including deployment of core financials, Departmental interfaces, Financial Assitance, and Enterprise Management and Reporting for OSM and MMS. Activities include, but are not limited to the following:
  - Completed all system configuration, business process procedures, and test scripts for core financials and enterprise information management.
  - Completed the development and testing of conversion and interface programs, including FPPS labor and other external interfaces.
  - Conducted integration testing;
- Finalized the FBMS cutover plan for core financials; and
- Maintained ongoing operation of Deployment 1 (Financial Assistance at three bureaus).

FY 2007 Planned Activities

Accomplish the necessary activities to ensure successful FY 2008 FBMS implementation. Activities include, but are not limited to:

- Complete all system configuration, business process procedures and test scripts for core financials, acquisition, permanent change of station, and enterprise information managment.
- Complete the development and testing of conversion and interface programs.
- Conduct integration testing.
- Conduct user acceptance testing.
- Finalize the FBMS cut over plan for core financials and acquisition.

Critical Programmatic Systems

The Department has two critical programmatic systems that process financial data. They are the Minerals Revenue Management System and the American Indian Trust Funds Systems.

FIGURE 1-76

Prompt Payment

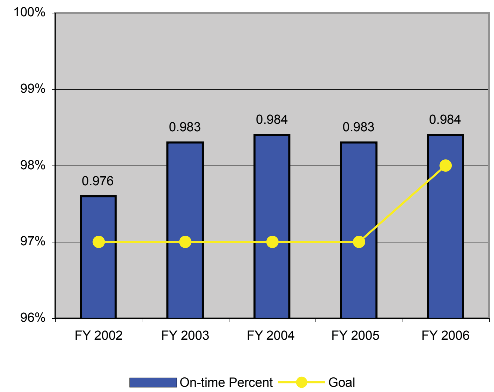


FIGURE 1-77

Debt Referral

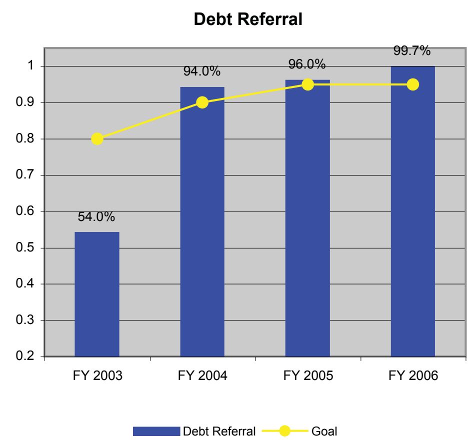
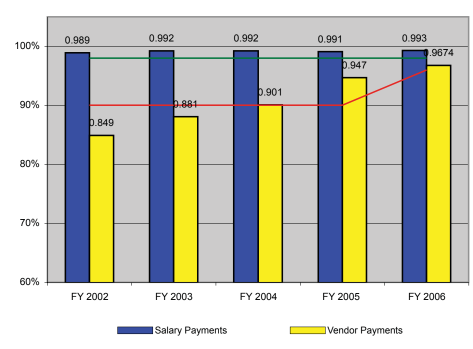


FIGURE 1-78

Electronic Funds Transfer



MMS's Minerals Revenue Management System

The Minerals Revenue Management (MRM) program is responsible for ensuring that all mineral revenues from Federal and Indian lands are efficiently, effectively, and accurately collected, accounted for, verified, and disbursed to recipients in a timely manner. These revenues average more than $8 billion annually. To ensure revenues are properly collected and disbursed, MMS utilizes a broad range of financial services, and pursues a comprehensive compliance strategy that includes an automated compliance verification program to validate the accuracy and timeliness of revenues paid. MRM also administers a robust Royalty-In-Kind (RIK) program, which utilizes an asset management approach to ensure the receipt of optimal value for mineral resources.

FY 2006 Accomplishments

- In March 2006, MMS completed an analysis that examined the performance of the RIK program during FY 2005, the second full year the program was in an operational status following 6 years of pilot testing. Among the highlights of the report were that RIK sales of oil and gas generated a revenue gain of $32.3 million over what would have been received if MMS had taken the royalties in value, or as cash payments. Moreover actual, measured administrative costs were from 42% to 52% less than the costs that would have been incurred under a universal royalty in value approach, an efficiency gain that translates to $3.75 million in cost avoidance.

- MMS developed a Risk Procedures Manual in April 2006 as a guide to RIK staff in everyday implementation of the risk policy. The Manual aligns with MMS's RIK internal control and performance/risk monitoring framework, established in FY 2005, to support the RIK operational program and MMS policy oversight functions. In August 2005, MMS released a RIK Risk Management Policy (based on two comprehensive risk assessments of the RIK Program) which identified and addressed the risks encountered in this commercial energy commodity sales program.
- Working in partnership with the Bureau of Land Management (BLM), Bureau of Indian Affairs (BIA), Office of the Special Trustee for American Indians (OST), and the U.S. Geological Survey (USGS), the MMS is leading an effort to expand the number of Indian outreach sessions provided by developing Indian oil and gas training that covers all aspects of trust management including land ownership, leasing, drilling, production verification, lease inspection, royalty reporting, compliance, royalty disbursement, and financial trust accounts. The new training is tailored for tribes and Individual Indian Mineral Owners in the various regions where outreach is conducted as well as for Department of the Interior employees who are involved in Indian oil and gas activities. The additional outreach sessions and the joint agency training program will provide Indian communities and Interior employees opportunities to gain more knowledge of the full spectrum of Indian mineral resources.

FY 2007 Planned Activities

- Implement an effective risk metrics program to quantitatively identify exposures and inform commercial decisionmaking within the RIK Program.

- Expand RIK portfolio through diversification, after enhancing internal controls, risk policy framework, and human resource skill sets.

- MRM will continue to implement its Strategic Business Plans.

- Publish a proposed Takes vs. Entitlements Rule.

- Publish a proposed rule for Prepayment of Royalties on Marginal Properties.

- Publish a proposed rule on Late-payment and Overpayment of Interest.

American Indian Trust Funds Systems

The American Indian Trust Fund Management Reform Act of 1994 (the Act) identified some of the Secretary's core responsibilities for trust fund management and established the Office of Special Trustee for American Indians. The Act identified actions required for the Secretary's proper discharge of trust responsibilities, including providing adequate systems for accounting for and reporting trust fund balances; providing adequate controls over receipts and disbursements; providing periodic, timely account reconciliations; determining accurate cash balances; and preparing periodic statements of account performance and balances. The Act also addressed the need for developing systems for accounting and investing funds, for reporting to account holders, and for maintaining accurate data on ownership and leasing of Indian lands.

In FY 2001, the Department commissioned an independent review that concluded the previous reform results were not accomplishing the intended comprehensive result. Accordingly, the Department developed a more comprehensive and integrated approach—the Comprehensive Trust Management Plan, dated March 28, 2003—that sets forth a strategic framework, including six strategic goals (and various objectives) for the Department to meet in fulfilling its obligations to its fiduciary trust beneficiaries:

- Beneficiary services that are trusted, accurate, and responsive;
- Tribal self-governance and self-determination that increase participation in managing assets;
- Ownership information that is accurate, timely, and reliable;
- Land and natural resources management that maximizes return while meeting beneficiary desires (constrained by beneficiary preferences on other factors);
- Trust fund assets management that meets fiduciary standards; and
- Administrative services that: (1) enable and empower the organization and workforce to be an effective fiduciary trustee; and (2) provide modern, appropriate systems and tools to manage the fiduciary trust.

Legal and Regulatory Requirements

The Plan identifies primary business lines: beneficiary trust representation, trust financial management and stewardship, and management of land and natural resources. Strategic goals and specific related objectives fit within these business lines. In addition, the Historical Accounting Plan for IIM Accounts is being implemented.

FY 2006 Accomplishments

Through the Office of the Special Trustee for American Indians, the Department of the Interior is in its second year of implementing the Fiduciary Trust Model (FTM). An Indian Trust Funds Lockbox has been implemented that receives, processes, and deposits trust fund remittances into the U.S. Treasury. Currently, all trust fund remittances derived from non-oil and gas activity are processed by the Lockbox, which mitigates the risk of physically handling funds.

In addition, the Department has introduced new systems to process work, substantially eliminated backlogs in recording vital information into the new title system, and more efficiently processing Indian Trust estates. All eight Bureau of Indian Affairs Land Titles and Records Offices (LTRO) have converted to a new land title system. BIA agency offices are currently in the process of converting to a new leasing system which is integrated with the land title and trust funds accounting system. The BIA's goal is to have all locations successfully converted to the new leasing system by September 30, 2007. As BIA locations convert to the new leasing system, Indian trust beneficiaries will begin receiving quarterly statements that include more detailed information on trust assets and trust income.

- Continued implementation of the FTM. Migrated to automated systems that are integrated in order to support the FTM trust business processes and fulfill beneficiary needs and fiduciary requirements.
- Fully converted 45 agencies to the accounting, payment processing, data, title, and management systems.
- Utilized the MRM, an MMS program for collecting, accounting for, and distributing mineral revenues from both Federal and Indian mineral leases. BIA maintains individual Indian ownership records, and OST uses this information for disbursement of lease revenues to individual Indian beneficiaries at the pilot and converted agencies.

- Distributed $62.9 million as of September 30, 2006, to individual Indian trust account holders who were previously on the "Whereabouts Unknown" list through collaborative efforts between OST, BIA, and tribal governments.

- Safeguarded millions of Indian trust records at the American Indian Records Repository, in Lenexa, Kansas. So far, more than 140,000 boxes containing almost 300 million pages of Indian records have been electronically indexed and stored at a state-of-the-art storage facility.

- Increased direct deposit to 2,376 IIM account holders, thus avoiding lost checks and providing timely delivery of funds.

- Published informational materials, including a new account Welcome Kit, and informational brochures, for Indian trust beneficiaries to help educate and inform them about their trust accounts and assets.

- Held outreach events, and attended Indian Country community events such as Pow Wows and meetings across the country to help inform Indian trust beneficiaries about their accounts and assets.

- Conducted assessments of business process workflows, integrated system support, and workforce plans at field locations.

- Incorporated regulatory initiatives into operating procedures, manuals and handbooks.

- Developed and incorporated standardized conveyance operating procedures into handbooks issued by BIA to streamline the process to acquire and convey ownership and beneficial interests in trust assets.

- Developed and automated standardized agricultural and range lease contracts.

- Developed training curriculum for the FTM standardized processes.

- Provided quarterly trust-related training, including Trust Fundamentals, orientation programs for OST Fiduciary Trust Officers and Deputy Superintendents, as well as new hires; TFAS, lockbox operations, and other related trust systems.

- Certified 50 Interior employees as Certified Indian Fiduciary Trust Analysts and/or Specialists.

- Aligned the Risk Management program with OMB Circular A-123 and A-130 for all OST locations.

- Completed BIA-wide implementation of the Lockbox.

- Completed DQ&I project tasks for 45 BIA agencies.

- Implemented post-quality assurance review processes at four BIA LTROs.

- Completed a directive handbook to standardize the format of various types of directives that provide guidance to program offices in the creation and maintenance of OST directives.

FY 2007 Planned Activities

- Continue implementation of systems and processes at BIA regions with scheduled completion in September 2007.

- Redesign and update the OST external web site (www.doi.gov/ost) to be interactive and informational for Indian Trust account holders.

- Work with a contractor to communicate with Indian trust beneficiaries about the services and products available to them and how Indian trust management reforms affect them.

- Develop and implement Cannon's Certified Indian Trust Examiner certification program.

- Certify additional Interior employees as Certified Indian Fiduciary Trust Analysts and/or Specialists.

- Develop and provide job-specific training to over 500 Interior and tribal employees in new FTM business processes, e.g., Lockbox; tribal self-governance and self-determination; and trust accounting.

- Continue implementation of the multi-phased FTM project plan, and create a unified CTM/FTM continuous improvement team with representatives from multiple bureaus and tribes.
- Distribute an aligned risk management assessment tool that provides automated assessment and corrective action plan development and maintenance.
- Enhance the lockbox operations for additional funds processing.
- Complete Regulatory Initiative Project and implement new Indian Affairs Trust-Related Regulations.
- Revise, implement, and train on standardized BIA Handbooks and OST Desk Operating Procedures in compliance with new regulations.
- Complete analysis of probate information across all trust systems and implement reconciliation recommendations.
- Eliminate Special Deposit Accounts, except in the case of issue-specific accounts that are awaiting Solicitor's opinion or policy decision, under appeal or involved in litigation, or awaiting completion of a cadastral survey.
- Move decisionmaking on selected transactions to the local level.

Improve the Information Technology (IT) Infrastructure Supporting Financial Systems

The IT infrastructure is critical to maintaining quality financial management systems. One of the major IT infrastructure efforts is the Interior Information Architecture Program.

Interior Enterprise Architecture Program

For the last two consecutive enterprise architecture (EA) maturity reviews, OMB has rated Interior as the #1 Federal agency for EA maturity. Agencies were evaluated on three factors of their EA Program: completeness, use, and results. Interior demonstrated the Interior Enterprise Architecture (IEA) program has proven that its approach is indeed an "actionable" one by demonstrating tangible results emanating from the program. For example, Interior has completed four modernization blueprints that collectively identify approximately 100 legacy/redundant systems that are targeted for retirement over the next few years. Blueprints are helpful for identifying gaps in Interior's existing IT portfolio that hamper the successful achievement of strategic and programmatic goals and objectives, as well as for pointing out system redundancies and opportunities for data sharing. In addition, Interior has realized approximately $68 million in cost avoidance by leveraging its Technical Reference Model in the establishment of enterprise licensing agreements.

More important than the external accolades is the business transformation that has been enabled at Interior through the IEA program. Through the IEA program, Interior has completed architectures for four of its key business areas with seven additional business areas currently using the Methodology for Business Transformation (MBT) to develop their architectures. Specifically, Interior has focused on the business areas that comprise large percentages of the IT portfolio. These areas, such as Financial Management, Law Enforcement, Wildland Fire, and Recreation, have been architected to improve the overall IT portfolio, as well as the delivery of services within the organizations themselves. This segmented approach to EA ensures that Interior is applying its architecture resources against the Department's most impacting and critical business areas. Currently, there are seven additional Modernization Blueprints being produced, including: Water Management, Surface Mining, Management Planning and NEPA, Geospatial Services, Human Resources, Indian Trust, and Information Technology Management.

In addition to the OMB scores and the internal progress, the IEA program has been recognized by other organizations, including:

- Winner of the 2nd Annual E-Gov Institute award for Excellence in EA for Leadership in Government Transformation in 2004;
- Recipient of Government Computer News

Best Practice recognition for Interior's Data Architecture in 2005;

- Interior was Leveraged by the Federal Enterprise Architecture Program Management Office (FEAPMO) in its Data Reference Model as a real-life example for an implemented Data Architecture;

- Interior's Enterprise Transition Plan was referenced by the FEAPMO as a reference to other Federal agencies;

- The IEA program was featured as a two-part case study in the Journal of Enterprise Architecture in January and May 2006;

- The IEA program and MBT have also been featured as a best practice in the Federal Enterprise Architecture Certification (FEAC) Institute FEA certification course; and

- The IEA program has conducted outreach and information sharing sessions with over 25 Federal, State, and Local government agencies, as well as five foreign governments with the intent of sharing best practices and helping the EA community of practice.

The IEA program has proven that its approach is indeed an "actionable" one. Three of the four modernization blueprints, or road maps for change, developed in 2004 were approved by the Investment Review Board (IRB) and are presently in the implementation phase. In order to help business leaders within Interior conform to the OMB mandate to plan and carry out their own business transformation projects, the IEA extended its architecture methodology to encompass not only steps for the development, but also for the implementation and maintenance of modernization blueprints. This Methodology for Business Transformation provides bureau enterprise architects with a structured, logical and integrated way of ensuring that planning efforts have measurable results and that they are in step with Capital Planning and OMB requirements. As a result of these efforts, Interior was awarded the highest maturity score for its enterprise architecture program out of 25 assessed agencies in July 2005.

FY 2006 Accomplishments

- Rated #1 of 25 Federal agencies for enterprise architecture maturity by OMB in 2005 and 2006. OMB noted Interior's Integrated Approach, Centralized EA repository, and success at implementing Modernization Blueprints for critical Lines of Business that resulted in targeting redundant systems for retirement, overall IT budget savings, and increased business efficiency. In particular, OMB praised Interior for being aligned with the OMB Federal Enterprise Architecture (FEA), for using an enterprise-wide centralized Departmental Enterprise Architecture Repository (DEAR) to support IT investment decisions, and for its success at implementing Modernization Blueprints for critical Lines of Business.

- Interior EA Program has identified more than 100 redundant IT systems for retirement. As a result of the 4 completed Modernization Blueprints which provide a detailed plan for improving internal efficiencies and end services, minimizing security and privacy risks, and reducing Interior's total cost of ownership through elimination of redundant systems and investments, approximately 100 redundant systems were identified and will be retired within the next 1-3 years, resulting in millions of dollars in savings.

- Modernization Blueprints are underway for seven key business areas. Interior and its bureaus are developing modernization blueprints for the following business areas: Water Management, Surface Mining, Management Planning and NEPA, Geospatial Services, Human Resources, Indian Trust, and Information Technology Management. Like the prior blueprints, these blueprints will define a target architecture and the road map to get there.

- Interior EA Program generates International Interest. The Interior EA program has provided information sharing sessions on it methods and achievements to the representatives from Japan, Korea, Denmark, and Singapore.

- Interior EA Program has increased integration of Information Security with EA methods and tools. Since 2004, the Interior EA program has used the

NIST 800-60 security guidelines when it examines how Interior businesses use IT systems to support business functions. Utilization of NIST 800-60 ensures the identification of all data used that requires either privacy or security protection.

- Interior EA Program has integrated IT Certification and Accreditation tracking systems with a centralized EA repository. Since the Interior EA repository contains the official IT system inventory, the Interior Security C&A tracking system has been integrated into the EA Repository ensuring that all Interior IT systems receive required C&A and maintain required C&A status.

- Interior Enterprise Information Technology Security Architecture Standard. The IEA program supported and partnered with the Cyber-Security Division in the development of this standard document which prescribes a solution-focused and actionable architecture that facilitates key information security objectives. This document is planned for release prior to the end of fiscal year 2006.

- MBT and DEAR Training. Training sessions in Denver and Washington D.C. metro area were held to train architects and other stakeholders on Interior's Methodology for Business Transformation (MBT), which is Interior's approach for creating, implementing, and maintaining modernization blueprints and the DOI EA Repository (DEAR).

FY 2007 Planned Activities

- Complete modernization blueprints currently underway: Indian Trust, Management Planning and NEPA blueprint, Geospatial, Human Resources, Water Resources Management.

- Update Interior's Performance Architecture and DEAR with current Interior Strategic Planning Measures.

- Update Interior's Business Architecture to define and document functions, processes, and activities, and identify opportunities for process standardization and streamlining.

- Enhance Interior's Performance Architecture by including business areas and the criteria for prioritizing future modernization planning in the Enterprise Transition Plan.

- Improve EA Deployment by developing a business intelligence (BI) capability integrated with DEAR to provide Interior capital and strategic planners integrated EA planning and execution monitoring information.

- Improve EA Deployment by integrating Performance Monitoring and Tracking within the EA Program.

- Enhance Interior's Transition Strategy by revising the Methodology for Business Transformation to include specific reference to how the blueprint recommendations are used to update Interior's Enterprise Transition Strategy.

- Enhance Interior's Transition Strategy by revising the Methodology for Business Transformation to include specific guidance integrating capital planners and appropriate EA governance bodies in the process of creating the proposed investments for modernization blueprints.

- Improve EA Deployment by revising the Interior EA website to provide more effective communication of the business value of EA.

- Improve EA Governance and Management oversight by instituting semi-annual reporting of Bureau EA Maturity Assessments.

Financial Management Human Capital

The Department of the Interior's financial management community continues to face major workforce challenges. The decade of the 1990s brought significant legislation and increased responsibilities for the entire Federal financial management community. Then came the requirements of the President's Management Agenda and, more recently, OMB's revised Circular A-123 Appendix A requirements. In addition to the government-wide initiatives, Interior is also engaged in a Departmentwide effort to implement a fully integrated Financial and Business Management System (FBMS).

It is imperative that Interior have adequate numbers of highly qualified financial management personnel. These individuals must have the competencies required to successfully transition to and implement the FBMS, as well as the ability to lead a world-class finance organization in the future. The need for a highly qualified Financial Management workforce comes at the same time that many Baby Boomer supervisors, managers, and executives reach retirement age.

A financial management workforce plan was completed and published at the end of 2004. Interior's CFO Council approved the plan's major recommendations, established a Workforce Steering Committee in early 2005, and is responsible for implementing the identified recommendations. The workforce plan's four major recommendations are:

- A strategic focus on new employee recruitment;
- Retention of employees who have or can develop needed competencies;
- Career paths to develop employees at all levels of experience with "workforce of the future" skills; and
- Training and professional development opportunities for both technical/analytical skills and business/organization skills to enhance competencies and develop employees who are flexible and versatile.

Increasing the Availability and Diversity of Qualified Accountants, Financial Analysts, and Other Personnel

The Financial Management Workforce Plan highlights the need for strategic recruitment and retention, with particular emphasis on using programs such as career intern programs. Interior established the R. Schuyler Lesher Financial Management Career Intern Program (FMCIP) in 2002 to recruit and train entry-level professionals in accounting and financial analysis for the Department and the bureaus. Each year Interior's financial management community partners with DOI University to recruit a new class of high potential entry-level accountants and financial analysts to participate in this career development program. The Financial Management Workforce Plan reinforces the importance of continuing the Financial Management Career Intern Program (FMCIP).

The Workforce Plan also recommends making better use of existing recruitment and retention authorities and incentives. The Workforce Steering Committee established a recruitment subgroup which developed a cross-bureau financial management recruitment strategy and implemented a recruitment schedule for the Fall of 2006.

FY 2006 Accomplishments

- Hired six new interns as the 2006 Class of FMCIP;
- 2005 FMCIP Class (four interns) completed the first year of training and development;
- Graduated the 2004 FMCIP Class with eight members;
- Expanded efforts to recruit for the FMCIP at various multi-school and diversity career fairs in the Northeast, the Midwest, the Southwest, and in Colorado;
- Developed and implemented a Departmentwide, cross-bureau financial management recruitment strategy; and
- Executed a Fall 2006 recruitment schedule.

FY 2007 Planned Actions

- Recruit a new FMCIP class of 2007;
- Research best practices among Federal agencies in using existing recruitment authorities; and
- Implement a Departmentwide, cross-bureau financial management retention strategy, providing tools for managers and supervisors.

Sponsoring Comprehensive Training and Career Development Programs in Financial Management

The other critical component of Financial Management Human Capital is to provide appropriate training and professional development opportunities to existing financial management personnel so that they are prepared to carry out their growing responsibilities. The Financial Management Workforce Plan noted specific competencies Interior's workforce must develop to support both the implementation of the FBMS and a successful transformation to a world-class finance organization. The plan emphasized the need for a simultaneous focus on competency training and development for both the current transition period and for the future.

The Financial Management Workforce Plan recommends a comprehensive financial management career paths program, with career paths defined at multiple levels. Interior has already implemented an entry-level phase of the Financial Management Career Paths Program with the FMCIP. Initial work has begun on the design and development of a competency model. The competency model will be used to develop and implement the mid-level, senior-level, and executive-level components of this comprehensive program.

Interior plans to expand training and career development opportunities to support the career paths identified in the new career paths program. The program will be built on the Joint Financial Management Improvement Program (JFMIP) published core competencies, the critical competencies identified in the financial management workforce plan, and validation by a 2006 Financial Management Competencies Survey.

FY 2006 Accomplishments

- Conducted and analyzed a Departmentwide survey of senior financial managers and executives to identify and validate required competencies for accountants and financial analysts.

- Developed a Financial Management Competency Model which will be validated and used in the design and development of a Financial Management career paths program.

- Sponsored graduates of the FMCIP for certification in Financial Management and Leadership Development through Management Concepts, Inc.

- Sponsored courses in:
  - Working Across Multigenerational Workforces
  - Dollars and Sense
  - Governmental Budget and Accounting Concepts
  - Appropriations Law
  - Standard General Ledger
  - Process Improvement
  - Formal Mentoring
  - Budget Formulation and Execution
  - Effective Briefing and Presentation Skills
  - FASAB Standards
  - Internal Controls
  - Essentials of Analysis
  - CGFM series
  - Leading and Managing Change
  - Leadership Development

2007 Planned Actions

- Conduct a Departmentwide financial management skills gap analysis based on the Financial Management Competency Model.

- Conduct a Financial Management needs assessment.

- Begin to design the Financial Management Career Paths curriculum, which will be developed in 2008.

Financial Data Stewardship

Financial data stewardship is the process of managing information needed to support program and financial managers, and ensuring that data captured and reported is accurate, accessible, timely, and usable for decisionmaking and activity monitoring. The objective of data stewardship policy is to synchronize data collection processes, reduce data redundancy, and increase data accessibility, availability, and flexibility in a systematic manner. Effective data stewardship requires that: (1) definitions clearly describe requirements and characteristics of data to be maintained in financial management systems; (2) data is created, recorded, and reported in compliance with definitions; and (3) feedback is provided when data are inadequate to meet user needs for information. Additionally, data assurance must provide attestation to, or comments on, the integrity of the information in the system.

The Office of Financial Management (PFM) provides overall coordination of data stewardship functions for financial data in Interior. The data stewardship function involves two levels of activities: (1) participating in setting government-wide financial data standards; and (2) setting financial data standards in coordination with the bureaus' finance operations.

PFM has dedicated one full-time staff person to focus on data stewardship functions, participate in government-wide financial data standard setting activities, and coordinate with the Standard Accounting Classification Advisory Team (SACAT) on setting standards for financial data for use throughout Interior. Several other individuals within PFM assist the data steward on various individual projects. The PFM data steward monitors the Departmentwide data definition process, monitors data creation and compliance processes, ensures data usage relies on information derived from data consistent with the intended definition, and ensures adjustments are made to data definitions when it is inadequate to meet user needs. In addition, the PFM data steward participates in the development and implementation of the Financial and Business Management System (FBMS). This function also coordinates Departmental financial data definitions with the two key government-wide financial data standard setting groups—the Financial Management Service's United States Government Standard General Ledger (USSGL) Board and OMB. The data steward acts as the point of contact for Continuity of Operations processes and procedures for the PFM.

To coordinate the establishment and implementation of financial data standards in Interior, the bureaus and PFM have chartered the SACAT, under the leadership of the Finance Officers' Partnership, to establish and maintain a common approach among the bureaus for addressing USSGL issues that relate to accounting policy and procedures, reporting requirements, internal controls, and SGL maintenance. The PFM data steward is a member of the SACAT.

In addition to the SACAT, the data steward also participates on the Financial Statement Guidance Team (FSGT). The FSGT is comprised of the various bureaus of the Department and deals with issues and concerns related to the preparation of the performance and accountability report and implementation of A-136.

FY 2006 Accomplishments

- Analyzed and enhanced the reporting process to support performance reporting under the GPRA and the timely preparation of the Annual Performance and Accountability Report.
- Prepared Department responses to draft FASAB, OMB, and Treasury financial reporting guidance. PFM and various bureaus of the Department are working closely with the AAPC to prepare guidelines for implementation of SFFAS 29 and 30. PFM and the Department have actively participated in the development of specific accounting standards addressing oil and gas treatment on the balance sheet. In addition, PFM leads a government-wide workgroup to respond to FASAB issues for the Chief Financial Officers' Council.
- Coordinated the reconciliation of intra-Interior financial balances and the reconciliation of Interior transaction balances with other Federal agencies.
- Updated intra-Department financial statement preparation guidance.
- Worked closely with the FBMS Steering Committee to monitor implementation progress; address and resolve accounting and reporting issues; and ensure appropriate internal controls are planned, implemented, and functioning as intended.
- Ensured PFM compliance with National Response Plan and Continuity of Operations requirements by participation in meetings, training, and drills.

FY 2007 Planned Activities

- Continue to analyze and enhance the reporting process to support performance reporting under the GPRA and the timely preparation of the Annual Performance and Accountability Report.
- Continue to coordinate and prepare Department responses to draft FASAB, OMB, and Treasury financial reporting guidance.
- Continue to work with the AAPC to develop and issue guidance on the implementation and interpretation of SFFAS 29 and 30.
- Continue to coordinate the reconciliation of intra-Interior financial balances and the reconciliation of Interior transaction balances with other Federal agencies.
- Update intra-Department financial statement preparation guidance.
- Work closely with the FBMS Steering Committee to monitor implementation progress; address and resolve accounting and reporting issues; and

ensure appropriate internal controls are planned, implemented, and functioning as intended.

- Continue to participate in Continuity of Operations and emergency management meetings, training, and drills.

Analysis of Financial Statements

Interior received, for the 10th consecutive year, an unqualified audit opinion on its financial statements. These financial statements are prepared in accordance with established Federal accounting standards and are audited by the independent accounting firm of KPMG LLP. It is Interior's goal to improve financial management and to provide accurate and reliable information that is useful for assessing performance and allocating resources.

Figure 1-79 illustrates a condensed version of Interior's Consolidated Balance Sheet and Statement of Net Cost.

Overview of Financial Position

Assets

In FY 2006, Interior's assets totaled $65,433 million. This is an increase of $1,999 million over the prior year's assets, which totaled $63,434 million. Intragovernmental Assets and General Property, Plant, and Equipment comprise 95% of the total assets. *Figure 1-80* summarizes Interior's assets as of September 30, 2006.

Intragovernmental Assets are primarily composed of the Fund Balance with Treasury, Investments in U.S. Treasury Securities, and Loans and Interest Receivable.

General Property, Plant, and Equipment are primarily composed of land, structures, and facilities which are used for general operations, power, wildlife enhancement, and recreation. Most of Interior's structures and facilities are composed of dams, power, and irrigation facilities managed by BOR. The remainder consists of buildings and facilities used in Interior's operations (e.g., visitor centers, fish hatcheries, and BIA schools).

Liabilities

In FY 2006, Interior's liabilities totaled $11,938 million. This is a decrease of $759 million over the prior year's liabilities, which totaled $12,697 million. Intragovernmental Liabilities, Federal Employee and Veteran's Benefits and Accounts Payable with the Public comprise 72% of the total liabilities. *Figure 1-81* summarizes Interior's liabilities as of September 30, 2006.

Intragovernmental Liabilities comprises primarily

FIGURE 1-79

Condensed Balance Sheet
As of September 30, 2006 and 2005
(dollars in thousands)

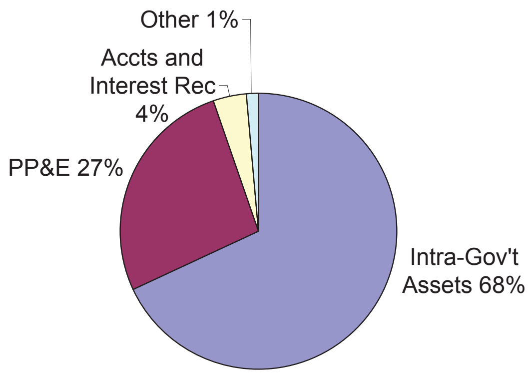
	2006	2005	% Change
Assets			
Intragovernmental Assets	$ 44,577,141	$ 42,462,958	5%
General Property, Plant, and Equipment, Net	17,491,901	17,323,778	1%
Accounts and Interest Receivable, Net	2,478,037	2,660,566	-7%
Other	885,908	986,598	-10%
Total Assets	$ 65,432,987	$ 63,433,900	3%
Liabilities			
Intragovernmental Liabilities	$ 6,068,514	$ 6,877,463	-12%
Accounts Payable	1,109,655	1,082,888	2%
Federal Employee and Veteran Benefits	1,387,423	1,367,705	1%
Contingent Liabilities	614,468	631,174	-3%
Other	2,757,915	2,737,748	Less than 1%
Total Liabilities	11,937,975	12,696,978	-6%
Net Position			
Unexpended Appropriations	4,227,548	4,179,242	1%
Cumulative Results of Operations	49,267,464	46,557,680	6%
Total Net Position	53,495,012	50,736,922	5%
Total Liabilities and Net Position	$ 65,432,987	$ 63,433,900	3%

Condensed Statement of Net Cost
For the Fiscal Years Ended September 30, 2006 and 2005
(dollars in thousands)

	2006	2005	% Change
Mission			
Resource Protection	$ 2,810,075	$ 2,298,764	22%
Resource Use	2,615,472	2,902,861	-10%
Recreation	1,410,049	1,507,425	-6%
Serving Communities	5,614,166	5,833,820	-4%
Non-Mission			
Reimbursable Activity and Other Costs	954,780	870,156	10%
Net Cost of Operations	$ 13,404,542	$ 13,413,026	Less than 1%
Total Cost	19,484,442	19,750,645	-1%
Total Revenue	6,079,900	6,337,619	-4%
Net Cost of Operations	$ 13,404,542	$ 13,413,026	Less than 1%

FIGURE 1-80

FY 2006 Asset Categories



debt to the U.S. Treasury, resources payable to Treasury, and advances and deferred revenue.

Federal agencies, by law, cannot disburse money unless Congress has appropriated funds. Funded liabilities are expected to be paid from funds currently available to the Department. Interior's unfunded liabilities consist primarily of environmental and legal contingent liabilities and unfunded employee compensation costs, which include Federal Employment and Compensation Act and annual leave. These liabilities will be paid from funds made available to Interior in future years. The associated expense is recognized in the period in which the liability is established, regardless of budgetary funding considerations.

Ending Net Position

Interior's Net Position at the end of 2006, disclosed in the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position was $53,495 million, an increase of about $2,758 million or 5% from the previous year.

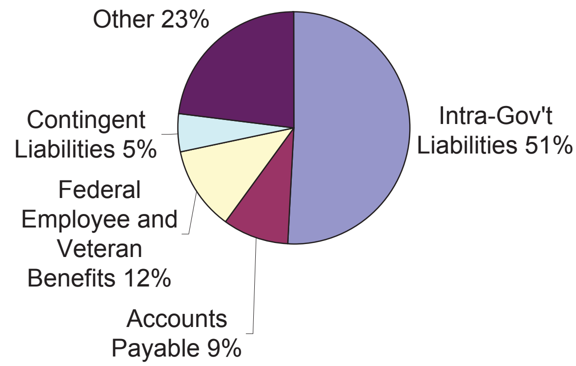
The Net Position of Interior consists of two components (1) Unexpended Appropriations of $4,228 million and (2) Cumulative Results of Operations of $49,267 million. The growth in Unexpended Appropriations is primarily due to the annual increase in budget authority Interior receives for its missions.

Results of Operations

Interior's net cost of operations for FY 2006 was $13,404 million. This is a decrease of $9 million from the previous year's net cost of $13,413 million.

FIGURE 1-81

FY 2006 Liability Categories



Most costs incurred by Interior are directly related to providing services to the public. Costs associated with earning revenue from Federal agencies are approximately 11% of total expenses.

The Consolidated Statement of Net Cost is divided into the following five major program segments: Resource Protection; Resource Use; Recreation; Serving Communities; and Management Excellence, Reimbursable Activity and Other. Serving Communities represents 41% of the Department's net cost of operations (*Figure 1-82*).

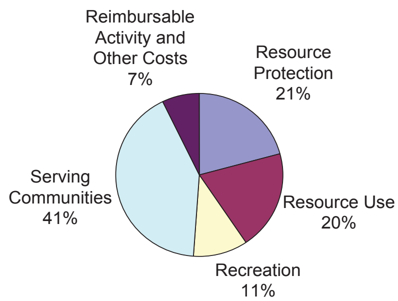
Revenues

During FY 2006, Interior earned approximately $2,911 million in revenue from the public and approximately $3,169 million in revenue from other Federal entities, for a total of $6,080 million (*Figure 1-79*). This is a decrease of about $258 million from September 30, 2005. In FY 2005, approximately $3,166 million was earned in revenue from the public and approximately $3,172 million was earned in revenue from other Federal entities for a total of $6,338 million.

Interior classifies revenue as either exchange or nonexchange revenue. Exchange revenues are those that derives from transactions in which both the government and the other party receive value, including park and wildlife refuge entrance fees, map sales, and other products and services that are directly related to Department operations. Revenue collected from other Federal agencies consists of reimbursable activities such as construction, engineering, and other technical services. Most of the revenue received from Federal

FIGURE 1-82

FY 2006 Net Cost of Operations



agencies is generated from Interior Franchise Fund and National Business Center operations that provide shared administrative services. Interior also collects mineral lease revenues on behalf of the Federal Government. These are presented in the Statement of Custodial Activity rather than the Statement of Net Cost.

Interior collects various non-exchange revenue. Examples of non-exchange revenue are taxes, fines and penalties that the Federal Government collects as a result of its sovereign powers rather than as a result of providing goods or services for a fee. Non-exchange revenue decreased from $1,277 in FY 2005 to $1,250 million for FY 2006.

Custodial Activity

In accordance with Federal accounting standards, receipts from mineral leasing revenue are presented in the Department's Statement of Custodial Activity since the collections are considered to be revenue of the Federal Government as a whole rather than the Department. Mineral leasing revenue was $11,867 and $12,386 million as of September 30, 2006, and 2005, respectively, and include Outer Continental Shelf and onshore oil, gas, and mineral sales and royalties.

Interior collects a portion of revenue as royalties-in-kind for transfer to the Strategic Petroleum Reserve. Interior received approximately 25.6 million barrels of petroleum as in-kind mineral lease revenues for the period ended September 30, 2005. This initiative was completed in July 2005. During FY 2006, subsequent revisions to the petroleum estimate were made based on actual data, thus decreasing the reserve value by $18 million.

Budgetary Resources

Interior receives most of its funding from general government funds administered by the U.S. Treasury and appropriated for Interior's use by Congress. These resources consist of the balance at the beginning of the year, appropriations received during the year, and spending authority from offsetting collections, as well as other sources of budgetary resources (*Figure 1-83*). Other resources include special and trust funds such as Conservation Funds (the Land and Water Conservation Fund, Historic Preservation Fund, and the Environmental Improvement and Restoration Fund), the Reclamation fund, and the Aquatic Resources Trust Fund. These funds are administered in accordance with applicable laws and regulations.

The Statement of Budgetary Resources provides information on the budgetary resources that were made available to Interior for the year and the status of those resources at the end of the fiscal year. Obligations of $21,434 and $21,114 million were incurred as of September 30, 2006, and 2005 on total budgetary resources of $27,620 and $26,825 million, respectively (*Figure 1-84*).

Stewardship Assets and Investments

Interior is the Federal Government's largest land-managing agency, administering over 500 million acres of America's land mass and serving as steward for the natural and cultural resources associated with these lands. Each bureau within Interior that administers stewardship lands serves to preserve, conserve, protect, and interpret how best to manage the Nation's natural, cultural, and recreational resources. Some of these stewardship lands have been designated as multiple use, which Congress defines as management of both the land and use of the land in a combination that will best meet the present and future needs of the American people. The stewardship assets managed by Interior generally remain constant (*Figure 1-86*).

Stewardship investments represent expenses charged to current operations that are expected to benefit the Nation over time. Interior's Stewardship Investments include research and development programs, investments in education, and the purchase or construction of assets for which State, local, or Tribal governments and insular areas retain title. Stewardship investments are summarized in the following table.

FIGURE 83

Budgetary Resources *
(in millions)

* Excludes Non-budgetary Credit Program Financing Accounts

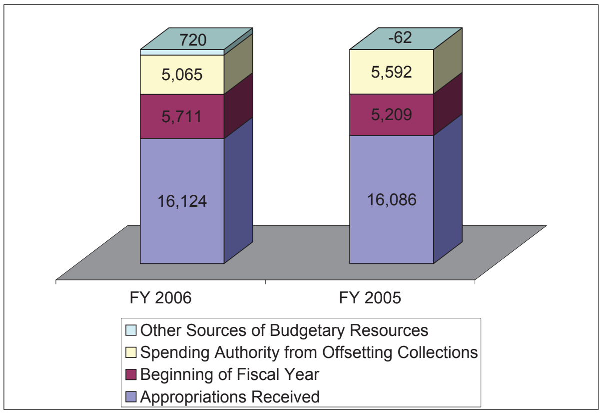


FIGURE 84

Status of Budgetary Resources *
(in millions)

* Excludes Non-budgetary Credit Program Financing Accounts

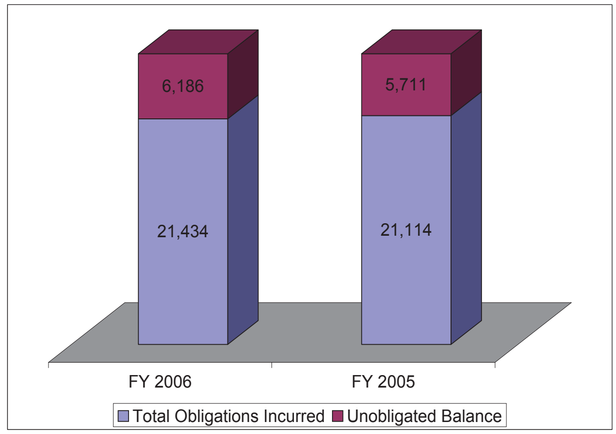


FIGURE 1-85

Stewardship Investments (in millions)

	FY 2006	FY 2005	Change	% Change
Non-Federal Physical Property	665	557	108	19%
Research and Development	857	918	-61	-7%
Human Capital	605	614	-9	-1%
Totals	2,127	2,089	38	-2%

The increase in Non-Federal Physical Property can be attributed to the completion of several significant Reclamation projects.

Interior's reported values for Property, Plant, and Equipment exclude stewardship assets because they are considered priceless and do not have an identifiable value. Therefore, monetary amounts cannot be assigned. An in-depth discussion of these assets is presented in the Required Supplementary Information section of the Performance and Accountability Report.

Limitations of Financial Statements

Management prepares the accompanying financial statements to report the financial position and results of operations for the Department of the Interior pursuant to the requirements of Chapter 31 of the U.S.C. Section 3515(b).

While these statements have been prepared from the records of the Department in accordance with generally accepted accounting principles and formats prescribed in OMB Circular No. A-136, "Financial Reporting Requirements," these statements are in addition to the financial reports used to monitor and control the budgetary resources that are prepared from the same records.

These statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity.

FIGURE 1-86

Stewardship Land (Federal Units)

	Beginning Units	Additions	Withdrawals	Ending Units
BLM	126	-	-	126
NPS	388	2	-	390
FWS	668	2	-	670
BOR	146	-	-1	145
BIA	220	1	-	221
Other	1	-	-	1
Total	1,549	5	-1	1,553

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PART 2.
PERFORMANCE DATA AND ANALYSIS
(Unaudited)

Performance Data and Analysis

Department of the Interior Performance

The FY 2006 Performance Data and Analysis section documents the performance of the Department of the Interior against the FY 2003-2008 Government Performance and Results Act (GPRA) Strategic Plan. The Performance Data and Analysis section is organized according to Interior's four areas of mission responsibility and their accompanying strategic goals. These goals provide a framework for the strategic plans of Interior's bureaus. The mission areas and mission goals are as follows:

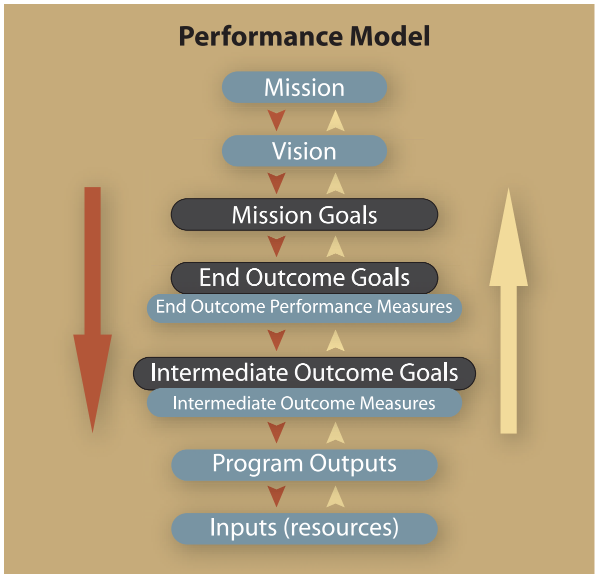
- Resource Protection: Protect the Nation's natural, cultural and heritage resources;
- Resource Use: Manage resources to promote responsible use and sustain a dynamic economy;
- Recreation: Provide recreation opportunities for America; and
- Serving Communities: Safeguard lives, property, and assets; advance scientific knowledge, and improve the quality of life for communities we serve.

A fifth area, Management Excellence, provides the enabling framework within which Interior carries out its mission responsibilities using improved business processes, practices, tools, and a highly trained, skilled workforce.

The GPRA Strategic Plan and Interior's Performance Methodology

Interior's GPRA Plan provides a high-level overview of performance, setting large mission goals and broad program objectives. Its greatest value stems from Interior's ability to connect a strategic view with each day's ground-level work, whether that work is rehabilitating a wetland clogged with the invasive purple loosestrife, improving a visitor center at a national park, monitoring the rehabilitation of an abandoned mine, helping an American Indian child become a better reader, or adding real-time capability to a flood warning system. Because the GPRA Plan sets a clear hierarchy of goals and measures, it lets each of us see exactly how our work contributes to Interior's end results. And with targets set at every level, the Plan provides measures by which to judge what Interior has accomplished.

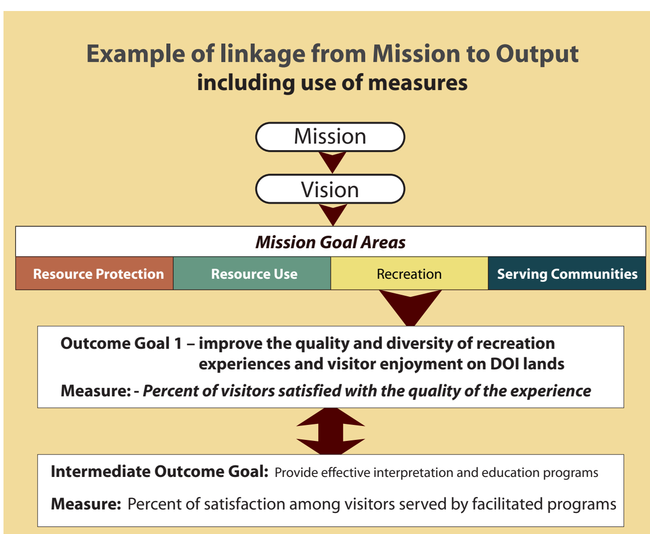
FIGURE 2-1



The plan structure focuses on end outcomes, selected high-priority intermediate outcomes, and measures that will verify progress toward outcome achievement. Each mission area has its own end-outcome goals and performance measures.

The outcome goals and performance measures maintain Interior's focus on the bottom line – specific results that must be achieved to be successful in accomplishing Interior's mission. To progress toward these goals, Interior has identified a series of intermediate-outcome goals that support, promote, and serve as vehicles for achieving results. Performance measures are linked directly to end-outcome goals or to intermediate-outcome goals to help assess progress. Putting these into effect, in turn, requires an array of program-level activities and their associated outputs. Outputs are typically quantifiable units of accomplishment that are a consequence of work done to execute Interior's GPRA Plan (e.g., acres treated for hazardous fuels or park safety programs implemented). Activity-based costing enables Interior to connect outputs to costs, creating a powerful management tool that implements recognition of superior performance, focusing attention on achievement and innovation, and moving more quickly to spread best practices throughout Interior.

FIGURE 2-2



In Interior's GPRA Plan, the outcome goals are cast in a long-term context – typically covering the duration of the GPRA Plan (5 years). These goals and measures are annualized to demonstrate incremental progress toward achieving long-term targets. Additional annual performance measures and targets may be incorporated into annual performance budgets to supplement Interior's core measures and to adapt to evolving needs. In certain instances, Interior may adopt outcome measures that appear output-like because they use units of measurement, such as acres restored or permits issued, which have output connotations. The context in which the measure is applied however remains outcome focused. In some cases, a true outcome measure may be too far beyond the control of Interior's programs to assume full accountability. In such cases, Interior uses the best indicator it can develop to assess its contribution and progress toward that goal.

Selected high-priority, intermediate-outcome goals and measures appear in both the GPRA Plan and bureau or Departmental office operating plans. Most intermediate-outcome goals and specific work outputs appear only in bureau or office operating plans. This category of goals is used to link budgets to performance.

Although Departmental planning now centers on high-level, outcome-oriented goals and performance measures, performance information will be tracked and evaluated at various levels within the organization.

Linking key programs and the outcomes of individual efforts, programs, and bureaus reinforces Interior's stewardship of its critical resources, especially important in light of population pressures, growing public demand, and accelerating changes in science and technology. The Plan provides Interior with a set of consistent goals and a common agenda. It provides the means to increase focus on performance results, helps make managers more accountable, and creates a springboard for communication, collaboration, and coordination in the interest of conservation with interested citizens, organizations, and constituents on Interior's future direction.

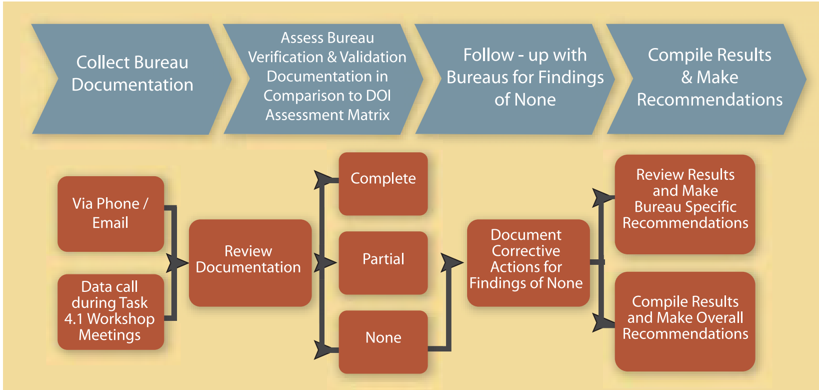
When employed and examined as a whole, Interior's GPRA Plan tells the story of the Department's work and provides support to various budgetary and programmatic initiatives key to achieving Interior's goals. It establishes performance measures so they act like stepping stones, keeping programs on track, on time, and on budget.

Data Verification and Validation

To credibly report progress toward intended results and to enable performance-informed decision-making, Interior needs to ensure that its performance information is sufficiently accurate, reliable, and sound. GPRA requires agencies to describe the means used to verify and validate measured performance as part of annual performance reports. Verification includes assessing data completeness, accuracy, and consistency and related quality control practices. Validation assesses whether the data are appropriate to measure performance.

Interior requires the full implementation of data verification and validation criteria to ensure that information is properly collected, recorded, processed, and aggregated for reporting and use by decision-makers. Since FY 2003, Interior has required bureaus and offices collecting and reporting performance data to develop and use an effective data verification and validation (V&V) process. A data V&V assessment matrix was developed in cooperation with Departmental bureaus and offices, including the Office of Inspector General. The matrix has been used successfully as a tool to elevate data V&V procedures to an acceptable functional level and to detect potential problem areas in well-established bureau/office data V&V systems.

FIGURE 2-3



In FY 2006, Interior continued its commitment to V&V by contracting Grant Thornton to evaluate each of the bureau's data V&V processes, report findings on compliance, and identify areas for improvement. Figure 2-3 represents the framework Grant Thornton used to structure their analysis.

As a result of this assessment, Interior gained a greater insight into how individual bureaus comply with the data V&V protocols and identified areas for improvement in the V&V processes to ensure the data reported meets, and exceeds, quality standards.

Interior uses four categories of performance data throughout its performance V&V process:

1. Final. All data are available, verified, and validated for the measure. Actual numbers are reported. Performance analysis can be completed. This includes the characterizing of data as "goal met," "exceeded," or "not met," along with comparing the result with the target and describing why the result meets, exceeds, or falls short of the target;

2. Estimated. Some data are unavailable or unverified. A reasonable methodology should be developed and applied to estimate the annual performance. After the estimation methodology is documented and is proven repeatable and valid, estimated data can be factored into the "goal met/exceeded" or "not met" aggregation;

3. Preliminary. All data are available, but are not verified for the measure. No analysis should be conducted (i.e., these data reports are considered similar to a "no report" because the data are not verifiable either directly or via a valid, documented, repeatable estimation methodology and, therefore, cannot be factored as either goal met/exceeded or not met); these data are reported as preliminary; and

4. No Data. Data are unavailable and there are insufficient sources to develop a reasonable estimate. No report on the measure can be made.

Data Sources

A key element in reporting valid, accurate, and reliable performance data is ensuring that sources of data are documented and available. Interior bureaus and offices are continuing to improve their data management processes by developing better sources of data and by linking with current data sources that already have reporting, verification, and validation procedures in place. For example, the Bureau of Reclamation maintains an internal data/Internet site containing data on projects, dam and power facilities, and water-related statistics to verify annual performance data. Data from regions and area offices are reviewed quarterly to ensure that BOR is on track and reporting consistently. The Bureau of Land Management requires its State and field offices to maintain documentation to support the performance measures reported by each office and to enter supporting data into its management information system. The Office of Surface Mining (OSM) collects information from internal operations and from States and Indian Tribes. The Abandoned Mine Land Program information is generally collected through the Abandoned Mine Land Inventory System (AMLIS). AMLIS is a computer database used by the State reclamation programs and maintained by OSM.

Data sources for each of Interior's measures are shown in our Goals at a Glance tables as an additional row.

Results at a Glance

Figures 2-5, 2-7, 2-9, 2-11 and 2-13 present Interior's performance results in detail, charting targets as they are tied to end-outcome goals, mission areas, and the strategic goal of management excellence. Data presented in each table include: (1) a reference number (which corresponds to references to these measures in the MD&A section); (2) a description of the performance measure; (3) historical data for FY 2005 and previous years, if available; (4) the planned performance target for FY 2006; (5) the actual results for FY 2006; (6) an explanation, if applicable, of why Interior either exceeded or fell short of performance and how the Department plans to improve in the future; and (7) data sources used to validate reliability.

One of three conclusions is reported for each measure that presents actual or estimated results data: Goal Met; Goal Not Met; or Goal Exceeded. It is Interior's policy to report a measure as "Goal Met" if the actual or estimated performance result is from 95% to 105% of the performance target. If the conclusion for a measure is "Goal Met," the result is visually depicted by a checkmark placed in a separate column. No conclusion is presented for measures that report preliminary data (i.e., data that were collected, but not verified as being accurate) or incomplete data because the GPRA implementation guidelines do not allow agencies to compare these types of data with performance goals. An "(E)" is included in the "FY 2006 Actual" column if the result presented is an estimate. A "(P)" in this column indicates that the result presented is based on preliminary data. Updates to the presently estimated and preliminary information will be included in the FY 2008 President's Budget request materials, and all final reporting will be complete by the FY 2007 PAR.

This is the third year that Interior is measuring performance using targets from the FY 2003-2008 Strategic Plan. Trend data going back to four fiscal years is only available for those measures that carried over from the FY 2000-2005 plan. This data has been placed in the Performance Explanation areas for these measures (e.g., Ref #5).

Resource Protection - Protect the Nation's Natural, Cultural, and Heritage Resources

Performance Summary

FIGURE 2-4

End Outcome Goal	Measures Met (including estimates)			Measures Not Met (including estimates)			Measures Containing Preliminary Data			Measures Containing No Reports			Costs (in millions)		
	FY04	FY05	FY06	FY04	FY05	FY06	FY04	FY05	FY06	FY04	FY05	FY06	FY04	FY05	FY06
Goal #1 - Improve health of watersheds, landscapes, and marine resources that are DOI managed or influenced in a manner consistent with obligations regarding the allocation and use of water	19	23	20	6	3	6	0	0	0	1	0	0	$911	$1,957	$2,351
Goal #2 - Sustain biological communities on DOI managed and influenced lands and waters in a manner consistent with obligations regarding the allocation and use of water	8	10	11	3	3	2	0	0	0	2	0	0	$1,670	$1,471	$1,258
Goal #3 - Protect cultural and natural heritage resources	8	7	7	1	1	1	0	0	0	0	1	1	$466	$300	$338
Total	35	40	38	10	7	9	0	0	0	3	1	1	$3,047	$3,728	$3,947
% of Total Resource Protection Measures	73%	83%	79%	21%	15%	19%	0%	0%	0%	6%	2%	2%			

Selected Trends and Items of Note

Ref #17, 25, 37, 124 – In FY 2006, the U.S. Geological Survey (USGS) evaluated its performance across two mission areas (Resource Protection and Serving Communities) using satisfaction measures. Although the previous fiscal year results were greater than 90%, USGS established its annual target for these measures at 80% due to the following statistical rationale:

The customer satisfaction targets are a form of statistical quality control. The process (provision of science products) is found to be under control if the sample statistic meets or exceeds the target. The appropriate target level needs to be adjusted on the basis of sampling variability. Sampling variability increases as sample sizes decrease. A broad measure, one that includes measured customer satisfaction for many different science products, will have low sampling variability. A target of 90% or greater is appropriate for a broad measure. In this case, a sample finding of satisfaction less than 90% would be a good sign that there is a problem and that remedial action is needed. A more narrow measure, one that includes measured customer satisfaction for relatively few science products, will have high sampling variability. A target of 80% or greater is appropriate for a more narrow measure. In terms of their impact on management decisions, target levels of 90% or greater for broad measures and 80% or greater for narrow measures are equivalent. A target level of 90% or greater for narrow measures would be inappropriately and disproportionately strict. That's why customer satisfaction measures are targeted differently regardless of actual performance.

Ref #46 – FY 2006 saw a sharp decrease, from 89% to 74%, in the percent of acres designated wilderness that achieve wilderness character objectives as specified by statute. This decrease is due to the inclusion of the National Park Service, which now comprises most of the wilderness acres in this measure, 44 million acres of wilderness with 28 million acres meeting the character objectives specified by statute or 65%. Also factoring into the FY 2006 decrease was the addition of an 11,176-acre Wilderness Area designated in October 2005 and a 101,400-acre area in January 2006. This measure may fluctuate year to year as Congress designates subsequent Wilderness Areas or makes changes to existing wilderness at a rate greater than that at which Interior can assess character objectives. At this time, results for FY 2006 are believed to be more representative of this measure going forward.

FIGURE 2-5

MISSION: RESOURCE PROTECTION - Protect the Nation's Natural, Cultural, and Heritage Resources

END OUTCOME GOAL: Improve health of watersheds, landscapes, and marine resources that are DOI managed or influenced in a manner consistent with obligations regarding the allocation and use of water

#	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
1	DESCRIPTION: Wetland areas - Percent of acres achieving desired conditions where condition is known and as specified in management plans consistent with applicable substantive and procedural requirements of State and Federal water law	Totals:	98%	91%	93%	84% (E)	
		Performance Explanation:	Goal Not Met. Estimated Data. The goal was not met due to constraints resulting from hurricane impacts and response in the Southeast. Also, lower reported numbers are a result of more accurate values from better vegetation mapping.				
		Steps to Improve:					
		Data Source:	Performance Management Data System (PMDS); Refuges Annual Performance Plan (RAPP)				
2	DESCRIPTION: Riparian areas - Percent of stream-miles achieving desired conditions where condition is known and as specified in management plans consistent with applicable substantive and procedural requirements of State and Federal water law	Totals:	91%	88%	84%	86% (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.				
		Data Source:	Performance Management Data System (PMDS); Refuges Annual Performance Plan (RAPP)				
3	DESCRIPTION: Upland areas - Percent of acres achieving desired conditions where condition is known and as specified in management plans consistent with applicable substantive and procedural requirements of State and Federal water law	Totals:	55%	57%	70%	73% (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.				
		Data Source:	Performance Management Data System (PMDS); Refuges Annual Performance Plan (RAPP)				
4	DESCRIPTION: Marine and coastal areas - Percent of acres achieving desired marine and coastal conditions where condition is known and as specified in management plans	Totals:	Baseline Not Established	68%	48%	54% (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data.				
		Data Source:	Performance Management Data System (PMDS); Refuges Annual Performance Plan (RAPP)				
5	DESCRIPTION: Number of land acres reclaimed or mitigated from the effects of degradation from past mining	Totals:	No Report	7,584 acres	7,392 acres	8,168 acres (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data. The goal was exceeded because one of the contributing bureaus determined through the use of enhanced data verification procedures that it had been under-reporting results. Outyear targets will be adjusted accordingly. Trend Data: FY03 = 6,539 acres; FY02 = 8,606 acres; FY01 = 13,808 acres				
		Data Source:	Performance Management Data System (PMDS); Abandoned Mine Land Inventory System (AMLIS)				
6	DESCRIPTION: Number of stream-miles for which degradation from past surface coal mining has been improved	Totals:	33 miles	28 miles	35 miles	69 miles	✓
		Performance Explanation:	Goal Exceeded. The goal was exceeded because of the inherent difficulties in setting precise goals for this measure. In this case the results reported are based on 44 projects ranging from 0.02 miles to 5 miles, and 1 project accounting for 35 miles. The Audenreid Mine Drainage Tunnel AML Treatment Project in Pennsylvania attributed to the clean-up of 35 miles of aquatic stream habitat. Project size varies and while we estimate the number of projects per year, the size is variable as evidenced by the data reported this year. The Department is proposing to combine this target with the number of land acres reclaimed in FY 2007 to better represent all reclamation accomplishments from the abandoned mine land appropriation funding.				
		Data Source:	Abandoned Mine Land Inventory System (AMLIS)				
7	DESCRIPTION: Number of surface of acres of water for which degradation from past surface coal mining has been improved	Totals:	36 acres	35 acres	35 acres	32 acres	
		Performance Explanation:	Goal Not Met. The goal was not met because of the inherent difficulties in setting precise goals for this measure. In this case the results are based on 12 projects ranging from 1 to 17 acres. As with stream miles, projects vary and the size is not always a known factor. The Department is proposing to combine this target with the number of land acres reclaimed in FY 2007 to better represent all reclamation accomplishments from the abandoned mine land appropriation funding. Accomplishments will be better represented as a whole rather than based on a population of relatively few numbers.				
		Steps to Improve:	This measure proposed to be merged with others into a single, more predictable measure that presents an aggregate (i.e., lands and waters) assessment of abandoned mine land reclamation efforts.				
		Data Source:	Abandoned Mine Land Inventory System (AMLIS)				
8	DESCRIPTION: Percent of surface water (MILES) managed by DOI that meet State (EPA approved) water quality standards	Totals:	89%	95%	95%	95% (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.				
		Data Source:	Environmental Protection Agency's (EPA) Storage and Retrieval (STORET) national water quality database				

FIGURE 2-5

No.	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
9	DESCRIPTION: Percent of surface water (ACRES) managed by DOI that meet State (EPA approved) water quality standards	Totals:	Baseline Established	82%	82%	70% (E)	
		Performance Explanation:	Goal Not Met. Estimated Data. The goal was not met because more accurate data are now being reporting than was reported in prior years. As a result, less data was reported in 2006 than in prior years.				
		Steps to Improve:					
		Data Source:	Refuges Annual Performance Plan (RAPP); Environmental Protection Agency's (EPA) Storage and Retrieval (STORET) national water quality database				
10	DESCRIPTION: Protect and/or restore X number of surface and ground water systems directly managed or influenced by DOI, as specified in management plans and consistent with applicable Federal and State law, by working with State and local resource managers, as appropriate	Totals:	5 water systems	21,145 water systems	21,155 water systems	21,174 water systems (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.				
		Data Source:	Performance Management Data System (PMDS); Refuges Annual Performance Plan (RAPP)				
11	DESCRIPTION: Percent of reporting Class I DOI lands that meet ambient air quality standards (NAAQS)	Totals:	80%	83%	82%	85% (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.				
		Data Source:	Refuges Annual Performance Plan (RAPP); Air Resources Information System (ARIS)				
12	DESCRIPTION: Percent of reporting Class I DOI lands that meet visibility objectives	Totals:	73%	87%	77%	77% (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.				
		Data Source:	Refuges Annual Performance Plan (RAPP); Air Resources Information System (ARIS)				
	INTERMEDIATE GOAL: Restore and maintain proper function to watersheds and landscapes						
13	DESCRIPTION: Percent of acres degraded by wildland fire with post-fire rehabilitation treatments underway, completed, and monitored	Totals:	17%	16%	20%	51% (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data. Targets for this measure must be set before the number of acres burned annually can be known. Also unknown is the severity with which those fires burn. Seasonal weather, fuel conditions, geographic factors, and burn severity influence the number of acres needing rehabilitation treatment. More acres were rehabilitated than planned owing to these conditions.				
		Data Source:	National Fire Plan Operating and Reporting System (NFPORS)				
14	DESCRIPTION: Number of acres in fire regimes 1, 2, or 3 moved to a better condition class that were identified as high priority through collaboration consistent with the 10-Year Implementation Plan - in total	Totals:	294,000 acres	271,551 acres	230,000 acres	217,000 acres (E)	
		Performance Explanation:	Goal Not Met. Estimated Data. Fire activity and fire-related on-the-ground conditions did not permit DOI to treat as many non-WUI acres as planned, hence, not as many acres were moved to a better condition class.				
		Steps to Improve:	Returning to projected plans for area treatments will be significantly affected by the severity of future fire seasons and the costs involved with addressing the next priority areas to be treated.				
		Data Source:	National Fire Plan Operating and Reporting System (NFPORS)				
15	DESCRIPTION: Number of acres in fire regimes 1, 2, or 3 moved to a better condition class that were identified as high priority through collaboration consistent with the 10-Year Implementation Plan - as a percent of total acres treated	Totals:	38%	37%	38%	40% (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data.				
		Data Source:	National Fire Plan Operating and Reporting System (NFPORS)				
16	DESCRIPTION: Number of acres in prior measure moved to a better condition class per million dollars of gross investment	Totals:	3,671 acres	3,607 acres	2,973 acres	2,905 acres (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.				
		Data Source:	National Fire Plan Operating and Reporting System (NFPORS)				
17	DESCRIPTION: Satisfaction with science information and products	Totals:	100%	100%	> or = 80%	96%	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Survey results				

FIGURE 2-5

18 DESCRIPTION: Number of acres treated that are in condition classes 2 or 3 in fire regimes 1 - 3 outside of the Wildland-Urban Interface (WUI), and are identified as high priority through collaboration consistent with the 10-Year Implementation Plan in total

	FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
Totals:	494,000 acres	477,742 acres	373,000 acres	347,000 acres	
Performance Explanation:	Goal Not Met. Because of the extreme fire season experienced in 2006, resources were fully committed to fighting fires and were not available to meet all prescribed treatment objectives in areas outside of the Wildland Urban Interface.				
Steps to Improve:	Returning to projected plans for area treatments will be significantly affected by the severity of future fire seasons and the costs involved with addressing the next priority areas to be treated.				
Data Source:	National Fire Plan Operating and Reporting System (NFPORS).				

19 DESCRIPTION: Number of acres treated that are in condition classes 2 or 3 in fire regimes 1 through 3 outside of Wildland-Urban Interface (WUI) , and are identified as high priority through collaboration consistent with the 10-Year Implementation Plan as a percent of all acres treated

	FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
Totals:	64%	66%	61%	64% (E)	✓
Performance Explanation:	Goal Met. Estimated Data.				
Data Source:	National Fire Plan Operating and Reporting System (NFPORS).				

20 DESCRIPTION: Number of acres treated outside the WUI per million dollars gross investment

	FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
Totals:	9,628 acres	9,655 acres	7,911 acres	7,270 acres	
Performance Explanation:	Goal Not Met. The cost effectiveness projected for fire treatments outside of the Wildland Urban Interface were affected by the extreme fire season encountered again in 2006. Resources were fully committed to fighting fires and were not available to address all prescribed treatment objectives in areas outside of the Wildland Urban Interface.				
Steps to Improve:	Returning to projected plans and efficiencies for area fire treatments will continue to be affected by the severity of future fire seasons and the costs involved with addressing the next priority areas to be treated.				
Data Source:	National Fire Plan Operating and Reporting System (NFPORS) and Actual Obligation Reports.				

21 DESCRIPTION: Tons of salt loading prevented

	FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
Totals:	26,680 tons	22,200 tons	21,000 tons	22,000 tons	✓
Performance Explanation:	Goal Met. Trend Data: FY03 = 30,393 tons; FY02 = 36,500 tons; FY01 = 36,437 tons				
Data Source:	Cooperative Agreements				

22 DESCRIPTION: Number of acres achieving watershed and landscape goals through voluntary partnerships

	FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
Totals:	770,065 acres	1,004,596 acres	651,087 acres	670,620 acres (E)	✓
Performance Explanation:	Goal Met. Estimated Data.				
Data Source:	Refuges Annual Performance Plan (RAPP); Habitat Information Tracking System (HabITS)				

23 DESCRIPTION: Number of stream/shoreline miles achieving watershed and landscape goals through voluntary partnerships

	FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
Totals:	596 miles	888 miles	658 miles	677 miles (E)	✓
Performance Explanation:	Goal Met. Estimated Data.				
Data Source:	Habitat Information Tracking System (HabITS)				

24 DESCRIPTION: Percent of known contaminated sites remediated on DOI managed land

	FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
Totals:	11%	20%	16%	21% (E)	✓
Performance Explanation:	Goal Exceeded. Estimated Data. The goal was exceeded because more than the expected number of site remediation projects supported by pre-2006 funding were completed during FY 2006.				
Data Source:	Environmental Cleanup Liability (ECL) Report; Site Cleanup System; Refuges Annual Performance Plan (RAPP)				

INTERMEDIATE GOAL: Improve information base, information management and technical assistance [Healthy Lands]

25 DESCRIPTION: Satisfaction scores on resource protection partnerships

	FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
Totals:	97%	94%	81%	88%	✓
Performance Explanation:	Goal Exceeded. A different set of products is sampled each year, one year's aggregate measurement is not directly linked to the previous year. The intent is to maintain at least an 80% satisfaction level (i.e., 80% or greater is the goal).				
Data Source:	Survey results				

26 DESCRIPTION: Percent of studies validated through appropriate peer or independent review

	FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
Totals:	100%	100%	100%	100%	✓
Performance Explanation:	Goal Met.				
Data Source:	Survey results; Lists of publication titles maintained				

FIGURE 2-5

END OUTCOME GOAL: Sustain biological communities on DOI managed and influenced lands and waters in a manner consistent with obligations regarding the allocation and use of water

#	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
27	DESCRIPTION: Percent of species of management concern that are managed to self-sustaining levels, in cooperation with affected States and others, as defined in approved management documents	Totals:	No Report	50%	47%	43% (E)	
		Performance Explanation:	Goal Not Met. Estimated Data. The goal was not met because of targeting errors. One of the contributing programs (i.e., Fisheries) implemented a new measure-related database in 2006 that prompted a thorough review of the existing fish populations database. Database adjustments were needed to correct errors, and these adjustments rendered the planned goal erroneous, relative to the estimated results.				
		Steps to Improve:					
		Data Source:	Performance Management Data System (PMDS); Fisheries Information System				
28	DESCRIPTION: Percent of threatened or endangered species listed a decade or more that are stabilized or improved	Totals:	38%	37%	38%	43%	✓
		Performance Explanation:	Goal Exceeded. Trend Data: FY03 = 42%; FY02 = 45%; FY01 = 52%				
		Data Source:	NPS Endangered Species Database; Environmental Conservation Online System; Threatened and Endangered Species database				
29	DESCRIPTION: Percent of candidate species where listing is unnecessary as a result of conservation actions or agreements	Totals:	1%	1%	1%	1%	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Environmental Conservation Online System; Threatened and Endangered Species database				
30	DESCRIPTION: Percent of baseline area infested with invasive plant species that is controlled	Totals:	9%	2%	1%	2% (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data.				
		Data Source:	Performance Management Data System (PMDS); Refuges Annual Performance Plan (RAPP)				
31	DESCRIPTION: Percent of invasive animal species populations that are controlled	Totals:	No Report	Baseline Established	5.30%	7.9% (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data.				
		Data Source:	Refuges Annual Performance Plan (RAPP); NPS Species database and individual park records				

INTERMEDIATE GOAL: Create habitat conditions for biological communities to flourish

#	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
32	DESCRIPTION: Number of acres restored or enhanced to achieve habitat conditions to support species conservation consistent with management documents, program objectives, and consistent with substantive and procedural requirements of State and Federal water law	Totals:	3,590,005 acres	383,478 acres	473,757 acres	487,670 acres (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.				
		Data Source:	Fisheries Information System; North American Wetlands Conservation Fund database; MIS: Rollup of Program Element JA, JD, JE, JF, JL, JM, JN, JQ, JR, JS, JT, JU, and JW (for all sub-activities)				
33	DESCRIPTION: Number of stream/shoreline miles restored or enhanced to achieve habitat conditions to support species conservation consistent with management documents, program objectives, and consistent with substantive and procedural requirements of State and Federal water law	Totals:	1,145 miles	1,313 miles	1,666 miles	1,685 miles (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.				
		Data Source:	Fisheries Information Management System; MIS: Rollup of Program Element JG (for all sub-activities)				
34	DESCRIPTION: Number of acres of landscapes and watersheds managed through partnerships and networked lands that achieve habitat protection	Totals:	9,374,196 acres	11,401,772 acres	14,371,034 acres	14,802,165 acres (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.				
		Data Source:	Federal Assistance Information Management System (FAIMS); North American Wetlands Conservation Fund database				
35	DESCRIPTION: Number of acres achieving habitat/biological community goals through voluntary agreements	Totals:	77,140 acres	89,556 acres	81,251 acres	83,689 acres (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.				
		Data Source:	Habitat Information Tracking System (HabITS)				

FIGURE 2-5

#	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
36	DESCRIPTION: Number of stream/shoreline miles achieving habitat/biological community goals through voluntary agreements	Totals:	Baseline Not Established	Baseline Not Established	9 stream-shoreline miles	5 stream-shoreline miles (E)	
		Performance Explanation:	Goal Not Met. Estimated Data. It is likely that the goal was not met because of a difference between the number of stream/shoreline miles restored/enhanced that were reported and the actual work accomplished by some restoration grant recipients. The resulting under-report of accomplishments is due in part to DOI inability to accurately extract stream/shoreline mile restoration/enhancement information from the data that grant cooperators report to us (i.e., restoration site data). Another factor that may have contributed to under-reporting of results is a technical weakness in the database that is used to manage the results data.				
		Steps to Improve:	The database issue is now being resolved.				
		Data Source:	Federal Assistance Information Management System (FAIMS)				
	INTERMEDIATE GOAL: Improve information base, information management and technical assistance [Sustain Biology]						
37	DESCRIPTION: Satisfaction scores on resource protection partnerships	Totals:	98%	100%	> or = 80%	83%	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Survey results				
38	DESCRIPTION: Percent of studies validated through appropriate peer review or independent review	Totals:	100%	100%	100%	100%	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Lists of publication titles maintained				
39	DESCRIPTION: Conservation and biological research facilities are in fair to good condition as measured by the Facilities Condition Index	Totals:	0.063	0.087	0.100	0.063 (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data.				
		Data Source:	Refuges Annual Performance Plan (RAPP); Fisheries Information Management System; Condition Assessment Data				
	END OUTCOME GOAL: Protect cultural and natural heritage resources						
40	DESCRIPTION: Percent of cultural properties on DOI inventory in good condition	Totals:	65%	57%	58%	59% (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.				
		Data Source:	Refuges Annual Performance Plan (RAPP); Fisheries Information Management System; Condition Assessment Data; List of Classified Structures (LCS), Cultural Landscapes Inventory (CLI), and Archeological Sites Management Information System (ASMIS)				
41	DESCRIPTION: Percent of collections in DOI inventory in good condition	Totals:	43%	49%	36%	33% (E)	
		Performance Explanation:	Goal Not Met. Estimated Data. The reason the goal was not met is that updated programmatic guidance issued by one of the contributing bureaus to its contributing programs included better explanations and metrics for the field to determine the condition of its collections. This information was not considered fully when the goal for this measure was established, and the result was unrealistically high expectations.				
		Steps to Improve:					
		Data Source:	Automated National Catalog System (ANCS database), Collections Management Report; Refuges Annual Performance Plan (RAPP), Fisheries Information System, Condition Assessment Data, 411 DM Checklists				
42	DESCRIPTION: Percent of participating cultural properties owned by others in good condition	Totals:	5%	5%	5%	5% (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.				
		Data Source:	National Historic Landmarks Database				
43	DESCRIPTION: Percent of paleontologic localities in DOI inventory in good condition	Totals:	41%	57%	52%	85% (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data. The goal was exceeded because one of the reporting bureaus acquired from non-Federal repositories additional data about paleontological resources on DOI lands. Trend Data: FY03 = 48%; FY02 = 45%; FY01 = 23%				
		Data Source:	Performance Management Data System (PMDS); Refuges Annual Performance Plan (RAPP)				

FIGURE 2-5

#	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
44	DESCRIPTION: Percent of Special Management Areas meeting their heritage resource objectives under the authorizing legislation	Totals:	29%	73%	60%	65% (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data. The goal was exceeded because a greater than expected number of Herd Management Areas and wild and scenic rivers segments achieved their legislative objectives during FY 2006.				
		Data Source:	Performance Management Data System (PMDS); Refuges Annual Performance Plan (RAPP)				
			FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
45	DESCRIPTION: Percent of Indian and Alaska Native students demonstrating knowledge of native language, history and customs	Totals:	Baseline Established	76%	88%	No Report	
		Performance Explanation:	No Report. No Data.				
		Data Source:	OIEP Center for School Improvement; Annual Consolidated School Report Form				
INTERMEDIATE GOAL: Manage special management areas for natural heritage resource objectives							
			FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
46	DESCRIPTION: Percent of acres of designated wilderness achieving wilderness character objectives as specified by statute	Totals:	85%	89%	74%	74% (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.				
		Data Source:	Performance Management Data System (PMDS); Refuges Annual Performance Plan (RAPP)				
INTERMEDIATE GOAL: Reduce degradation and protect cultural and natural heritage resources							
			FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
47	DESCRIPTION: Facilities are in fair to good condition as measured by the Facilities Condition Index	Totals:	0.118	0.202	0.208	0.202 (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.				
		Data Source:	Refuges Annual Performance Plan (RAPP); Facility Management Software System (FMSS)				
INTERMEDIATE GOAL: Increase partnerships, volunteer opportunities, and stakeholder satisfaction							
			FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
48	DESCRIPTION: Partner satisfaction scores with DOI on cultural and heritage resource partnerships	Totals:	Baseline Established	No Report	82%	84%	✓
		Performance Explanation:	Goal Met.				
		Data Source:	WO 830 Survey results				

Resource Use - Manage Resources To Promote Responsibile Use and Sustain a Dynamic Economy

Performance Summary

FIGURE 2-6

End Outcome Goal	Measures Met (including estimates)			Measures Not Met (including estimates)			Measures Containing Preliminary Data			Measures Containing No Reports			Costs (in millions)		
	FY04	FY05	FY06	FY04	FY05	FY06	FY04	FY05	FY06	FY04	FY05	FY06	FY04	FY05	FY06
Goal #1 - Manage or influence resource use to enhance public benefit, promote responsible use, and ensure optimal value : Energy	12	9	13	2	4	1	0	0	0	0	1	0	$1,902	$2,716	$2,519
Goal #2 - Manage or influence resource use to enhance public benefit, promote responsible use, and ensure optimal value: Non-energy minerals	3	5	4	2	0	1	0	0	0	0	0	0	$142	$162	$173
Goal #3 - Manage or influence resource use to enhance public benefit, promote responsible use, and ensure optimal value: Forage	3	2	2	0	1	0	0	0	0	0	0	0	$76	$90	$77
Goal #4 - Manage or influence resource use to enhance public benefit, promote responsible use, and ensure optimal value: Forest products	1	4	1	3	0	3	0	0	0	0	0	0	$58	$60	$76
Goal #5 - Deliver water, consistent with applicable State and Federal law, in an environmentally responsible and cost-efficient manner	6	7	8	3	1	1	0	0	0	0	1	0	$1,134	$881	$898
Goal #6 - Generate hydro-power, consistent with applicable State and Federal law, in an environmentally responsible and cost-efficient manner	5	5	5	0	0	0	0	0	0	0	0	0	$218	$212	$200
Total	30	32	33	10	6	6	0	0	0	0	2	0	$3,530	$4,121	$3,943
% of Total Resource Use Measures	75%	80%	85%	25%	15%	15%	0%	0%	0%	0%	5%	0%			

Selected Trends and Items of Note

Ref #57 – High oil and gas prices have resulted in a sharp increase in the number of applications for permits to drill (APDs). In response to the unprecedented number of new APDs in FY 2004, the Bureau of Land Management (BLM) adjusted work programming to meet demand. With new processes in place, BLM was able to reduce the backlog of APDs, defined as pending for more than 60 days, from 2,780 in FY 2004 to 2,182. To respond to continued strong demand in FY 2005, BLM requested and received approval to reprogram funds from lower priority work into the Oil and Gas Management Program. Despite improved processes and increased funding, the number of APDs in backlog status at the end of FY 2005 increased to 2,461 due to growing demand. Although BLM was unable to reduce their targeted level, 2,310, against a target 1,226 in 2006, the backlog of APDs was reduced from 2,641 to 2,310. And there were 1,675 APDs in backlog over 60 days.

Ref #75 – Reclamation reported a significant increase in the number of acre-feet of restricted capacity from 16,831 acre-feet in FY 2004 and FY 2005 to 410,412 acre-feet in FY 2006. This change is attributable to the inclusion of the Mid-Pacific region (350,017 acre-feet) for the first time in FY 2006. An additional 43,900 acre-feet are attributed to a new restriction for Deer Flat Lower Dam (Lake Lowell) Boise Project, Idaho.

Ref #78 – In FY 2006, Reclamation's Facilities Reliability Rating evaluating water infrastructure in fair to good condition was targeted at 93% because the percentage of facilities in fair to good condition is cyclic and based on two interrelated issues. First, in many cases the cost to move a project into good condition can cost tens of millions of dollars. In such cases, there must be up-front funding by the project customers which does not normally exist. Reclamation and Office of Management and Budget (OMB) are working together on a program to address this issue. The second issue deals with facilities that are in or scheduled for corrective actions by the Safety of Dams program. After the work is done, the project moves from poor to good condition. Hence, the overall number of projects in any one facility condition is cyclic as projects decline in condition, get remediated, and then move from poor to good condition. If Reclamation and OMB are successful, the overall trend of facility condition should move upward.

Ref #82 – From FY 2004, the potential number of acre-feet made available through completion of projects has seen a downward trend. The FY 2006 decrease is due to project sponsors placing more emphasis on completing sections of the core pipeline, which reduces the amount of funds available for the various distribution systems. However, this measure has an element of volatility and as revisions are made to expected completion dates, Interior may see an increase in potential acre-feet.

Ref #84 – Reclamation set the FY 2006 target of percentage of forced outage equal to or better (lower) than the industry average even though, historically, Reclamation has performed better than the industry in this category. Reclamation's forced outage factor (FOF) numbers may undergo a change after the revision of its reporting standards document, Facilities Instructions Standards and Techniques (FIST) 1-3. After FIST 1-3 is revised to include industry standards, Reclamation will be able to better predict the effect on the forced outage number and set targets accordingly.

FIGURE 2-7

MISSION: RESOURCE USE - Manage Natural Resources To Promote Responsible Use and Sustain a Dynamic Economy							
END OUTCOME GOAL: Manage or influence resource use to enhance public benefit, promote responsible use, and ensure optimal value : Energy							
49	DESCRIPTION: Number of onshore acres available for energy resource exploration/ development consistent with applicable management plans or permitting requirements		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
		Totals:	590,000,000 acres	590,000,000 acres	590,000,000 acres	590,000,000 acres	✓
		Performance Explanation:	Goal Met.				
		Data Source:	WO-310 and WO-320				
50	DESCRIPTION: Implement National Energy Policy by holding 17 offshore sales consistent with the Secretary's 5-Year Program		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
		Totals:	4 sales	4 sales	2 sales	2 sales	✓
		Performance Explanation:	Goal Met.				
		Data Source:	OMM Technical Information Management System				
51	DESCRIPTION: Average acreage disturbed per permitted energy exploration or development activity		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
		Totals:	2 acres	2 acres	2 acres	2 acres	✓
		Performance Explanation:	Goal Exceeded. BLM has been working with operators to reduce the disturbed areas. Progress was made in 2006 toward reaching this goal, which will make it more attainable in 2007.				
		Data Source:	Automated Fluid Mineral Support System (AFMSS)				
52	DESCRIPTION: Coal - Percent of active sites that are free of off-site impacts		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
		Totals:	93%	89%	93%	92%	✓
		Performance Explanation:	Goal Met. Trend Data: FY03 = 92%; FY02 = 93%; FY01 = 94%				
		Data Source:	Annual reports from States				
53	DESCRIPTION: Coal - Number of acres where reclamation goals are achieved as evidenced by release from Phase III Performance Bonds		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
		Totals:	49,054 acres	53,353 acres	50,000 acres	49,796 acres	✓
		Performance Explanation:	Goal Met. Trend Data: FY03 = 48,528 acres; FY02 = 73,407 acres; FY01 = 81,853 acres				
		Data Source:	Annual reports from States				
54	DESCRIPTION: Royalties received for mineral leases are 98% of predicted revenues, based on market indicators in the production year		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
		Totals:	96%	98%	98%	99%	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Minerals Revenue Management Support System (MRMSS)				
55	DESCRIPTION: Compliance work is completed within the 3-year compliance cycle for x percent of royalties for production year, y		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
		Totals:	69.0%	71.0%	72.0%	72.5%	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Minerals Revenue Management Support System (MRMSS)				
56	DESCRIPTION: Percent of revenues disbursed on a timely basis per regulation		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
		Totals:	96%	98%	97%	95%	✓
		Performance Explanation:	Goal Met. In FY 2006, MRM focused on reducing open accounts receivable open and unapplied payments. This resulted in the processing of several older payments, which lowered our timely disbursements result to 95%, compared to 98% in FY 2005. MRM has completed this work; timely disbursements should increase during FY 2007. Trend Data: FY03 = 93%; FY02 = 80%; FY01 = 98%				
		Data Source:	Minerals Revenue Management Support System (MRMSS)				
INTERMEDIATE GOAL: Effectively manage and provide for efficient access and development							
57	DESCRIPTION: Number of pending cases of permits and lease applications that are in backlog status for fluid energy minerals (APDs) [BLM]		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
		Totals:	2,182 APDs	2,461 APDs	1,226 APDs	2,310 APDs	
		Performance Explanation:	Goal Not Met. There was a significant increase in 2005/2006 applications due to an expanded interest in finding additional fluid energy sources.				
		Steps to Improve:	Actions have been implemented to shift employees and redirect applications to reduce backlog in 2007 to mitigate this impact in the future.				
		Data Source:	Automated Fluid Mineral Support System (AFMSS)				

FIGURE 2-7

No.	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
58	DESCRIPTION: Number of pending cases of permits and lease applications that are in backlog status for solid energy minerals (LBAs)	Totals:	45 LBAs	35 LBAs	33 LBAs	33 LBAs	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Case Recordation (LR2000)				
	INTERMEDIATE GOAL: Enhance responsible use management practices						
59	DESCRIPTION: Achieve an oil spill rate for offshore development of no more than x barrels spilled per million barrels produced	Totals:	7.9 spills	31.2 spills	5.0 spills	0.9 spills (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data. The FY 2006 estimate for the amount (in barrels) of offshore oil spilled per million barrels produced is 0.9 (416/476,000,000). Estimated FY 2006 results are significantly lower than recent years because there were no major hurricanes in the Gulf of Mexico or major spills during FY 2006. Production numbers are updated as MMS audits and reviews companies' OCS properties to verify Federal OCS production and royalty payments. These audits and reviews are normally conducted up to 3 years after the oil was produced. The result for this measure will continue to be revised in future years as "trapped" oil is recovered, previous unknown spills are found, and OCS production is verified, thus the following updates: FY 2003 - One spill was added (increasing the number of spills from 33 to 34) for 18.8 bbl. This increased the oil spill ratio from 4.1 to 4.2 per million produced. FY 2004 - Crude oil and condensate production revisions increased 20 million barrels and reduced oil spill ratio from 8.2 to 7.9 per million produced. FY 2005 - Crude oil and condensate production revisions increased 20 million barrels. Additional oil was also recovered through ongoing recovery efforts. Changes in both the numerator and denominator reduced the oil spill ratio from 33.0 to 31.2 per million produced. Future revisions are expected.				
		Data Source:	OMM Technical Information Management System				
	INTERMEDIATE GOAL: Improve information base, information management and technical assistance [Energy]						
60	DESCRIPTION: Improve customer satisfaction rating with energy resources permitting process	Totals:	48%	No Report	50%	52%	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Survey results				
61	DESCRIPTION: Number of targeted basins with oil and gas resource assessments available to support management decisions	Totals:	5 basins	7 basins	6 basins	6 basins	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Survey results; Lists of publication titles maintained				
62	DESCRIPTION: Percent of studies validated through appropriate peer review or independent review	Totals:	100%	100%	100%	100%	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Survey results; Lists of publication titles maintained				
	END OUTCOME GOAL: Manage or influence resource use to enhance public benefit, promote responsible use, and ensure optimal value: Non-energy minerals						
63	DESCRIPTION: Number acres available for non-energy mineral resource exploration and development consistent with applicable management plans	Totals:	570,700,000 acres	570,699,000 acres	570,698,000 acres	570,698,000 acres	✓
		Performance Explanation:	Goal Met.				
		Data Source:	WO-320 and WO-210 data calls				
64	DESCRIPTION: Number of acres reclaimed to appropriate land condition and water quality standards	Totals:	1,786 acres	12,131 acres	8,000 acres	4,151 acres	
		Performance Explanation:	Goal Not Met. The actual number of acres reclaimed each year is dependent on several interrelated variables, including commodity price, deposit grade, worldwide supply and demand for the commodity, etc. In 2006, demand for mineral materials was high and therefore not as many mined sites were closed and reclaimed as anticipated.				
		Steps to Improve:	Out-year targets will be adjusted to reflect this shift in demand.				
		Data Source:	Case Recordation (LR2000)				
	INTERMEDIATE GOAL: Effectively manage and provide for efficient access and production						
65	DESCRIPTION: Average time for review and approval of saleable and leasable minerals processing actions.	Totals:	No Report	No Report	18 months	17 months	✓
		Performance Explanation:	Goal Exceeded. BLM has been working to establish a baseline for this measure. Out-year targets will reflect the new data.				
		Data Source:	Case Recordation (LR2000).				

FIGURE 2-7

INTERMEDIATE GOAL: Improve information base, information management and technical assistance [Non-energy]							
66	DESCRIPTION: Average square miles of the United States with non-energy mineral information available to support management decisions		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
		Totals:	2,401,329 square miles	3,097,647 square miles	3,332,038 square miles	3,318,208 square miles	✓
		Performance Explanation:	Goal Met.				
		Data Source:	National Geochemical Database; National Geophysical Database; and the Mineral Resource Data System				
67	DESCRIPTION: Percent of studies validated through appropriate peer or independent review		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
		Totals:	100%	100%	100%	100%	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Survey results; Lists of publication titles maintained				
END OUTCOME GOAL: Manage or influence resource use to enhance public benefit, promote responsible use, and ensure optimal value: Forage							
68	DESCRIPTION: Percent of acres with DOI range improvements resulting in sustainable grazing		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
		Totals:	7%	6%	7%	8%	✓
		Performance Explanation:	Goal Exceeded. In the report for 2004, the denominator used was 214,000,000. This was an error. That number is the total Rangelands; there are only 160,000,000 grazing acres. With the correct denominator the % would be 6.7%. and we are correcting our tables as necessary. In 2005, BLM inadvertently did not use cumulative numbers but recently discovered the error, and are back on track for FY 2006 with a goal of 7%. The goals should be 5% in 2004, 6% in 2005, and should be 7% in 2006.				
		Data Source:	Program elements from sub-activities: JA, JL, JM, JS, JT, JU, JW; Rangeland Improvement Program (RIPs)				
INTERMEDIATE GOAL: Provide access for grazing							
69	DESCRIPTION: Average time (average reduction, number of days) for processing and issuance of grazing permits		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
		Totals:	215 days	207 days	207 days	204 days	✓
		Performance Explanation:	Goal Met.				
		Data Source:	WO-220 Rangeland Automated System and MIS for Program Element EE.				
END OUTCOME GOAL: Manage or influence resource use to enhance public benefit, promote responsible use, and ensure optimal value: Forest products							
70	DESCRIPTION: Volume of timber offered for sale		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
		Totals:	188 MMBF	257 MMBF	270 MMBF	243 MMBF	
		Performance Explanation:	Goal Not Met. A portion of the planned volume for 2006 (5MMBF) was inadvertently attributed to FY 2005. Focus in FY 2006 for Public Domain was shifted to the more time-consuming process of increasing the volume of biomass. As a result, the volume of biomass increased 71% over 2005. Trend Data: FY03 = 197 MMBF; FY02 = 189 MMBF; FY01 = 74 MMBF				
		Steps to Improve:	Procedures for counting units related to stewardship contracting were revised to prevent these type of errors in the future.				
		Data Source:	WO-270 MIS containing annual targets and quarterly accomplishments.				
71	DESCRIPTION: Percent of wood products offered consistent with applicable management plans		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
		Totals:	80%	195%	108%	93%	
		Performance Explanation:	Goal Not Met. In January 2006, the Western Washington Federal District Court ordered in Northwest Ecosystem Alliance et al. v. Mark E. Rey et al., that the BLM and the Forest Service reinstate the 2001 Survey and Manage guidance in the NWF Plan, setting aside the 2004 decision that eliminated the guidance. The Survey and Manage guidance protects 296 species for which little information exists. An estimated 20-30% of the volume will be delayed until the surveys can be completed.				
		Steps to Improve:	Targets for out-years will be adjusted to reflect meeting the new guidance.				
		Data Source:	WO-270 MIS containing annual targets and quarterly accomplishments.				
72	DESCRIPTION: Percent of permitted acres maintained at appropriate land conditions and water quality standards		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
		Totals:	100%	100%	100%	100%	✓
		Performance Explanation:	Goal Met.				
		Data Source:	WO-270 data calls and information from the Timber Sale Information System (TSIS).				

FIGURE 2-7

#	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
73	DESCRIPTION: Administrative cost per thousand board feet of timber offered for sale	Totals:	$176	$105	$125	$135	
		Performance Explanation:	Goal Not Met. In January 2006, the Western Washington Federal District Court ordered in Northwest Ecosystem Alliance et al. v. Mark E. Rey et al., that the BLM and the Forest Service reinstate the 2001 Survey and Manage guidance in the NWF Plan, setting aside the 2004 decision that eliminated the guidance. The Survey and Manage guidance protects 296 species for which little information exists. An estimated 20-30% of the volume will be delayed until the surveys can be completed. The lower target increases the cost per million board feet.				
		Steps to Improve:	BLM will continue to incur the additional cost of completing the survey requirement in the out-years. These new costs will be added to future goals. As the surveys are completed and the units can be counted, the cost will decline slightly.				
		Data Source:	The Bureau of Land Management Cost Management Website, calculated by WO program group.				
	END OUTCOME GOAL: Deliver water, consistent with applicable State and Federal law, in an environmentally responsible and cost-efficient manner						
74	DESCRIPTION: Acre-feet of water delivered consistent with applicable substantive and procedural requirements of Federal and State water law	Totals:	29 MAF	28 MAF	28 MAF	31 MAF	✓
		Performance Explanation:	Goal Exceeded. This goal was exceeded due to increased water releases and delivery due to unforeseen dry weather and drought in some areas. Reclamation will continue to develop targets with the best information available at the time. Trend Data: FY03 = 26 MAF; FY02 = 29 MAF; FY01 = 29 MAF				
		Data Source:	Water Records. Each region uses several methods of recording water delivery because of the varied ages of the equipment				
75	DESCRIPTION: Amount of acre-feet of restricted capacity	Totals:	16,831 acre-feet	16,831 acre-feet	410,412 acre-feet	410,412 acre-feet	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Safety of Dams Decision Reports (DEIS)				
76	DESCRIPTION: Percent of water facilities that do not receive Federal or State notices of violation under environmental requirements as defined by Federal and State law	Totals:	100%	100%	97%	100%	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Formal notices of violations, tracked by legal department. Information is held in several correspondence systems by region.				
77	DESCRIPTION: Percent increase in Reclamation's cost to operate and maintain its water storage infrastructure compared to the 5-year rolling average.	Totals:	New FY 2006 Measure	New FY 2006 Measure	Establish Baseline	Baseline Not Established	
		Performance Explanation:	Goal Not Met. Baseline Not Established. Reclamation was unable to validate the proposed estimation methodology using past and partial FY 2006 data. As a result, no accurate "estimated" baseline could be established. Actual data will be available after November 2006 and baseline reported with the annual update or next year's PAR.				
		Steps to Improve:	Final data will never be available for a November 15 report date. Reclamation will work with DOI to establish a valid and verifiable methodology by which acceptable estimates for this measure can be developed each year.				
		Data Source:	Cost = Financial Records; Capacity = Reservoir Capacity Allocation				
	INTERMEDIATE GOAL: Operate and maintain a safe and reliable water infrastructure						
78	DESCRIPTION: Water infrastructures are in fair to good condition as measured by the Facilities Reliability Rating	Totals:	97%	96%	93%	98%	✓
		Performance Explanation:	Goal Exceeded. The goal was exceeded because Reclamation regional and area offices have continued to make extraordinary efforts to maintain these structures even though many are on the verge of exceeding their economic life-span.				
		Data Source:	Database of facility condition ratings, indices, etc. maintained by the regional/area offices				
79	DESCRIPTION: Facilities (exclusive of Facilities Reliability Rating facilities) are in fair to good condition as measured by the Facilities Condition Index [results pertain to both water and hydropower facilities]	Totals:	Baseline Not Established	0.016	0.016	0.016 (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.				
		Data Source:	Building inventory, deferred maintenance (MAXIMO), FCI data; other property and maintenance systems				

FIGURE 2-7

INTERMEDIATE GOAL: Effective water management to optimize supply

No.	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
80	DESCRIPTION: Number of agreements, partnerships and management options exercised resulting in improved water supply	Totals:	59	67	64	105	✓
		Performance Explanation:	Goal Exceeded. This goal was exceeded because one region added 37 additional contracts for surplus water due to increased hydrology.				
		Data Source:	A variety of different formal documents are used by the regions. They include contracts, leases, grants, and other agreements.				

INTERMEDIATE GOAL: Address environmental/resource stewardship concerns

No.	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
81	DESCRIPTION: Percent of environmental audit findings and reviews addressed (results pertain to both water and hydropower facilities)	Totals:	56%	77%	80%	89%	✓
		Performance Explanation:	Goal Exceeded. The goal for this measure was exceeded because the findings and recommendations from the previous period were not available when the target was set.				
		Data Source:	Hazardous materials audits are kept in a Denver database.				

INTERMEDIATE GOAL: Complete construction projects to increase delivery infrastructure and water availability

No.	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
82	DESCRIPTION: Potential acre-feet made available through completion of projects	Totals:	103,598 acre-feet	51,720 acre-feet	34,349 acre-feet	47,739 acre-feet	✓
		Performance Explanation:	Goal Exceeded. This goal was exceeded due to organizational flexibility to take advantage of unforeseen water conservation opportunities.				
		Data Source:	Water Records, documentation with districts				

END OUTCOME GOAL: Generate hydro-power, consistent with applicable State and Federal law, in an environmentally responsible and cost-efficient manner

No.	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
83	DESCRIPTION: Reclamation base Operation and Maintenance (O&M) costs for power, expressed as $/MW, will not increase annually beyond the 5-year rolling average percent increase in cost, + 5%.	Totals:	New FY 2006 Measure	New FY 2006 Measure	7.15%	7.15% (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.				
		Data Source:	O&M financial data as defined by the Federal Energy Regulatory Commission's (FERC) Form in A-40. Power O&M capacity is found in PO&M 59 reports.				

No.	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
84	DESCRIPTION: Percent of time in forced outage equal to or better (lower) than the industry average	Totals:	0.7%	0.4%	2.5%	1.2%	✓
		Performance Explanation:	Goal Exceeded. Reclamation exceeded its forced outage factor due to its focus on preventive maintenance and asset planning to replace equipment before it fails. Trend Data: FY03 = 1.5%; FY02 = 1.3%; FY01 = 1.6%				
		Data Source:	Monthly Power Operations & Maintenance (PO&M) 59 Reports				

No.	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
85	DESCRIPTION: Percent of power facilities that do not receive notice of violations under environmental requirements as defined by Federal and State law	Totals:	98%	100%	96%	100%	✓
		Performance Explanation:	Goal Met.				
		Data Source:	A variety of different formal documents are used by the regions. They include contracts, leases, grants and other agreements.				

INTERMEDIATE GOAL: Operate and maintain reliable, safe and secure power facilities

No.	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
86	DESCRIPTION: Hydropower facilities are in fair to good condition as measured by the Facilities Reliability Rating	Totals:	100%	98%	95%	100%	✓
		Performance Explanation:	Goal Exceeded. The target for this measure was exceeded due to an extraordinary effort by management and maintenance personnel to service and maintain existing equipment and to identify and replace equipment in poor condition before failure.				
		Data Source:	Database of facility condition ratings, indices, etc. (FCAS)				

INTERMEDIATE GOAL: Improved power generation management to maximize supply

No.	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
87	DESCRIPTION: Percent of time that Bureau of Reclamation hydroelectric generating units are available to the interconnected Western Electrical System during daily peak summer demand periods	Totals:	92%	93%	92%	93%	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Monthly Power Operations & Maintenance (PO&M) 59 Monthly Reports				

Recreation - Provide Recreation Opportunities for America

Performance Summary

FIGURE 2-8

End Outcome Goal	Measures Met (including estimates)			Measures Not Met (including estimates)			Measures Containing Preliminary Data			Measures Containing No Reports			Costs (in millions)		
	FY04	FY05	FY06	FY04	FY05	FY06	FY04	FY05	FY06	FY04	FY05	FY06	FY04	FY05	FY06
Goal #1 - Provide for a quality recreation experience, including access and enjoyment of natural and cultural resources on DOI managed and partnered lands and waters	7	9	11	2	0	0	0	0	0	3	2	0	$1,834	$1,712	$1,642
Goal #2 - Provide for and receive fair value in recreation	2	4	4	1	0	0	0	0	0	1	0	0	$327	$135	$139
Total	9	13	15	3	0	0	0	0	0	4	2	0	$2,161	$1,847	$1,781
% of Total Recreation Measures	56%	87%	100%	19%	0%	0%	0%	0%	0%	25%	13%	0%			

Selected Trends and Items of Note

Ref #90 – In FY 2005, there was a significant jump in the number of river and shoreline miles made available for recreation through management actions and partnerships. This change was attributed to the National Park Service's (NPS) inclusion of 137,000 river miles managed by NPS in that year. NPS did not account for the miles previously since it had yet to determine how many river/shoreline miles met Interior's definition. In FY 2006, the miles were accounted for and Interior experienced a small increase to 157,618 miles.

Ref #100 – In FY 2006, the National Park Service adopted a more stringent interpretation of what is required in a performance-based contract. Due to this change, there was a decline from 94% in FY 2005 to 66% in FY 2006 of concession activities with performance-based contracts.

FIGURE 2-9

MISSION: RECREATION - Provide Recreation Opportunities for America

END OUTCOME GOAL: Provide for a quality recreation experience, including access and enjoyment of natural and cultural resources on DOI managed and partnered lands and waters

No.	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
88	DESCRIPTION: Satisfaction with quality of experience	Totals:	94%	94%	91%	93% (E)	✓
		Performance Explanation:	Goal Met. Estimated Data. Trend Data: FY03 = 97%; FY02 = 95%; FY01 = 93%				
		Data Source:	Refuges Annual Performance Plan (RAPP); Visitor survey card				

INTERMEDIATE GOAL: Improve capacities to provide access for recreation where appropriate

No.	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
89	DESCRIPTION: Number of acres made available for recreation through management actions and partnerships	Totals:	340,586,714 acres	429,123,858 acres	429,136,285 acres	432,521,763 acres (E)	✓
		Performance Explanation:	Goal Met. Estimated Data. Management actions include restoration, enhancement, acquisition, or assisstance to partners (Federal, State and local governments, and non-governmental organizations.) Trend Data: FY03 = 846,282 acres; FY02 = 782,710 acres; FY01 = 726,900 acres				
		Data Source:	Refuges Annual Performance Plan (RAPP); Land Resources Division Database and State Grants Program Database				
90	DESCRIPTION: Number of river and shoreline miles made available for recreation through management actions and partnerships	Totals:	19,890 miles	156,954 miles	158,035 miles	157,618 miles (E)	✓
		Performance Explanation:	Goal Met. Estimated Data. Management actions include restoration, enhancement, acquisition, or assisstance to partners (Federal, State and local governments, and non-governmental organizations.) Trend Data: FY03 = 5,050 miles; FY02 = 4,058 miles; FY01 = 3,172 miles				
		Data Source:	Environmental Protection Agency's (EPA) Storage and Retrieval (STORET) national water quality database. Partnership data comes from State Grants Program Database.				
91	DESCRIPTION: Percent of universally accessible facilities in relation to the total number of recreation areas	Totals:	8%	14%	25%	28% (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data. Goal was exceeded because of additional emphasis on meeting expected completion dates for making facilities universally accessible. Trend Data: FY03 = 10%; FY02 = 5%; FY01 = 3%				
		Data Source:	Refuges Annual Performance Plan (RAPP); Accessibility Data Management System (ADMS); Facility Management Software System (FMSS); Recreation Management Information System (RMIS); and regional inventories				

INTERMEDIATE GOAL: Promote recreation opportunities

No.	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
92	DESCRIPTION: Number of on-line recreation transactions supported by DOI	Totals:	12,960 transactions	135,144 transactions	140,500 transactions	171,344 transactions (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data. Goal was exceeded because the public has become more familiar with DOI's on-line recreation systems.				
		Data Source:	Recreation Management Information System (RMIS)				

INTERMEDIATE GOAL: Manage recreation activities seamlessly

No.	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
93	DESCRIPTION: Percent of recreation areas with community partnerships	Totals:	27%	27%	33%	35% (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data.				
		Data Source:	Performance Management Data System (PMDS); Refuges Annual Performance Plan (RAPP); Partnership contracts/agreements				
94	DESCRIPTION: Number of individuals using an interagency pass	Totals:	10,750 individuals	529,220 individuals	498,000 individuals	511,937 individuals (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.				
		Data Source:	Recreation Management Information System (RMIS); Individual park units				

INTERMEDIATE GOAL: Enhance the quality of recreation opportunities

No.	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
95	DESCRIPTION: Facilities are in fair to good condition as measured by the Facilities Condition Index (lower FCI number is good)	Totals:	No Report	0.089	0.100	0.085 (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data.				
		Data Source:	Refuges Annual Performance Plan (RAPP); Facilities Asset Management System (FAMS); FCI calculations; Deferred maintenance documentation				

FIGURE 2-9

#	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
INTERMEDIATE GOAL: Provide effective interpretation and education programs							
96	DESCRIPTION: Number of visitors served by facilitated programs	Totals:	156,341,900 visitors	180,104,605 visitors	182,903,225 visitors	187,226,634 visitors (E)	✓
		Performance Explanation:	Goal Met. Estimated Data. Facilitated programs include education programs, demonstrations and performing arts, audio visuals, and formal and informal interpretive programs.				
		Data Source:	Refuges Annual Performance Plan (RAPP); Service-wide Interpretive Reports submitted by individual park units				
INTERMEDIATE GOAL: Ensure responsible use in recreation to protect natural, cultural, and recreational resources							
97	DESCRIPTION: Percent of targeted underutilized recreation areas where visitation has increased	Totals:	New FY 2005 Measure	No Report	Establish Baseline	Baseline Established	✓
		Performance Explanation:	Goal Met. Baseline Established.				
		Data Source:	Working with OMB to determine how data will be reported for this goal as part of the OMB PART process				
INTERMEDIATE GOAL: Improve information base, information management, and technical assistance							
98	DESCRIPTION: Manager satisfaction scores for technical assistance and science products for recreation purposes	Totals:	95%	No Report	82%	83% (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.				
		Data Source:	Customer surveys; Federal Assistance Information Management System (FAIMS)				
END OUTCOME GOAL: Provide for and receive fair value in recreation							
99	DESCRIPTION: Customer satisfaction with value for fee paid	Totals:	No Report	89%	88%	87% (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.				
		Data Source:	Refuges Annual Performance Plan (RAPP); Visitor survey card				
INTERMEDIATE GOAL: Promote quality services for recreation							
100	DESCRIPTION: Percent of concession activities with performance-based contracts	Totals:	94%	94%	69%	66% (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.				
		Data Source:	Recreation Management Information System (RMIS); Concession management program; Contracts				
INTERMEDIATE GOAL: Effectively manage service fees and recreation fees							
101	DESCRIPTION: Revenue collected from concessions	Totals:	27,600,000	29,623,585	38,300,000	36,385,000 (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.				
		Data Source:	Concession Management Program				
102	DESCRIPTION: Percent of recreation fee program receipts spent on fee collection	Totals:	New FY 2005 Measure	17%	20%	20% (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.				
		Data Source:	Refuges Annual Performance Plan (RAPP); Fee Management Program; Fee site collection reports				

Serving Communities – Safeguard Lives, Property and Assets; Advance Scientific Knowledge; and Improve the Quality of Life for Communities We Serve

Performance Summary

FIGURE 2-10

End Outcome Goal	Measures Met (including estimates)			Measures Not Met (including estimates)			Measures Containing Preliminary Data			Measures Containing No Reports			Costs (in millions)		
	FY04	FY05	FY06	FY04	FY05	FY06	FY04	FY05	FY06	FY04	FY05	FY06	FY04	FY05	FY06
Goal #1 - Protect lives, resources and property	20	16	15	4	6	6	0	0	0	2	4	4	$2,305	$2,326	$2,386
Goal #2 - Advance knowledge through scientific leadership and inform decisions through the application of science	5	6	6	1	0	0	0	0	0	0	0	0	$959	$966	$953
Goal #3 - Fulfill Indian fiduciary trust responsibilities	22	24	12	8	3	2	0	0	0	2	5	17	$773	$728	$648
Goal #4 - Advance quality communities for Tribes and Alaska Natives	11	11	5	5	5	3	0	0	0	2	2	10	$2,402	$2,395	$2,141
Goal #5 - Increase economic self-sufficiency of insular areas	3	2	2	0	1	0	0	0	0	0	0	1	$342	$445	$392
Total	61	59	40	18	15	11	0	0	0	6	11	32	$6,781	$6,860	$6,519
% of Total Serving Communities Measures	72%	69%	48%	21%	18%	13%	0%	0%	0%	7%	13%	39%			

Selected Trends and Items of Note

Ref #154 – Since FY 2004, missing owner information (accounts) recovered has declined from 51% to 33%. The downward trend is due to the fairly aggressive search methods and tools that the Office of the Special Trustee (OST) has applied in recent years. However, as the population of WAU (Whereabouts Unknown) decreases, it becomes increasingly difficult to locate remaining WAUs. Therefore, the rate of finding WAU accounts is expected to decline. The declining number of WAUs and the rates of recovery are expected to continue downward toward a "floor" range of WAU accounts. After the floor range is reached, the rate of locating WAUs is expected to level off.

No Reports – due to the discontinued use of select performance measures by the Bureau of Indian Affairs, Serving Communities experienced an increase in No Reports for 2006, 13% to 39%. This resulted in a decrease within Serving Communities of goals met or exceeded from 69% in 2005 to 48% in 2006.

FIGURE 2-11

MISSION: SERVING COMMUNITIES - Safeguard Lives, Property and Assets; Advance Scientific Knowledge; and Improve the Quality of Life for Communities We Serve							
END OUTCOME GOAL: Protect lives, resources and property							
103	**DESCRIPTION: Loss of life from severe, unplanned and unwanted wildland fire is eliminated**		**FY2004 Actual**	**FY2005 Actual**	**FY2006 Plan**	**FY2006 Actual**	**Goal Met?**
		Totals:	0 fatalities	1 fatalities	0 fatalities	1 fatalities	
		Performance Explanation:	Goal Not Met. The program believes that the only acceptable level of fatalities is zero, although completely avoiding harm is a difficult proposition, especially under hazardous conditions associated with wildland fire fighting and particularly in an extreme fire season such as 2006. Safety firmly remains the number one priority of the program.				
		Steps to Improve:	Although the strict target of zero for fatalities was only missed by one, the program views zero to be the only acceptable level of fatalities and safety will continue to be the number one priority of the program.				
		Data Source:	Safety Management Information System (SMIS)				
104	**DESCRIPTION: Firefighter injuries from severe, unplanned and unwanted wildland fire are reduced**		**FY2004 Actual**	**FY2005 Actual**	**FY2006 Plan**	**FY2006 Actual**	**Goal Met?**
		Totals:	Baseline Established	341 injuries	0 injuries	270 injuries	
		Performance Explanation:	Goal Not Met. The reporting year proved to be an extreme fire season with a consequent increase in personnel fighting fires and fire-related injuries.				
		Steps to Improve:	Training, policies, on the ground practices, and other safety restrictions will continue to be reinforced to minimize injuries given the dangerous conditions associated with wildland fire.				
		Data Source:	Safety Management Information System (SMIS)				
105	**DESCRIPTION: Damage to communities and the environment from severe, unplanned and unwanted wildland fire are reduced**		**FY2004 Actual**	**FY2005 Actual**	**FY2006 Plan**	**FY2006 Actual**	**Goal Met?**
		Totals:	No Report	No Report	No Target	No Report	
		Performance Explanation:	No Report. No Data.				
		Data Source:	No source information.				
106	**DESCRIPTION: Amount of time lost from firefighter injury in proportion to the number of days worked across all agencies**		**FY2004 Actual**	**FY2005 Actual**	**FY2006 Plan**	**FY2006 Actual**	**Goal Met?**
		Totals:	Baseline Established	0.11%	0.05%	0.15%	
		Performance Explanation:	Goal Not Met. Targeting to projected number of firefighter injuries and consequent lost workdays is problematic owing to the virtual unpredictability of the severity of fire seasons. The reporting year proved to be an extreme fire season with a consequent increase in personnel fighting fires and fire-related injuries and lost time.				
		Steps to Improve:	Training, policies, on the ground practices, and other safety restrictions will continue to be reinforced to minimize injuries and lost time given the dangerous conditions associated with wildland fire.				
		Data Source:	Safety Management Information System (SMIS)				
107	**DESCRIPTION: Number of homes and significant structures lost as a result of wildland fire**		**FY2004 Actual**	**FY2005 Actual**	**FY2006 Plan**	**FY2006 Actual**	**Goal Met?**
		Totals:	Baseline Established	No Report	No Target	No Report	
		Performance Explanation:	No Report. No Data. It is estimated that 166 units have been lost; however, no specific target was established for FY 2006.				
		Data Source:	ICS-209 - Incident Status Summary data				
108	**DESCRIPTION: Visitor lives lost due to illegal activities on DOI lands and in DOI facilities (incidents per 100,000 visitor/resident days)**		**FY2004 Actual**	**FY2005 Actual**	**FY2006 Plan**	**FY2006 Actual**	**Goal Met?**
		Totals:	Baseline Established	No Report	0 fatalities	27 fatalities	
		Performance Explanation:	Goal Not Met. In order to meet this goal in the future, the Department needs to improve awareness and increase safeguards.				
		Steps to Improve:	DOI Law Enforcement personnel are meeting with States to improve awareness and increase safeguards.				
		Data Source:	Incident Management Analysis Reporting System (IMARS) will be the source for this information when operational; Significant Activity Report (SAR); Recreation Management Information System (RMIS)				
109	**DESCRIPTION: Visitor serious injuries due to illegal activities on DOI lands and in DOI facilities (incidents per 100,000 visitor/resident days)**		**FY2004 Actual**	**FY2005 Actual**	**FY2006 Plan**	**FY2006 Actual**	**Goal Met?**
		Totals:	Baseline Established	No Report	No Target	No Report	
		Performance Explanation:	No Report. No Data. 144 injuries have been estimated on BLM lands. However, no target was established for FY 2006.				
		Data Source:	Significant Activity Report (SAR); Recreation Management Information System (RMIS); Incident Management Analysis Reporting System (IMARS) will be the source for this information when operational				
110	**DESCRIPTION: Percent of communities using DOI science on hazard mitigation, preparedness and avoidance for each hazard management activity**		**FY2004 Actual**	**FY2005 Actual**	**FY2006 Plan**	**FY2006 Actual**	**Goal Met?**
		Totals:	43%	45%	48%	48%	✓
		Performance Explanation:	Goal Met.				
		Data Source:	National Seismic Hazard Maps and USGS; Community Response Plans				

FIGURE 2-11

111 DESCRIPTION: Number of people with reduced exposure potential to safety risks from abandoned mine lands

	FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
Totals:	160,257 people	2,244,458 people	160,000 people	393,728 people	✓

Performance Explanation: Goal Exceeded. Of the 393,728 people with reduced exposure, 93,922 were reported for one project in Alaska. An additional 144,375 people were reported on five projects in Wyoming due to the sites' proximity to communities, recreational areas, schools, and a portion of a national park. States are provided the option of using data other than the calculated Census data due to site conditions that may impact more people such as those identified above, or less people as appropriate. If only the Census data calculation was used for all acres reclaimed in FY 2006, the total number of people associated with those acres would be 161,297. This is in line with our target.

Data Source: Abandoned Mine Land Inventory System (AMLIS)

112 DESCRIPTION: Reduced number of fatalities among workers in DOI permitted or contracted activities

	FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
Totals:	3 fatalities	6 fatalities	5 fatalities	9 fatalities	

Performance Explanation: Goal Not Met. While no single cause for the increase in fatalities and serious injuries in FY 2006 from FY 2005 can be identified, the unusual offshore activity level during FY 2006 is most likely a significant contributing factor. During FY 2006, the offshore industry in the Gulf of Mexico has been engaged in recovering from the record damage caused by hurricanes Katrina and Rita in August and September 2005. The number of repair operations and man-hours operating on the OCS has been well above that of recent years, dramatically affecting the availability of equipment and qualified people to conduct the recovery and repair operations. MMS includes the fatality and serious injury incidents resulting from operations regulated by the United States Coast Guard (USCG) if the incident occurs at an OCS facility; four of the nine fatalities reported by MMS involve operations that are regulated by the USCG.

Steps to Improve: In April 2006, MMS published a final rule that revised the Bureau's incident reporting requirements. With this rule, MMS will receive information on all serious incidents, as well as a significant number of minor incidents. This will help MMS better understand the causes and contributing factors of incidents so that appropriate actions can be taken to prevent them. In May 2006, MMS also published an Advance Notice of Proposed Rulemaking requesting comments on options for requiring operators to incorporate specific safety and environmental management procedures in their operations. MMS has reviewed industry comments and is considering the most appropriate next step to enhance safety and environmental management on the OCS.

Since the 2005 hurricane season, MMS has also undertaken several initiatives with industry to address the safety and survivability of OCS facilities during major storms. The initiatives include developing interim and long-term improvements to Mobile Offshore Drilling Rig station keeping standards and identifying improvements to structural design standards for OCS platforms. MMS also continues to work with the International Regulators Offshore Safety Forum (IRF) to address safety concerns common to IRF member countries. Currently, the IRF has ongoing initiatives regarding performance measurement, crane/lifting operation safety, and drilling safety.

Data Source: OMM Technical Information Management System

113 DESCRIPTION: Reduced number of serious injuries among workers in DOI permitted or contracted activities

	FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
Totals:	29 serious injuries	23 serious injuries	24 serious injuries	29 serious injuries	

Performance Explanation: Goal Not Met. While no single cause for the increase in fatalities and serious injuries in FY 2006 from FY 2005 can be identified, the unusual offshore activity level during FY 2006 is most likely a significant contributing factor. During FY 2006, the offshore industry in the Gulf of Mexico has been engaged in recovering from the record damage caused by hurricanes Katrina and Rita in August and September 2005. The number of repair operations and man-hours operating on the OCS has been well above that of recent years, dramatically affecting the availability of equipment and qualified people to conduct the recovery and repair operations. MMS includes the fatality and serious injury incidents resulting from operations regulated by the United States Coast Guard (USCG) if the incident occurs at an OCS facility; four of the ninefatalities reported by MMS involve operations that are regulated by the USCG.

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Data Source: OMM Technical Information Management System

114 DESCRIPTION: Reduced number of fatalities on DOI managed or influenced lands and waters

	FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
Totals:	No Report	180	175	158 (E)	✓

Performance Explanation: Goal Exceeded. Estimated Data. Favorable weather conditions resulted in fewer/lower safety hazards and risks. (Example: Less winter snow leading to less vigorous runoff resulting in fewer water-related incidents.) Also a renewed emphasis on safety within the park systems had a positive effect. (Example: Early spring safety "stand-down" for employees to review safety processes and procedures.)

Data Source: Performance Management Data System (PMDS)

FIGURE 2-11

115 DESCRIPTION: Reduced number of serious injuries on DOI managed or influenced lands and waters

	FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
Totals:	9,006	5,175	7,900	7,242 (E)	✓
Performance Explanation:	Goal Exceeded. Estimated Data. Favorable weather conditions resulted in fewer/lower safety hazards and risks. (Example: Less winter snow leading to less vigorous runoff resulting in fewer water-related incidents.) Also a renewed emphasis on safety within the park systems had a positive effect. (Example: Early spring safety "stand-down" for employees to review safety processes and procedures.)				
Data Source:	Performance Management Data System (PMDS)				

INTERMEDIATE GOAL: Improve fire management

116 DESCRIPTION: Percent of unplanned and unwanted wildland fires controlled during initial attack

	FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
Totals:	98%	97%	95%	98% (E)	✓
Performance Explanation:	Goal Met. Estimated Data. Trend Data: FY03 = 97%; FY02 = 94%; FY01 = 95%				
Data Source:	National Interagency Fire Coordination Center (NIFC) Daily Situation Report				

117 DESCRIPTION: Number of acres burned by unplanned and unwanted wildland fires

	FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
Totals:	8,094,531 acres	8,681,252 acres	5,135,013 acres	3,074,232 acres (E)	✓
Performance Explanation:	Goal Exceeded. Estimated Data. The planned number of acres burned is targeted based on the highly variable 10-year average. Actual acres burned can vary significantly based on where fires actually occur and how quickly they are contained.				
Data Source:	National Interagency Fire Coordination Center (NIFC) Daily Situation Report				

118 DESCRIPTION: Number of acres treated that are in the wildland-urban interface and are identified as high priority through collaboration consistent with the 10-Year Implementation Plan - in total

	FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
Totals:	490,110 acres	542,568 acres	472,000 acres	527,000 acres (E)	✓
Performance Explanation:	Goal Exceeded. Estimated Data. On the ground, fire and fuels conditions dictated a redirection of effort toward the wildland urban interface.				
Data Source:	National Fire Plan Operating and Reporting System (NFPORS)				

119 DESCRIPTION: Number of acres treated that are in the wildland-urban interface and are identified as high priority through collaboration consistent with the 10-Year Implementation Plan as X percent of all acres treated

	FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
Totals:	39%	43%	44%	49% (E)	✓
Performance Explanation:	Goal Exceeded. Estimated Data. On the ground, fire and fuels conditions dictated a redirection of effort toward the wildland urban interface.				
Data Source:	National Fire Plan Operating and Reporting System (NFPORS)				

120 DESCRIPTION: Number of acres treated in the wildland-urban interface per million dollars gross investment

	FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
Totals:	4,248 acres	4,092 acres	3,553 acres	3,985 acres (E)	✓
Performance Explanation:	Goal Exceeded. Estimated Data. Additional acres treated in WUI were due to on-the-ground fire threat conditions dictating a redirection of effort toward the wildland urban interface. Additional efficiencies were a result of continued collaboration with partners.				
Data Source:	National Fire Plan Operating and Reporting System (NFPORS)				

INTERMEDIATE GOAL: Improve public safety and security and protect public resources from damage

121 DESCRIPTION: Percent of physical and chemical hazards mitigated within 120 days to ensure visitor or public safety

	FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
Totals:	Baseline Established	69%	46%	57% (E)	✓
Performance Explanation:	Goal Exceeded. Estimated Data.				
Data Source:	Refuges Annual Performance Plan (RAPP); Environmental Cleanup Liability (ECL) report on DOI/OMB; Dam Safety Program Reports				

122 DESCRIPTION: Buildings (eg, administrative, employee housing) in fair to good condition as measured by the Facilities Condition Index

	FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
Totals:	0.131	0.139	0.136	No Report	
Performance Explanation:	No Report. No Data.				
Data Source:	Refuges Annual Performance Plan (RAPP); Facility Management Software System (FMSS); FMIS Database - Deferred Maintenance/ Current Replacement Value (CRV); Condition assessments				

123 DESCRIPTION: Other facilities, including roads, dams (non-BOR), trails, and bridges (non-BIA) are in fair to good condition as measured by a Facilities Condition Index

	FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
Totals:	0.250	0.130	0.168	0.127 (E)	✓
Performance Explanation:	Goal Exceeded. Estimated Data. During FY 2006, greater accuracy in the FCI for Roads was gained through the Condition Assessment effort. Many roads which were estimated in poor condition were appraised as having an FCI < 0.15 or in fair to good condition.				
Data Source:	Refuges Annual Performance Plan (RAPP); Facility Management Software System (FMSS)				

FIGURE 2-11

#	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
	INTERMEDIATE GOAL: Provide information to assist communities in managing risks from natural hazards						
124	DESCRIPTION: Percent of sampled stakeholders reporting adequacy of science base to inform decision-making for each hazard management activity	Totals:	98%	99%	> or = 80%	100%	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Survey results				
	INTERMEDIATE GOAL: Promote respect for private property						
125	DESCRIPTION: Average number of months that active non-probate cases are before the Office of Hearings and Appeals	Totals:	14.3 months	13.0 months	12.1 months	10.8 months	✓
		Performance Explanation:	Goal Exceeded. An increase in newer cases lowered the age of older cases.				
		Data Source:	Quarterly Case Load Reports.				
126	DESCRIPTION: Average number of months that active non-probate cases in the oldest quartile are before the Office of Hearings and Appeals	Totals:	32.1 months	27.0 months	23.3 months	23.6 months	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Quarterly Case Load Reports.				
127	DESCRIPTION: Number of pending cases of permits and lease applications that are in backlog status for rights-of-way	Totals:	1,007 cases	1,117 cases	1,750 cases	1,350 cases	✓
		Performance Explanation:	Goal Exceeded. Although the BLM State Office and Field Office lands staff worked diligently to process the pending workload of right-of-way applications, applications are being filed at a greater rate than in the past, resulting in more applications in backlog status.				
		Data Source:	Case Recordation (LR2000)				
	END OUTCOME GOAL: Advance knowledge through scientific leadership and inform decisions through the applications of science						
128	DESCRIPTION: Soundness of methodology, accuracy, and reliability of science (program evaluation, peer review)	Totals:	80%	100%	100%	100%	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Annual Management Control Review				
129	DESCRIPTION: Improved stakeholder access to needed science information	Totals:	90%	92%	90%	87%	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Survey results				
130	DESCRIPTION: Stakeholders reporting that information helped achieve goal	Totals:	93%	95%	90%	96%	✓
		Performance Explanation:	Goal Exceeded. A different set of products is sampled each year. One year's aggregate measurement is not directly linked to the previous year. The intent is to maintain at least an 90% satisfaction level (i.e., 90% is the target).				
		Data Source:	Survey results				
	INTERMEDIATE GOAL: Improve information base, information management and technical assistance						
131	DESCRIPTION: Percent of surface area with temporal and spatial monitoring, research, and assessment/data coverage to meet land use planning and monitoring requirements	Totals:	55%	59%	70%	80%	✓
		Performance Explanation:	Goal Exceeded. Change due to greater than anticipated influx of reimbursable funding.				
		Data Source:	GAP GIS Database; USGS National Geologic Map Database; National Satellite Land Remote Sensing Data Archive (NSLRSDA); National Hydrographic Dataset				
132	DESCRIPTION: Percent of studies validated through appropriate peer review or independent review	Totals:	100%	100%	100%	100%	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Lists of publication titles maintained				

FIGURE 2-11

No.	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
133	DESCRIPTION: Facilities are in fair to good condition as measured by the Facilities Condition Index	Totals:	0.172	0.172	0.172	0.172	✓
		Performance Explanation:	Goal Met. The FCI data is based on the current replacement value calculated and deferred maintenance captured during a comprehensive condition assessment. Condition assessments are performed on a 5-yr cycle. The assessments for the assets in this category were not completed during these years resulting in no change in FCI. There are a total number of six installations that make up this FCI. The three largest installations in this calculation, comprising over 90% of the CRV for this particular measure, will have condition assessments completed in FY 2007.				
		Data Source:	Condition assessments data				
	END OUTCOME GOAL: Fulfill Indian fiduciary trust responsibilities						
134	DESCRIPTION: Percent of financial information accurately processed in Trust beneficiary accounts	Totals:	18%	100%	98%	100%	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Error Logs; Trust Fund Accounting System.				
135	DESCRIPTION: Percent timeliness of financial account information provided to Trust beneficiaries	Totals:	97%	99%	100%	100%	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Trust Fund Accounting System				
136	DESCRIPTION: Percent of Federal Managers Financial Integrity Act management control plans with corrective actions in place	Totals:	91%	97%	95%	100%	✓
		Performance Explanation:	Goal Exceeded. Continued emphasis was placed on risk management through the implementation of new requirements of Circular A-123, as well as the existing requirements of FMFIA and the completion of two reviews this year.				
		Data Source:	Risk Management Plus System				
137	DESCRIPTION: Percent of Tribes with trust program-related performance-based PL 93-638 agreements	Totals:	Baseline Established	54%	45%	No Report	
		Performance Explanation:	No Report. No Data.				
		Data Source:	P.L. 93-638 contracts				
138	DESCRIPTION: Percent of Tribes with trust program-related performance-based PL 103-413 agreements	Totals:	Baseline Established	40%	40%	No Report	
		Performance Explanation:	No Report. No Data.				
		Data Source:	Self-governance funding contracts				
139	DESCRIPTION: Percent of formal applications for the withdrawal of tribal trust funds processed within regulatory timeframes	Totals:	New FY 2005 Measure	100%	100%	No Report	
		Performance Explanation:	No Report. No Data.				
		Data Source:	OST's Office of External Affairs spreadsheet of inquiries/requests.				
140	DESCRIPTION: Percent of DOI-supported Tribal judicial systems receiving an acceptable rating under independent Tribal Court Reviews	Totals:	1%	16%	15%	15%	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Tribal Services Spreadsheet				
141	DESCRIPTION: Indian natural resource trust assets management - Volume of timber offered for sale	Totals:	580 MMBF	627 MMBF	585 MMBF	522 MMBF	
		Performance Explanation:	Goal Not Met. Target not met for the year due to longer than average fire season.				
		Steps to Improve:	If wildland fires do not impose the limiting effect in the coming reporting year that was experienced in FY 2006, the same type of performance shortfall should not be experienced - unless other external circumstances should become a controlling factor.				
		Data Source:	Trust Services Spreadsheet				
142	DESCRIPTION: Indian natural resource trust assets management - Volume of wood products offered consistent with applicable management plans	Totals:	580 MMBF	627 MMBF	No Target	No Report	
		Performance Explanation:	No Report. No Data.				
		Data Source:	Trust Services Spreadsheet				

FIGURE 2-11

No.	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
143	DESCRIPTION: Indian natural resource trust assets management - Percent of eligible trust land acres that are under lease (% for energy development; % for non-energy mineral development; % for grazing land; % for agricultural use; % for commercial property use)	Totals:	Baseline Not Established	Baseline Established	60%	No Report	
		Performance Explanation:	No Report. No Data.				
		Data Source:	Trust Services Spreadsheet				
144	DESCRIPTION: Indian natural resource trust assets management - Number of acres of energy and non-energy trust resource land developed that are reclaimed to appropriate land condition and water quality standards	Totals:	Baseline Not Established	No Report	No Target	No Report	
		Performance Explanation:	No Report. No Data.				
		Data Source:	No source information				
145	DESCRIPTION: Indian natural resource trust assets management - Percent of acres of forest, grazing and agricultural leases achieving desired conditions where condition is known and where specified in management plans consistent with applicable environmental laws and regulations	Totals:	Baseline Not Established	16%	46%	No Report	
		Performance Explanation:	No Report. No Data.				
		Data Source:	Trust Services Spreadsheet				
146	DESCRIPTION: Indian natural resource trust assets management - Percent change in baseline in the number of acres infested with invasive plant species	Totals:	Baseline Established	7.2%	6.6%	No Report	
		Performance Explanation:	No Report. No Data.				
		Data Source:	Trust Services Spreadsheet				
147	DESCRIPTION: Indian natural resource trust assets management - Percent of Interior/Tribal land use agreements that incorporate protections for Indian Sacred Sites and Sacred resources and their use	Totals:	Baseline Established	No Report	100%	No Report	
		Performance Explanation:	No Report. No Data.				
		Data Source:	No source information				
148	DESCRIPTION: Indian natural resource trust assets management - Percent of cultural properties in DOI inventory in good condition	Totals:	Baseline Not Established	70%	96%	No Report	
		Performance Explanation:	No Report. No Data.				
		Data Source:	Curator Sioux Indian Museum Reports / Curator Museum of Plains Indians; Curator Southern Plains Museum				
149	DESCRIPTION: Indian natural resource trust assets management - Percent of collections in DOI inventory in good condition	Totals:	17%	22%	19%	34%	✓
		Performance Explanation:	Goal Exceeded. Based on the analysis of the 2005 data, the program determined the target for FY 2006 should have been higher. The analysis was completed after the closing date set by internal controls, therefore, the goal could not be changed. The goal was exceeded due to improved data collection of the condition of the inventory.				
		Data Source:	DOI checklist for locations housing museum property; American Association of Museum accreditation				
150	DESCRIPTION: Indian natural resource trust assets management - Percent of paleontologic localities in DOI inventory in good condition [BIA]	Totals:	Baseline Established	No Report	No Target	No Report	
		Performance Explanation:	No Report. No Data.				
		Data Source:	No source information				
	INTERMEDIATE GOAL: Improve Indian trust ownership and other information						
151	DESCRIPTION: Percent of estates in which assets are distributed and all title information is updated in standard probate process cycle time	Totals:	Baseline Established	34%	33%	No Report	
		Performance Explanation:	No Report. No Data.				
		Data Source:	Central Office Spreadsheet				
152	DESCRIPTION: Percent of probate cases where document preparation and post/record work has been completed	Totals:	Baseline Established	37%	66%	No Report	
		Performance Explanation:	No Report. No Data.				
		Data Source:	Central Office Spreadsheet				

FIGURE 2-11

No.	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
153	DESCRIPTION: Average number of months that active probate cases are before the Office of Hearings and Appeals	Totals:	6.4 months	6.0 months	6.0 months	5.7 months	✓
		Performance Explanation:	Goal Exceeded. An increase in newer cases lowered the age of older cases.				
		Data Source:	Quarterly Case Load Reports.				
154	DESCRIPTION: Percent of missing owner information (accounts) recovered	Totals:	51%	36%	20%	33%	✓
		Performance Explanation:	Goal Exceeded. The goal was exceeded due to the availability of additional Fiduciary Trust Officers employed across Indian country and the use of contractor assistance in locating missing account information.				
		Data Source:	Trust Fund Accounting System; Open Data Replication Tables				
155	DESCRIPTION: Percent of title encumbrances filed within 2 business days	Totals:	47%	59%	60%	No Report	
		Performance Explanation:	No Report. No Data.				
		Data Source:	Central Office Spreadsheet				
156	DESCRIPTION: Percent of tracts for which DOI has data responsibility where real property ownership data are current, standardized and integrated and title status reports are provided within 10 days of request	Totals:	No Report	No Report	No Target	No Report	
		Performance Explanation:	No Report. No Data.				
		Data Source:	Central Office Spreadsheet				
157	DESCRIPTION: Number of land acquisitions to increase land use capabilities and reduce fractionation of land interests	Totals:	48,470 acquisitions	72,547 acquisitions	41,000 acquisitions	77,577 acquisitions	✓
		Performance Explanation:	Goal Exceeded. Target was exceeded because of increased acquisitions within large acreage allotments increased overall acres acquired; administrative savings allowed additional funds for acquisitions, and the large pool of applications allowed the program to choose acquisition of less costly interests.				
		Data Source:	Trust Services Spreadsheet				
158	DESCRIPTION: Acreage of land acquisitions to increase land use capabilities and reduce fractionation of land interests	Totals:	42,806 acres	114,529 acres	46,000 acres	160,049 acres	✓
		Performance Explanation:	Goal Exceeded. Target was exceeded because of increased acquisitions within large acreage allotments; increased overall acres acquired; administrative savings allowed additional funds for acquisitions; and the large pool of applications allowed the program to choose acquisition of less costly interests.				
		Data Source:	Trust Services Spreadsheet				
	INTERMEDIATE GOAL: Improve management of land and natural resource assets						
159	DESCRIPTION: Percent of revenue recorded in the Trust Financial Accounting System within 24 hours of receipt	Totals:	98.7%	100.0%	98.5%	99.8%	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Trust Fund Accounting System; Process is also tracked via Access database				
160	DESCRIPTION: Percent of revenue transferred to OST within 24 hours of receipt	Totals:	100%	100%	100%	100%	✓
		Performance Explanation:	Goal Met. Trend Data: FY03 = 99%				
		Data Source:	Minerals Revenue Management Support System (MRMSS)				
161	DESCRIPTION: Percent of royalties for which lease distribution data are provided to BIA by first semi-monthly distribution	Totals:	84%	92%	80%	95%	✓
		Performance Explanation:	Goal Exceeded. As the target for FY 2006 was being set, MRM anticipated some changes in the business process that would result in stricter enforcement of industry reporting requirements. These changes would have delayed distribution of some of the data to BIA. However, MRM did not make the process changes, and MRM surpassed its target.				
		Data Source:	Minerals Revenue Management Support System (MRMSS)				
162	DESCRIPTION: Percent of ownership for which lease data is matched within 10 days	Totals:	Baseline Not Established	Baseline Not Established	No Target	No Report	
		Performance Explanation:	No Report. No Data.				
		Data Source:	Trust Services Spreadsheet				

FIGURE 2-11

#	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
163	DESCRIPTION: Percent of appraisal reports completed within requestor business requirement	Totals:	94%	79%	95%	89%	
		Performance Explanation:	Goal Not Met. The 6% decline in our expected target was caused by mid-year internal control reviews conducted throughout regional offices showing that some appraisal reports were either completed incorrectly or did not comply with the Uniform Standards of Professional Appraisal Practice, thus having to be rejected and recompleted.				
		Steps to Improve:	Policy has been issued requiring all appraisals performed either by contract or employee to be compliant with the Uniform Standards of Professional Appraisal Practice (USPAP). Also, an appraisal handbook has been developed and distribution/implementation is imminent. Lastly, an appraisal checklist has been created for review appraisers to use to ensure the requirements of USPAP are met.				
		Data Source:	Quarterly Reports				
164	DESCRIPTION: Percent of planned enhancement/reintroduction objectives completed	Totals:	151%	100%	50%	No Report	
		Performance Explanation:	No Report. No Data.				
		Data Source:	Fisheries Information Management System; Trust Services Spreadsheet				
	END OUTCOME GOAL: Advance quality communities for Tribes and Alaska Natives						
165	DESCRIPTION: Achieve parity between the Tribal community and US rural area national average on high school graduation	Totals:	80%	82%	84%	No Report	
		Performance Explanation:	No Report. No Data.				
		Data Source:	BIA Center for School Improvement Form				
166	DESCRIPTION: Achieve parity between the Tribal community and US rural area national average on college graduation	Totals:	Baseline Established	5%	12%	No Report	
		Performance Explanation:	No Report. No Data.				
		Data Source:	Annual Tribal Colleges and Universities Report Form - OMB No. 1076-0105				
167	DESCRIPTION: Achieve parity between the Tribal community and US national average on rural unemployment rates and per capita income	Totals:	43%	43%	43%	No Report	
		Performance Explanation:	No Report. No Data.				
		Data Source:	Tribal Services Spreadsheet				
168	DESCRIPTION: Achieve parity between the Tribal community and US national average on violent crime	Totals:	No Report	No Report	No Target	No Report	
		Performance Explanation:	No Report. No Data.				
		Data Source:	Law Enforcement Services Crime Data Spreadsheets				
169	DESCRIPTION: Percent of eligible Housing Improvement Program applicants whose need for safe and sanitary housing in Indian Country is met	Totals:	9%	5%	7%	No Report	
		Performance Explanation:	No Report. No Data.				
		Data Source:	Housing Report Spreadsheet				
	INTERMEDIATE GOAL: Improve education and welfare systems for Indian Tribes and Alaska Natives						
170	DESCRIPTION: Facilities are in fair to good condition as measured by the Facilities Condition Index	Totals:	0.124	0.107	0.091	0.199	
		Performance Explanation:	Goal Not Met. Previous to FY 2006, the Bureau's Education facilities FCI calculations reflected the positive impact of major FI&R and Replacement School projects at the time of proposed project funding rather than after project completion. This approach, showing immediate improvement, was used to demonstrate the future impact of funding rather than the actual current condition of facilities. In FY 2006, however, the Bureau recalculated the educational FCI to reflect facility improvements only after the project work is completed.				
		Steps to Improve:					
		Data Source:	FMIS Database				

FIGURE 2-11

No.	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
171	DESCRIPTION: Percent of teacher proficiencies in select subject areas	Totals:	Baseline Established	94%	78%	90% (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data. Based on the analysis of 72 approved School Report Cards, the results of the preliminary report indicate 1,229 Number of Core Area Teachers, with 1,112 or 90.48% as deemed Highly Qualified Core Area Teachers. (Data should be considered estimated as all schools have not reported)				
		Data Source:	OIEP Center for School Improvement; Annual Consolidated School Report Form				
172	DESCRIPTION: Teacher retention rate	Totals:	Baseline Established	88%	95%	No Report	
		Performance Explanation:	No Report. No Data.				
		Data Source:	OIEP Center for School Improvement; Annual Consolidated School Report Form				
173	DESCRIPTION: Student attendance rate	Totals:	87%	88%	91%	No Report	
		Performance Explanation:	No Report. No Data. Trend Data: FY03 = 89%; FY02 = 89%; FY01 = 90%				
		Data Source:	OIEP Center for School Improvement; Annual Consolidated School Report Form				
174	DESCRIPTION: Percent of children able to read independently by the 3rd grade	Totals:	48%	41%	54%	46%	
		Performance Explanation:	Goal Not Met.				
		Steps to Improve:					
		Data Source:	OIEP Center for School Improvement; Annual Consolidated School Report Form				
175	DESCRIPTION: Percent of students achieving high school graduation	Totals:	80%	82%	84%	No Report	
		Performance Explanation:	No Report. No Data.				
		Data Source:	OIEP Center for School Improvement; Annual Consolidated School Report Form				
	INTERMEDIATE GOAL: Promote the economic vitality of Indian Tribes and Alaska Natives						
176	DESCRIPTION: Number of jobs created through capital provided by DOI loans	Totals:	1,719 jobs	1,922 jobs	1,800 jobs	1,838 jobs	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Tribes Annual Reports				
177	DESCRIPTION: Percent of job retention one year out	Totals:	No Report	Baseline Not Established	No Target	No Report	
		Performance Explanation:	No Report. No Data.				
		Data Source:	State Wage Records				
178	DESCRIPTION: Cost per job achieved	Totals:	$1,799	$2,190	$1,700	$2,141	
		Performance Explanation:	Goal Not Met.				
		Steps to Improve:					
		Data Source:	OMB Approved Collection Reports Submitted by Tribes; OMB Form No. 269A Annual Financial Report				
179	DESCRIPTION: Percent of miles of road in good or better condition based on the Service Level Index	Totals:	Baseline Established	21%	16%	17% (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data.				
		Data Source:	Annual Deferred Maintenance Report; Structure Inventory and Appraisal Sheet				
180	DESCRIPTION: Percent of bridges in good or better condition based on the Service Level Index	Totals:	Baseline Established	52%	49%	62%	✓
		Performance Explanation:	Goal Exceeded.				
		Data Source:	Annual Deferred Maintenance Report; Structure Inventory and Appraisal Sheet				

FIGURE 2-11

INTERMEDIATE GOAL: Enhance public safety

#	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
181	DESCRIPTION: Part 1 violent rate per 100,000 inhabitants	Totals:	15%	No Report	No Target	No Report	
		Performance Explanation:	No Report. No Data.				
		Data Source:	Office of Law Enforcement Services Spreadsheets				
182	DESCRIPTION: Law enforcement facilities in fair to good condition as measured by the Facilities Condition Index	Totals:	0.169	0.123	0.145	0.091	✓
		Performance Explanation:	Goal Exceeded. Previous to FY 2006, the Bureau's Law Enforcement and Detention Center facilities FCI calculations reflected the positive impact of major FI&R and Replacement projects at the time of proposed project funding rather than after project completion. This approach, showing immediate improvement, was used to demonstrate the future impact of funding rather than the actual current condition of facilities. In FY 2006, however, the Bureau recalculated the law enforcement and detention facilities FCI to reflect facility improvements only after the project work is completed.				
		Data Source:	FMIS Database				

END OUTCOME GOAL: Increase economic self-sufficiency of insular areas

#	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
183	DESCRIPTION: Ratio of Federal revenue to total revenues in insular areas	Totals:	0.26	0.25	0.33	0.28	✓
		Performance Explanation:	Goal Exceeded. The 2006 target was based on estimates from the CIA World Fact Book. Data in the CIA World Fact Book is inconsistently available and inaccurate for all the insular areas. As a result of OIA's Single Audit compliance efforts, more accurate and consistent data is now available from the insular area's annual financial statements. This data is reflected in the 2006 Actual figure based on the Fiscal Year 2005 Audits. In the future, targets will be set based on evaluations of the insular area's annual financial statements instead of the CIA World Fact Book figures.				
		Data Source:	Audited General Fund Financial Statements.				

INTERMEDIATE GOAL: Improve insular governments financial management practices

#	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
184	DESCRIPTION: Total average months late for all insular general fund financial statements	Totals:	8 months	19 months	12 months	12 months	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Audited General Fund Financial Statements.				

INTERMEDIATE GOAL: Increase economic development

#	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
185	DESCRIPTION: Ratio of private sector jobs to total employment	Totals:	0.76	0.72	No Target	No Report	
		Performance Explanation:	No Report. No Data. This was a new goal in FY 2004. The 2004 Actual figure was based on an estimate from the four U.S. Territories. The insular areas do not consistently collect this data annually and this data is no longer available.				
		Data Source:	Audited General Fund Financial Statements.				

Management Excellence – Manage the Department To Be Highly Skilled, Accountable, Modern, Functionally Integrated, Citizen-Centered and Result Oriented

Performance Summary

FIGURE 2-12

End Outcome Goal	Measures Met (including estimates)			Measures Not Met (including estimates)			Measures Containing Preliminary Data			Measures Containing No Reports		
	FY04	FY05	FY06	FY04	FY05	FY06	FY04	FY05	FY06	FY04	FY05	FY06
Goal #1 - Workforce has job-related knowledge and skills necessary to accomplish organizational goals	8	6	3	3	1	1	0	0	1	1	0	1
Goal #2 - Accountability	3	4	4	1	0	1	0	0	0	1	0	0
Goal #3 - Modernization	9	7	8	1	3	1	0	0	1	0	0	0
Goal #4 - Integration	2	2	1	2	2	1	0	0	0	1	0	0
Goal #5 - Customer Value	0	0	0	2	1	0	0	0	1	0	0	0
Total	22	19	16	9	7	4	0	0	3	3	0	1
% of Total Management Excellence Measures	65%	73%	67%	26%	27%	17%	0%	0%	13%	9%	0%	4%

FIGURE 2-13

MISSION: MANAGEMENT EXCELLENCE - Manage the Department To Be Highly Skilled, Accountable, Modern, Functionally Integrated, Citizen-Centered and Result-Oriented

END OUTCOME GOAL: Workforce has job-related knowledge and skills necessary to accomplish organizational goals

No.	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
186	DESCRIPTION: Percent of skill gaps identified and eliminated through succession and knowledge management plans	Totals:	New FY 2005 Measure	Baseline Established	3%	3% (P)	
		Performance Explanation:	No Report. Preliminary Data.				
		Data Source:	No source information				

INTERMEDIATE GOAL: Human capital management

No.	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
187	DESCRIPTION: Human Capital Plan Implementation: Performance-Based Management: Percent of SES executives and direct reports with program management or administrative responsibilities that have performance agreements containing GPRA, PMA, and Citizen-Centered Governance performance-based elements	Totals:	88%	90%	100%	100%	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Agency Compilation				
188	DESCRIPTION: Percent of diversity increased in the applicant pool of people applying for employment across the DOI	Totals:	New FY 2005 Measure	Baseline Not Established	No Target	No Report	
		Performance Explanation:	No Report. No Data. The inability to establish a unified Departmentwide database to collect valid, verifiable applicant data resulted in no report for the measure "percent of diversity increased in the applicant pool of people applying for employment across the Department of the Interior."				
		Data Source:	No source information.				
189	DESCRIPTION: Percent annual reduction in the injury incidence rate at DOI	Totals:	New FY 2005 Measure	Baseline Established	3%	5%	✓
		Performance Explanation:	Goal Exceeded.				
		Data Source:	DOI Safety Management Information System (SMIS) and U.S. Department of Labor.				
190	DESCRIPTION: Percent annual reduction in lost time case rate for DOI employees	Totals:	No Report	3%	3%	5%	✓
		Performance Explanation:	Goal Exceeded.				
		Data Source:	U.S. Department of Labor and FPPS.				
191	DESCRIPTION: Volunteers: Number of volunteer hours per year supporting DOI mission activities	Totals:	9,130,000 volunteer hours	9,467,427 volunteer hours	9,648,226 volunteer hours	8,231,390 volunteer hours (E)	
		Performance Explanation:	Goal Not Met. Estimated Data. This estimate is incomplete because all bureaus have yet to report their FY 2006 hours. Therefore, the goal was not met. Trend Data: FY03 = 6.2m hours; FY02 = 5.8m hours; FY01 = 5.7m hours				
		Steps to Improve:	Take Pride in America will continue to work with all bureaus to obtain all data and update any estimates previously given by the second quarter of FY 2007.				
		Data Source:	Agency Compilation				

END OUTCOME GOAL: Accountability

No.	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
192	DESCRIPTION: Obtain unqualified audit for DOI's eight bureaus, the Departmental offices	Totals:	100%	100%	100%	100% (E)	✓
		Performance Explanation:	Goal Met. Estimated Data. Trend Data: FY03 = 100%; FY02 = 67%; FY01 = 78%				
		Data Source:	Inspector General's Audit Opinion				
193	DESCRIPTION: Obtain unqualified audit for DOI's consolidated financial statements	Totals:	Yes	Yes	Yes	Yes (E)	✓
		Performance Explanation:	Goal Met. Estimated Data. Trend Data: FY03 = Yes; FY02 = Yes; FY01 = Yes				
		Data Source:	Inspector General's Audit Opinion				

INTERMEDIATE GOAL: Improved financial management

No.	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
194	DESCRIPTION: Percent of material weaknesses and material noncompliance issues that are corrected on schedule	Totals:	New FY 2006 Measure	New FY 2006 Measure	100.0%	65.6% (E)	
		Performance Explanation:	Goal Not Met. Estimated Data.				
		Steps to Improve:					
		Data Source:					

FIGURE 2-13

#	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
195	DESCRIPTION: Percent of established targets in Financial Performance Metrics met as defined in FAM No. 2003-015	Totals:	New FY 2006 Measure	New FY 2006 Measure	100.0%	100.0% (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.				
		Data Source:	Bureau & Department offices, and Hyperion				

#	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
196	DESCRIPTION: Establish and maintain an effective, risk-based internal control environment as defined by the Federal Manager's Financial Integrity (FMFIA) and revised OMB Circular A-123	Totals:	New FY 2006 Measure	New FY 2006 Measure	Establish Baseline	Baseline Established	✓
		Performance Explanation:	Goal Met. Baseline Established.				
		Data Source:					

END OUTCOME GOAL: Modernization

#	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
197	DESCRIPTION: Reach Level 2 ITM framework by FY 2005	Totals:	25%	95%	100%	100%	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Agency Compilation				

#	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
198	DESCRIPTION: Reach Level 3 ITM framework by FY 2008	Totals:	25%	28%	35%	58%	✓
		Performance Explanation:	Goal Exceeded. Bureaus are aggressively focusing on improving the maturity of their ITIM programs. As a result, bureaus have implemented 58% of key practices as opposed to the 35% target.				
		Data Source:	Agency Compilation				

#	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
199	DESCRIPTION: Percent of systems that will be certified and accredited by FY 2005, and will maintain accreditation on a 3-year recurring cycle	Totals:	98%	98%	90%	98%	✓
		Performance Explanation:	Goal Exceeded. The FY 2006 target for percent of systems that will be Certified and Accredited was originally set at 90% to be consistent with OMB's 90% target that was in place at the time the strategic plan was originated. Future targets will reflect the current state of DOI's security posture, as well as current guidelines established by OMB.				
		Data Source:	Command Center				

#	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
200	DESCRIPTION: Percent of time that networks are operational for all users	Totals:	99.75%	99.91%	99.50%	99.90%	✓
		Performance Explanation:	Goal Met.				
		Data Source:	ESN network measurement				

INTERMEDIATE GOAL: Citizen-centered E-Government and information technology management

#	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
201	DESCRIPTION: All enterprise architecture models are developed in concert with the Federal Enterprise Architecture by FY 2006 and maintained current through FY 2008	Totals:	90%	100%	100%	100%	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Agency Compilation				

#	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
202	DESCRIPTION: Percent of IT investment expenditures for which actual costs are within 90% of cost estimates established in the project or program baseline	Totals:	94%	87%	90%	93%	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Agency Compilation				

#	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
203	DESCRIPTION: Percent of IT investment expenditures reviewed/approved though the CPIC process	Totals:	100%	100%	100%	100%	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Agency Compilation				

#	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
204	DESCRIPTION: Develop consistent records management policy in all bureaus and offices by FY 2005	Totals:	30%	30%	100%	100%	✓
		Performance Explanation:	Goal Met.				
		Data Source:	Agency Compilation				

FIGURE 2-13

#	Description		FY2004 Actual	FY2005 Actual	FY2006 Plan	FY2006 Actual	Goal Met?
205	DESCRIPTION: Establish and implement a records disposition schedule for the Office of the Secretary by FY 2006	Totals:	20%	30%	75%	5% (P)	
		Performance Explanation:	No Report. Preliminary Data. This measure was erroneously established last year. Measure 827 indicates that the disposition schedule will be established for the Office of the Secretary (OS) only in lieu of the overall Department. The actual of 5% was determined since at least 5% of existing documentation could be applied to this effort if the OS was required to report on 827. However, the measure is inaccurate and a No Report is most applicable as an actual in lieu of the 5%. This item will be retired in 2007 in order to correct the historical erroneous trail.				
		Data Source:	Agency Compilation				
206	DESCRIPTION: Implement electronic records system by FY 2008	Totals:	0%	5%	10%	0%	
		Performance Explanation:	Goal Not Met. This item will not be met due to lack of budget, the initiative did not start until March 2006, and the Program Manager of the Electronic Records Management System was vacant for a year.				
		Steps to Improve:	Records Management officials will work to redefine records management measures/goals for the next reporting cycle.				
		Data Source:	Agency Compilation				
	END OUTCOME GOAL: Integration						
207	DESCRIPTION: Percent of business lines with shared processes, including systems, to eliminate redundancy and/or inefficiency	Totals:	Baseline Established	4%	1%	0%	
		Performance Explanation:	Goal Not Met. The FY 2006 reprocurement for System Integrator support delayed deployment of additional FBMS lines during the reporting period. (The DOI Investment Review Board approved the FBMS re-baseline in April 2006.) FBMS Deployment 2 to provide core financial functionality, financial assistance integration, portal access, and navigation, and Enterprise Management Information System capabilities at two DOI bureaus (i.e., Office of Surface Mining and Minerals Management Service) will be launched during the first quarter of FY 2007.				
		Steps to Improve:	Deployment of additional business lines with shared processes will resume during the First Quarter of FY 2007.				
		Data Source:	Financial and Business Management System (FBMS)				
	INTERMEDIATE GOAL: Competitive reviews and contracts management						
208	DESCRIPTION: Number of FTE in competitive sourcing studies completed during the fiscal year	Totals:	402 FTE	198 FTE	457 FTE	645 FTE	✓
		Performance Explanation:	Goal Exceeded. The number of FTE involved in completed competitions during the fiscal year (645 FTE) varied from the estimated number (457 FTE) based on when the competitions were announced, the timeframes for completing the competitions, and the number of FTE actually on board when the competitions commenced.				
		Data Source:	Competitive Sourcing Green Plan				
	END OUTCOME GOAL: Customer value						
	INTERMEDIATE GOAL: Performance/process improvement						
209	DESCRIPTION: Percent of facilities that have a calculated Facilities Condition	Totals:	64%	75%	100%	100% (P)	
		Performance Explanation:	No Report. Preliminary Data. Trend Data: FY03 = 38%; FY02 = 43%				
		Data Source:	Comprehensive Condition Assessments				

Program Evaluations

Program evaluations are an important tool in analyzing the effectiveness and efficiency of Interior's programs, and in evaluating whether the programs are meeting their intended objectives. Interior's programs are evaluated through a variety of means, including performance audits, the Program Assessment Rating Tool (PART), financial audits, management control reviews, and external reviews from Congress, the Office of Management and Budget (OMB), the Office of the Inspector General (OIG), and other organizations, such as the National Academy of Public Administration (NAPA) and the National Academy of Sciences (NAS). Interior uses self-assessments to verify that performance information and measurement systems are accurate and support the Department's strategic direction and goals. Data collection and reporting processes are further reviewed and improved through the use of customer and internal surveys.

Examples of some of the program evaluations conducted for each Interior bureau during FY 2006 follow in Figure 2-14. (Note - This includes PART assessments conducted during FY 2006 for Budget Year 2008). Figure 2-15 lists all PARTS conducted from 2002 through 2006.

Interior program managers have developed action plans in response to the Administration's recommendations regarding the PARTed programs. These action plans were first implemented early in FY 2003 for programs assessed in FY 2002. Although periodic progress reports have been provided to OMB, Interior program managers and executives are actively tracking progress toward implementing recommendations to improve their programs. Interior is using a web-based management system to track and monitor its progress, and formal progress reviews are conducted quarterly.

PART reviews are available at www.expectmore.gov, and copies of specific program reviews can be obtained by writing the Department of the Interior, Office of Planning and Performance Management, Mail Stop 5258, 1849 C Street, NW, Washington, DC 20240. Please be specific regarding the program review of interest.

Sample Program Evaluations

Figure 2-14: Examples of Program Evaluations Conducted for the Department of the Interior During FY 2006

Bureau	Title of Program Evaluated	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken in Response to Evaluation	For Copy Contact:
BIA	Natural Resource Programs	Serving Communities	The program was assessed for Budget Year 2008 using PART. Once recommendations for programmatic improvement are final, an action plan to implement those improvements will be developed.	Recommendations under development	Arch Wells, Acting Deputy Director Trust Services 202-208-5831; or Jeffrey Loman, Natural Resources Division Chief, 202-208-7373
BIA	Trust Real Estate Services	Serving Communities	The program was assessed for Budget Year 2008 using PART. Once recommendations for programmatic improvement are final, an action plan to implement those improvements will be developed.	Recommendations under development	Arch Wells, Acting Deputy Director Trust Services 202-208-5831; or Matt Crain, Assistant Deputy Director for Trust Services, 202-208-6407
BLM	Procurement: Alaska, California, National Fire Center, Montana & Oregon	Serving Communities	Evaluate program effectiveness, efficiency, and consistency with legal and regulatory requirements. Ensure prevention of waste, fraud, and abuse.	Actions are planned in response to each recommendation and will be monitored through completion.	Paul Jeske, Bureau of Land Management Control Coordinator, 1849 C Street NW, (LS1000) Washington, D.C. 20240 Paul_Jeske@blm.gov
BLM	Property and Fleet Management, Alaska, California & Oregon	Serving Communities	Evaluate program effectiveness, efficiency, and consistency with legal and regulatory requirements. Ensure prevention of waste, fraud, and abuse.	Actions are planned in response to each recommendation and will be monitored through completion.	Paul Jeske, Bureau of Land Management Control Coordinator, 1849 C Street NW, (LS1000) Washington, D.C. 20240 Paul_Jeske@blm.gov
BLM	General Management, Utah, Montana & Renewable Resources and Planning Directorate	Resource Use	Evaluate effectiveness of internal and external communications, management, and leadership. Ensure prevention of waste, fraud, and abuse.	Actions are planned in response to each recommendation and will be monitored through completion.	Paul Jeske, Bureau of Land Management Control Coordinator, 1849 C Street NW, (LS1000) Washington, D.C. 20240 Paul_Jeske@blm.gov
BLM	Invasive and Noxious Weeds Program Alternative Internal Control Review (AICR), California	Resource Protection	Focus on program guidance and management of work accomplishments. Evaluate program effectiveness, efficiency, and consistency with legal and regulatory requirements. Ensure prevention of waste, fraud, and abuse.	Actions are planned in response to each recommendation and will be monitored through completion.	Paul Jeske, Bureau of Land Management Control Coordinator, 1849 C Street NW, (LS1000) Washington, D.C. 20240 Paul_Jeske@blm.gov

Figure 2-14: Examples of Program Evaluations Conducted for the Department of the Interior During FY 2006

Bureau	Title of Program Evaluated	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken in Response to Evaluation	For Copy Contact:
BLM	Range Program AICR, Colorado	Resource Use	Focus on the grazing renewal permit process and rangeland health standards. Evaluate program effectiveness, efficiency, and consistency with legal and regulatory requirements. Ensure prevention of waste, fraud, and abuse.	Actions are planned in response to each recommendation and will be monitored through completion.	Paul Jeske, Bureau of Land Management Control Coordinator, 1849 C Street NW, (LS1000) Washington, D.C. 20240 Paul_Jeske@blm.gov
BLM	Challenge Cost Share Program AICR, Wyoming and Arizona	Resource Use	Evaluate program effectiveness, efficiency, and consistency with legal and regulatory requirements. Ensure prevention of waste, fraud, and abuse.	Actions are planned in response to each recommendation and will be monitored through completion.	Paul Jeske, Bureau of Land Management Control Coordinator, 1849 C Street NW, (LS1000) Washington, D.C. 20240 Paul_Jeske@blm.gov
BLM	Forestry Stewardship Contracting Program AICR	Resource Use	Focus on effectiveness of guidance and delegations of authority. Evaluate program effectiveness, efficiency, and consistency with legal and regulatory requirements. Ensure prevention of waste, fraud, and abuse.	Actions are planned in response to each recommendation and will be monitored through completion.	Paul Jeske, Bureau of Land Management Control Coordinator, 1849 C Street NW, (LS1000) Washington, D.C. 20240 Paul_Jeske@blm.gov
BLM	Helium Program AICR	Resource Use	Evaluate program effectiveness, efficiency, and consistency with legal and regulatory requirements. Ensure prevention of waste, fraud, and abuse.	Actions are planned in response to each recommendation and will be monitored through completion.	Paul Jeske, Bureau of Land Management Control Coordinator, 1849 C Street NW, (LS1000) Washington, D.C. 20240 Paul_Jeske@blm.gov
BLM	Environmental Cleanup Liabilities Program AICR	Resource Protection	Focus on criteria, decisions to place sites on the list, and documentation of process and rationale. Evaluate program effectiveness, efficiency, and consistency with legal and regulatory requirements.	Actions are planned in response to each recommendation and will be monitored through completion.	Paul Jeske, Bureau of Land Management Control Coordinator, 1849 C Street NW, (LS1000) Washington, D.C. 20240 Paul_Jeske@blm.gov

Figure 2-14: Examples of Program Evaluations Conducted for the Department of the Interior During FY 2006

Bureau	Title of Program Evaluated	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken in Response to Evaluation	For Copy Contact:
BLM	Land and Water Conservation Fund Program AICR	Resource Protection	Focus on project ranking criteria and process. Evaluate program effectiveness, efficiency, and consistency with legal and regulatory requirements. Ensure prevention of waste, fraud, and abuse.	Actions are planned in response to each recommendation and will be monitored through completion.	Paul Jeske, Bureau of Land Management Control Coordinator, 1849 C Street NW, (LS1000) Washington, D.C. 20240 Paul_Jeske@blm.gov
BLM	Oil and Gas Surface Management Program AICR	Resource Use	Evaluate program effectiveness, efficiency, and consistency with legal and regulatory requirements. Ensure prevention of waste, fraud, and abuse.	Actions are planned in response to each recommendation and will be monitored through completion.	Paul Jeske, Bureau of Land Management Control Coordinator, 1849 C Street NW, (LS1000) Washington, D.C. 20240 Paul_Jeske@blm.gov
BLM	Land and Realty Program AICR, Eastern States	Resource Use	Evaluate program effectiveness, efficiency, and consistency with legal and regulatory requirements. Ensure prevention of waste, fraud, and abuse.	Actions are planned in response to each recommendation and will be monitored through completion.	Paul Jeske, Bureau of Land Management Control Coordinator, 1849 C Street NW, (LS1000) Washington, D.C. 20240 Paul_Jeske@blm.gov
BLM	Radio Program AICR	Resource Protection	Evaluate organization, technology, and budget issues.	Actions are planned in response to each recommendation and will be monitored through completion.	Paul Jeske, Bureau of Land Management Control Coordinator, 1849 C Street NW, (LS1000) Washington, D.C. 20240 Paul_Jeske@blm.gov
BLM	Improper Payments Risk Assessment	Serving Communities	To identify and evaluate the potential risks for making improper payments and make corrections where warranted.	Completed assessment; no additional actions required.	Tom Boyd, Bureau of Land Management National Business Center Director; Box 25047 Denver, Co 80225 Tomas_Boyd@blm.gov
BLM	Resource Management (Including Grazing)	Resource Use	The program was assessed for Budget Year 2008 using PART. Once recommendations for programmatic improvement are final, an action plan to implement those improvements will be developed.	Awaiting OMB's recommendations; anticipated by February 2007.	www.expectmore.gov

Figure 2-14: Examples of Program Evaluations Conducted for the Department of the Interior During FY 2006

Bureau	Title of Program Evaluated	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken in Response to Evaluation	For Copy Contact:
BLM	Resource Protection Program Assessment Rating Tool (PART)	Resource Protection	To improve program performance by linking performance to budget decisions and providing a basis for recommendations to improve performance. The program was assessed for Budget Year 2008.	Once follow-up actions are identified, an action plan to complete the needed improvements will be developed.	Carol Moore, Bureau of Land Management PART Coordinator; 1849 C Street NW; (LS 1000) Washington, D.C. 20240 Carol_Moore@blm.gov
BOR	Dam Safety Program	Resource Protection	An annual review of the program was completed in accordance with Directives & Standards FAC 01-06, Annual reporting for Dam Safety, Security and Related Operations.	No material weaknesses were identified during the review.	Bruce Muller, PM and POC 303-445-3238
BOR	Sensitive Automated Information Systems	Resource Protection	Systems reviews were completed on Reclamation's IT portfolio systems.	No material weaknesses were identified. Non-material weaknesses were incorporated into the POA&M	Randy Feuerstein, PM. Pam Hajny, POC. phajny@do.usbr.gov, 303-445-3009.
BOR	CALFED	Serving Communities	The program was assessed for Budget Year 2008 using PART. Once recommendations for programmatic improvement are final, an action plan to implement those improvements will be developed.	Awaiting OMB's recommendations; anticipated by February 2007.	www.expectmore.gov
BOR	Central Valley Project Restoration Fund (CVP)	Serving Communities	The program was assessed for Budget Year 2008 using PART. Once recommendations for programmatic improvement are final, an action plan to implement those improvements will be developed.	Awaiting OMB's recommendations; anticipated by February 2007.	www.expectmore.gov
BOR	Acquisition Management	Management Excellence	Regional reviews were conducted in FY 2006.	Review recommendations require a formal corrective action plan from each Region for resolution of the problem areas noted.	Liz Harrison, PM. Karla Smiley, POC. 303-445-2450.
BOR	Personal Property Management	Management Excellence	Annual Review was conducted.	As a result of the review, offices develop corrective action plans to address all identified non-material deficiencies.	Liz Harrison, PM. Roger Molinar, POC. 303-445-3133.
BOR	Improper Payments	Management Excellence	A risk assessment was conducted. No programs require reporting to the President or Congress.	Reclamation formally notified DOI that a risk assessment was conducted and that no programs met the required criteria.	Liz Harrison, PM. Tom Lab, POC. 303-445-3436.

Figure 2-14: Examples of Program Evaluations Conducted for the Department of the Interior During FY 2006

Bureau	Title of Program Evaluated	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken in Response to Evaluation	For Copy Contact:
FWS	Endangered Species	Resource Protection, Resource Use	Review of the FY 2001 - 2004 Endangered Species Section 6 Nontraditional Grant Programs	Review was completed in March 2006. The Branch of State Grants is working with the Division of Federal Aid and the Regions to implement the report's recommendations.	Bryan Arroyo, Acting Assistant Director, Endangered Species, Bryan_Arroyo@fws.gov, 202-208-4646
FWS	Endangered Species	Resource Protection, Resource Use	FY2006 Annual Assurance Statement on Internal Control	Review was completed by August 1, 2006, resulting in an "unqualified" (no material weakness or non-conformance).	Bryan Arroyo, Acting Assistant Director, Endangered Species, Bryan_Arroyo@fws.gov, 202-208-4646
FWS	Endangered Species	Resource Protection, Resource Use	FY 2006 Internal Control Review (ICR) Self-Assessment Certification (ECOS)	No material weaknesses were identified from the IT system security assessments that were conducted of the Environmental Conservation Online System (ECOS) and all associated applications.	Bryan Arroyo, Acting Assistant Director, Endangered Species, Bryan_Arroyo@fws.gov, 202-208-4646
FWS	Endangered Species	Resource Protection, Resource Use	Risk Assessment Required by Public Law 107-300	No significant weaknesses were found regarding payments through the Cooperative Endangered Species Conservation Fund (CESCF) or the use of Endangered Species – Resource Management funds. No additional action required.	Bryan Arroyo, Acting Assistant Director, Endangered Species, Bryan_Arroyo@fws.gov, 202-208-4646
FWS	Endangered Species: Time & Costs Required to Recover Species are Largely Unknown	Resource Protection	GAO Report GAO-06-463R April 2006	We have added a column to a table in the Recovery Report to Congress that will include time and cost estimates to recover species. We also are developing guidance that clarifies the need to include these estimates for species recovery.	Bryan Arroyo, Acting Assistant Director, Endangered Species Bryan_Arroyo@fws.gov, 202-208-4646

Figure 2-14: Examples of Program Evaluations Conducted for the Department of the Interior During FY 2006

Bureau	Title of Program Evaluated	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken in Response to Evaluation	For Copy Contact:
FWS	Fisheries Program	Resource Protection, Recreation, and Management Excellence	Administration's PART	Not yet finalized, Program pleased with preliminary rating/score. Program drafted and remitted its PART Improvement Plan, not yet approved by OMB.	Joe Moran Joe_Moran@fws.gov p) 703-358-2250
FWS	Habitat Conservation (Resource Protection)	Resource Protection	PART	PART Improvement Plan Adopt long-term outcome and annual output goals developed during the PART process. Develop a process for independent program evaluation. Develop template for performance based budget.	Dave Stout Dave_Stout@fws.gov 703-358-2555 Hannibal Bolton Hannibal_Bolton@fws.gov 703-358-2027
FWS	Aquatic Nuisance Species	Resource Protection, Sustain Biological Communities	Administration's PART	Not yet finalized, Program pleased with preliminary rating/score. Program drafted and remitted its PART Improvement Plan, not yet approved by OMB	Kari Duncan Kari_Duncan@fws.gov 703-358-2464
FWS	Conservation Planning, National Wildlife Refuge System	Resource Protection, Resource Use, Recreation, and Management Excellence	FY 2006 Internal Control Review (ICR)	Review was completed in August 2006. The Division of Conservation Planning and Policy is implementing Planned Corrective Actions to remedy the seven significant weaknesses that were identified. No material weaknesses were identified.	Ross Alliston, Refuge Planning Coordinator, Ross_Alliston@fws.gov, 703-358-2388
FWS	NWRS/Region 7 Wildland Fire Management Program Review	Resource Protection	Review of the management, planning, and operational procedures of the Region 7 Wildland Fire Management Program	Review was conducted in May 2006. Region 7 response to the Wildland Fire Management Program Review Draft Report received October 2006. Final Report scheduled for release November 2006.	Brian McManus, Chief, Branch of Fire Management Brian_McManus@fws.gov 208-387-5583

Figure 2-14: Examples of Program Evaluations Conducted for the Department of the Interior During FY 2006

Bureau	Title of Program Evaluated	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken in Response to Evaluation	For Copy Contact:
MMS	Property Management Annual Management Control Assessment	Management Excellence	An internal property compliance review of MMS Headquarters, Herndon, Virginia, was conducted during the AMAR using the current DOI Property Management Review Guidelines to ensure that the requirements of OMB Circular A-123 were being met. Surveys/interviews with program customers, property employees, and property managers were included and addressed as part of the review process. The final assessment also included any requirements issued in PAM's FY 2006 guidance.	As appropriate, corrective action plans were developed, implemented, and tracked for deficiencies identified in the course of the review/ assessment. This review initially identified two control weaknesses and corrective actions. However, because one control weakness was corrected prior to the issuance of this report, only one control weakness, with two corrective actions, was reported as requiring further attention. No material weaknesses were identified.	Rhonda Watkins, Chief, Support Services, MS2000, 381 Elden Street, Herndon, VA, 703-787-1386
MMS	Acquisition Management Control Assessment	Management Excellence	An internal acquisition compliance review of MMS Headquarters, Herndon, Virginia, was conducted during the AMAR using current acquisition and assistance award regulations and OMB circulars to ensure that the requirements of OMB Circular A-123 were being met. Surveys/interviews with program customers, acquisition personnel, charge cardholders, and their related supervisors were conducted as part of the review. The final assessment also included any requirements issued in PAM's FY 2006 guidance. Also, responses were provided for the Acquisition Targeted Review Requirements regarding use of the Central Contractor Registration.	As appropriate, corrective action plans were developed, implemented, and tracked for deficiencies identified during the AMAR. This review identified 11 control weaknesses and 36 corrective actions. No material weaknesses were identified. Note: A&B performed combined DFRs of (1) Acquisition Internal Control Review and Assessment and (2) Federal Financial Assistance Internal Control Review and Assessment; and submitted a combined report to the Department.	James Shilkett, Chief PAIS Branch, MS2100, 381 Elden Street, Herndon, VA, 703-787-1371

Figure 2-14: Examples of Program Evaluations Conducted for the Department of the Interior During FY 2006

Bureau	Title of Program Evaluated	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken in Response to Evaluation	For Copy Contact:
MMS	Erroneous Payments	Management Excellence	A review of all programs and activities was made to identify those which may be susceptible to significant erroneous payments in accordance with the Improper Payments Information Act of 2002 (PL 107-300). A review of MMS disbursements between June 1, 2005, and March 30, 2006, was performed to identify duplicate payments and provide reasonable assurance that no uncollected duplicate payment existed. This review was also designed to determine the effectiveness of the internal controls over the disbursement process and provide reasonable assurance that accounting data was reliable.	This review identified no control weaknesses or corrective actions. No material weaknesses were identified.	Robin Robinson, 703-787-1302
MMS	MMS IT Systems	Management Excellence	As required by the Federal Information Security Management Act, a review was done of the security controls on the following five MMS IT Systems: MMS Wide Area Network, Advanced Budget/Accounting Control and Information System, Technical Information Management System, MRM Support System, and Outer Continental Shelf Connect.	The MMS Chief Information Officer certified that no material weaknesses exist for the bureau General Support System and Major Applications.	Nick Cusimano, Program Manager, 1201 Elmwood Pkwy, Metarie, LA, 504-416-2421
MMS	Negotiated Settlements	Resource Use	Analyzed the negotiated settlement process to provide reasonable assurance that the process was functioning effectively, efficiently, and as designed. The team: (1) reviewed process documentation, (2) identified and tested management controls within the process, and (3) reviewed sample settlement cases.	This review identified three control weaknesses and corrective actions. No material weaknesses were identified.	John Price, Chief, Office of Enforcement, Denver, CO, 303-231-3749
MMS	Information Management	Resource Use	Analyzed the information management process to provide reasonable assurance that the process was functioning as designed. This effort included the: (1) evaluation of the new automated methodology for retrieving statistical information developed by the PMO, (2) current policies used to ensure control of information management, (3) structural methodology used to distribute information to external parties, (4) review of the process documentation, and (5) review of sample information distributed to external parties.	This review identified 7 control weaknesses and 13 corrective actions. No material weaknesses were identified.	Deborah Briggs, Senior Project Manager, Denver, CO, 303-231-3397
MMS	Financial Management System's Data Edits	Resource Use	Analyzed the financial management system's data edits to provide reasonable assurance that the edits did not adversely affect the MRM's financial and other processes. The effort included the review of: (1) process documentation, and (2) sample information passing through the system.	This review identified 9 control weaknesses and 20 corrective actions. No material weaknesses were identified.	Lorraine Corona, Manager, Reporting Services Denver, CO, 303-231-3671

Figure 2-14: Examples of Program Evaluations Conducted for the Department of the Interior During FY 2006

Bureau	Title of Program Evaluated	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken in Response to Evaluation	For Copy Contact:
MMS	Bowhead Whale Arial Survey Project	Resource Use	Assessed the management controls and evaluation procedures in place for the in-house study Bowhead Whale Aerial Survey Study Program and identified weaknesses or inadequacies in the Program. This effort identified and evaluated the (1) policies and procedures in place for assessing CFR Ch. II Subpart M, § 256.82 to allow MMS to assess the critical use/application of the information, the effective flow of information to stakeholders, and the appropriateness of the Program design, and (2) existing management controls for Program oversight.	This review identified five control weaknesses and corrective actions. No material weaknesses were identified. Best Practice: Project using best aviation safety practices available.	Cheri Hunter, Chief, Planning, Budget, and International Affairs, 381 Elden Street, MS 4001, Herndon, VA 703-787-1681
MMS	Cost Recovery Fee Collection	Resource Use	Evalution was done to determine if the MMS cost recovery fee process and procedures met the internal control requirements of OMB Circular A-123 (revised) which requires documentation and assessment of controls.	This review identified two control weaknesses and corrective actions. No material weaknesses were identified. Best Practice: Use of PAY.GOV to collect cost recovery fees.	Cheri Hunter, Chief, Planning, Budget, and International Affairs, 381 Elden Street, MS 4001, Herndon, VA, 703-787-1681
MMS	Oil Spill Response for Major Spills	Resource Use	MMS evaluated if industry oil spill response processes were in accordance with the Oil Spill Response Plan (OSRP) for the covered facility. MMS determined (1) if there were adequate and effective internal controls for these processes, (2) if the controls were adhered to and proper documentation was produced, and (3) if the OSRP should be modified based on the evaluation's findings.	This review identified nine control weaknesses and corrective actions. No material weaknesses were identified. Best Practice: Deploying an MMS representative to an operator's command center during an actual oil spill response.	Cheri Hunter, Chief, Planning, Budget, and International Affairs, 381 Elden Street, MS 4001, Herndon, VA, 703-787-1681
NPS	U.S. Park Police	Serving Communities	The program was assessed for Budget Year 2008 using PART. Once recommendations for programmatic improvement are final, an action plan to implement those improvements will be developed.	Awaiting OMB's recommendations; anticipated by February 2007.	www.expectmore.gov
NPS	Financial Management		A comprehensive review of internal conrols surrounding financial reporting was conducted during FY 2006. Key controls in the business processes affecting financial reporting were identified and tested. Corrective action plans were developed for all control weaknesses discovered, and these plans will be monitored to completion.	Sixty-four internal control weaknesses were identified. A corrective action plan exists for each weakness.	Jack Blickley, Accounting Operations Center, Jack_Blickley@nps.gov, 703-487-9071

Figure 2-14: Examples of Program Evaluations Conducted for the Department of the Interior During FY 2006

Bureau	Title of Program Evaluated	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken in Response to Evaluation	For Copy Contact:
NPS	Financial Management		Internal audits of government charge cards were conducted at almost 250 locations throughout the Service. Charge card holders were given immediate feedback on the results of the audits. Charge card holders privileges were suspended where egregious or repeated problems were discovered.	Policies and procedures were updated	Jack Blickley, Accounting Operations Center, Jack_Blickley@nps.gov, 703-487-9071
NPS	Financial Management		The National Park Service identified the types of payments it makes and evaluated the risks of those payments being erroneous, improper, or otherwise incorrect. The NPS used the same criteria for improper payments as defined in the Improper Payments Information Act and Office of Management and Budget guidance. The NPS then assessed the risk of each type of payment for improper payments and applied that risk to its programs, using the same program criteria used by all of Department of the Interior Bureaus. The risk assessment showed that four programs (representing 96 percent of NPS expenditures) had a low risk for improper payments, and the remaining program had a moderate risk, but that existing controls and processes would prevent or detect such payments.	A report was filed with the Department of the Interior	Jack Blickley, Accounting Operations Center, Jack_Blickley@nps.gov, 703-487-9071
NPS	Property Management		A review of management practices concerning the Service's vehicle fleet and other real and personal property was conducted at 25% of NPS' facilities in FY 2006. Corrective actions taken as a result of the review include issuance of updated policy and procedural guidance and development of web-based training courses.	Corrective actions are being implemented	Ernestine Armstrong, Property Officer, Ernestine_Armstrong@nps.gov, 202-354-1958
OSM	Federal Programs	Resource Use	AICR conducted to evaluate the compliance of the Knoxville Field Office's bond release program with Section 519 of SMCRA and with 30 CFR 800.40	No material weaknesses identified. Improvements were recommended and are being implemented.	Brent Wahlquist, Regional Director, Appalachian Region, bwahlquist@osmre.gov, 412-937-2828
OSM	Indian Lands Program	Resource Use	ICR conducted to assess controls for permitting, inspection and enforcements, and bond release of mining operations; and the administration of the grant funding for the Indian Lands Program.	No material weaknesses identified. Improvements were recommended and are being implemented.	Allen Klein, Regional Director, Western Region, aklein@osmre.gov, 303-844-1400 x1401
OSM	Federal Managed Regulation of Surface Coal Mining (Abbreviated Reassessment)	Resource Use	The program was assessed for Budget Year 2008 using PART. Once recommendations for programmatic improvement are final, an action plan to implement those improvements will be developed.	Awaiting OMB's recommendations; anticipated by February 2007.	www.expectmore.gov
OSM	State Managed Regulation of Surface Coal Mining	Resource Use	The program was assessed for Budget Year 2008 using PART. Once recommendations for programmatic improvement are final, an action plan to implement those improvements will be developed.	Awaiting OMB's recommendations; anticipated by February 2007.	www.expectmore.gov

Figure 2-14: Examples of Program Evaluations Conducted for the Department of the Interior During FY 2006

Bureau	Title of Program Evaluated	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken in Response to Evaluation	For Copy Contact:
OSM	Sensitive Automated Information Systems	Management Excellence	AICR conducted to certify that all prescribed controls or alternative controls are in place and effective for systems in each Region, Denver Financial Management, and Headquarters.	No material weaknesses identified. Improvements were recommended and are being implemented.	Eldrich Frazier, Chief Information Office,efrazier@osmre.gov, 202-208-2919
OSM	Personal Property Management	Management Excellence	AICR conducted to evaluate the Appalachian Region's Pittsburgh, Harrisburg, Johnstown and Wilkes-Barre offices and the Mid-Continent Region's offices compliance with Federal Management Regulations, DOI Regulations and OSM Directives.	No material weaknesses identified. Improvements were recommended and are being implemented.	Theodore Woronka, Assistant Director, Finance & Administration, tworonka@osmre.gov, 202-208-2546
USGS	Beyond Mapping: Meeting National Needs Through Enhanced Geographic Information Science	Serving Communities	Rapidly changing mapping technologies are nearly outpacing the workforce skills of government mapping agencies. As the Nation's civilian mapping agency, USGS recognized the strategic and societal implications of increased demand for geospatial information. USGS turned to the National Research Council (NRC) to help assess its future programmatic needs for a well educated GIScience workforce.	The Geospatial Information Office (GIO) is considering the strategic implications of the National Research Council (NRC) recommendations with respect to the USGS mission on sound science and in particular GIScience (geographic information systems, data management techniques, visualization, remote sensing, and spatial statistics and modeling).	Steve Guptill (703) 648-4520
USGS	Cost Benefit Analysis of Water Resource Discipline Streamgaging Program	Serving Communities	The United States Geological Survey (USGS) developed the National Streamflow Information Program (NSIP) to plan for future streamgaging activities. The purpose of the evaluation was to: 1) Identify and describe the range of tangible and intangible benefits of the USGS streamgaging network, and 2) Estimate the probable tangible benefits of the network, thus permitting a comparison of economic benefit to cost.	The National Hydrologic Warning Council (NHWC) has completed their cost benefit study and prepared two reports "Benefits of USGS Streamgaging" is available on line at: http://nhwc.udfcd.org/PDF/nhwc_nsip_phaseA.pdf. The second report a more quantitative benefit analysis compares those benefits to the costs of the program. That report was released publicly by NHWC on Oct 23 at the Southwestern Association of ALERT systems conference. At that time, the recommendations will be reviewed and discussed for potential action.	Steve Blanchard (703) 648-5629

Figure 2-14: Examples of Program Evaluations Conducted for the Department of the Interior During FY 2006

Bureau	Title of Program Evaluated	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken in Response to Evaluation	For Copy Contact:
USGS	USGS Cooperative Water Program	Serving Communities	Assess the effectiveness of the USGS in addressing the recommendations of the 1999 external Cooperative Program review Task Force, and continued actions to be taken by the USGS to more fully implement the recommendations of the 1999 report.	The Advisory Committee on Water Information (ACWI) external review of the Cooperative Water Program is complete and is posted on the Internet. To see the Task Force report and the USGS response, visit: http://acwi.gov/coop2004/ and click on the links under "Reports." To date, USGS has adopted 48 of the 59 recommendations from the report.	Ward Staubitz (703) 648-5061
USGS	Panel Report to USGS on Digital Orthoimagery	Serving Communities	USGS is a prominent partner with other Federal agencies and the National States Geographic Information Council (NSGIC) in a business plan, Imagery for the Nation (IFTN), for sustainable acquisition, maintenance, and dissemination of orthoimagery and elevation data on a national basis. The American Society of Photogammetry and Remote Sensing (ASPRS) Panel on Digital Orthoimagery was chartered to examine the status and forecast the future of orthoimage technology, to describe how such technology will affect current and future orthoimage programs, and to make recommendations based on these predictions.	Report recommendations included: (1) a strong program supporting the acquisition, maintenance and distribution of orthoimagery for the Nation; (2) reinvigorated program leadership by USGS; (3) greater support for clearinghouse functions and standards; and (4) establishment of an archive of last resort for these "invaluable data." In 2007, a cost benefit analysis will be undertaken to predict the benefits of IFTN to stakeholders and to quantify costs. The FGDC is strengthening orthoimagery and elevation data standards to achieve national and international acceptance. Working with the National Archives and Records Administration (NARA), the USGS Earth Resources Observation and Science Data Center is in the midst of being NARA-certified as a national archive for geospatial data.	William Carswell (703) 648-4140

Figure 2-14: Examples of Program Evaluations Conducted for the Department of the Interior During FY 2006

Bureau	Title of Program Evaluated	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken in Response to Evaluation	For Copy Contact:
USGS	Coastal and Marine Geology	Resource Use	The program was assessed for Budget Year 2008 using PART. Once recommendations for programmatic improvement are final, an action plan to implement those improvements will be developed.	Awaiting OMB's recommendations; anticipated by February 2007.	www.expectmore.gov
USGS	Vulnerability and Risk Analysis for Decision Making	Serving Communities	Assess the need for a national strategy on effectively using vulnerability assessments and risk analyses for decision making by community planners and emergency managers.	The American Association of Geographers (AAG) panel highlighted the concept of a national strategy and the need for developing a coherent research agenda to provide direction in establishing a framework. The USGS is partnering with the Wharton School at the University of Pennsylvania, and the AAG to begin development of the research agenda with the collaboration of key academic, government, and private sector leaders.	Carl Shapiro (703) 648-4446

The following Interior programs have been assessed (and reassessed) using the Administration's Program Assessment Rating Tool (PART) process between fiscal years 2002-2006.

Figure 2-15: Interior PARTs for FY 2002-2006

PART Name	OMB Rating
PARTs Conducted in FY 2002 for Budget Year 2004	
BIA Indian Land Consolidation	Moderately Effective
BIA K-12 School Construction	Results not Demonstrated
BIA K-12 School Operations	Adequate
BLM Wildlife Habitat Restoration	Moderately Effective
BOR Hydropower	Moderately Effective
BOR Rural Water Supply Projects	Results not Demonstrated
BOR Water Reuse and Recycling	Moderately Effective
DOI Wildland Fire Management	Results not Demonstrated
FWS National Fish Hatchery System	Results not Demonstrated
FWS Partners for Fish and Wildlife	Adequate
MMS Outer Continental Shelf Environmental Studies	Moderately Effective
NPS Facility Maintenance	Results not Demonstrated
NPS Natural Resource Stewardship	Moderately Effective
OSM State Managed Abandoned Coal Mine Land Reclamation	Results not Demonstrated
USGS Geographic Research, Investigations, and Remote Sensing	Results not Demonstrated
PARTs Conducted in FY 2003 for Budget Year 2005	
BIA Forestry Management	Adequate
BIA Law Enforcement	Results not Demonstrated
BIA Tribal Courts	Results not Demonstrated
BLM Energy and Minerals Management	Adequate
BLM Recreation Management	Adequate
BOR Hydropower (REASSESSMENT)	Effective
BOR Science and Technology Program	Effective
FWS National Wildlife Refuge System	Results not Demonstrated
MMS Minerals Revenue Management	Results not Demonstrated
NPS Facility Maintenance (REASSESSMENT)	Adequate
NPS Land and Water Conservation Fund State Grants	Results not Demonstrated
NPS National Historic Preservation	Moderately Effective

Figure 2-15: Interior PARTs for FY 2002-2006

PART Name	OMB Rating
NPS Natural Resource Stewardship (REASSESSMENT)	Moderately Effective
USGS Energy Resource Assessments	Moderately Effective
USGS Geologic Hazard Assessments	Moderately Effective
USGS Mineral Resource Assessments	Moderately Effective
PARTs Conducted in FY 2004 for Budget Year 2006	
BIA Job Placement and Training	Moderately Effective
BIA K-12 School Construction (REASSESSMENT)	Results not Demonstrated
BIA Operation and Maintenance of Roads	Results not Demonstrated
BIA Tribal Colleges	Adequate
BLM Realty and Ownership Management	Adequate
BLM Southern Nevada Land Sales	Results not Demonstrated
BOR Recreation and Concessions	Adequate
BOR Water Management - Project Planning and Construction	Results not Demonstrated
DOI Land and Water Conservation Fund Land Acquisition	Results not Demonstrated
FWS Migratory Bird Management and Conservation	Results not Demonstrated
FWS National Fish Hatchery System (REASSESSMENT)	Moderately Effective
MMS Outer Continental Shelf Minerals Evaluation and Leasing	Moderately Effective
NPS Cultural Resource Stewardship	Adequate
OSM Federal Managed Regulation of Surface Coal Mining	Results not Demonstrated
USGS Geographic Research, Investigations, and Remote Sensing (REASSESSMENT)	Effective
USGS Water Information Collection and Dissemination	Moderately Effective
USGS Water Resources Research	Moderately Effective
PARTs Conducted in FY 2005 for Budget Year 2007	
BIA Dam Safety and Dam Maintenance	Moderately Effective
BIA Economic Development Guaranteed Loans	Adequate
BIA Housing Improvement	Results not Demonstrated
BIA Operation and Maintenance of Irrigation Projects	Results not Demonstrated
BLM Land Use Planning	Results not Demonstrated
BLM Mining Law Administration	Results not Demonstrated
BOR Safety of Dams Program	Effective
BOR Site Security	Moderately Effective

Figure 2-15: Interior PARTs for FY 2002-2006

PART Name	OMB Rating
BOR Water Management - Operation and Maintenance	Adequate
DOI Central Utah Project	Adequate
DOI Wildland Fire Management (REASSESSMENT)	Results not Demonstrated
FWS Endangered Species	Results not Demonstrated
FWS Wildlife & Sport Fish Restoration	Results not Demonstrated
MMS Outer Continental Shelf Minerals Regulation and Compliance	Effective
NPS Concessions Management	Adequate
NPS Heritage Partnership	Results not Demonstrated
NPS Technical Assistance	Adequate
NPS Visitor Services	Moderately Effective
USGS Biological Information Management and Delivery	Moderately Effective
USGS Biological Research and Monitoring	Moderately Effective
USGS National Cooperative Geologic Mapping	Moderately Effective
PARTs Conducted in FY 2006 for Budget Year 2008	
BIA Natural Resource Programs	Adequate
BIA Realty and Trust	Adequate
BIA Welfare Assistance	Adequate
BLM Resource Management (Including Grazing)	Adequate
BOR CALFED	Adequate
BOR Central Valley Project (CVP) Restoration Fund	Adequate
FWS Fisheries (includes Hatcheries, previously PARTed)	Effective
FWS Habitat Conservation (includes Coastal, NWI, and Project Planning)	Adequate
NPS U.S. Park Police	Adequate
OSM Federal Managed Regulation of Surface Coal Mining (Reassessment)	Effective
OSM State Managed Regulation of Surface Coal Mining (Reassessment)	Effective
USGS Coastal and Marine Geology	Moderately Effective

PART 3.
FINANCIAL SECTION

Message from the Chief Financial Officer

In FY 2006, the Department of the Interior (Department) continued its journey towards management excellence by refining the definition of progress and increasing the levels of accountability. Details on our journey towards management excellence are captured in the Department's FY 2006 Performance and Accountability Report (PAR). The PAR provides the Department's most important financial and performance information. It is also our principal publication and report to Congress and the American people. This report details program leadership and stewardship of the resources and public funds entrusted to us.

I am pleased to report that for the tenth consecutive year we have received an unqualified ("clean") opinion on the Department's consolidated financial statements from our auditors. This is the best possible audit result and affirms our commitment to financial reporting excellence. Along with this opinion, the Department had other noteworthy accomplishments in FY 2006. The Department:

- Received the prestigious Association of Government Accountants' Certificate of Excellence in Accountability Reporting for FY 2005. This marks the fifth consecutive year that the Department has been recognized for quality reporting;
- Issued a revised FY 2007 – FY 2012 unified Strategic Plan for the Department. The new strategic plan integrates and aligns bureau responsibilities under four major mission goals—resource protection, resource use, recreation, and serving communities—and will tie budget to performance;
- Met or exceeded 67% of the 209 performance outcome measures from our GPRA Strategic Plan. This is the third year we have reported on our performance against these measures. In FY 2005, we met or exceeded 76.2% of our measures; in FY 2004, we met or exceeded 70.4% of our measures;
- Continued implementation of new human resource strategies and processes. We have changed the employee performance management system to create a linkage to the Department's Strategic Plan goals and measures. This ensures that every employee's daily activities are aligned to improve service delivery and produce mission results. Our Human Capital Management Strategic Plan has identified challenges in such critical areas as Indian trust management, wildland fire management, and law enforcement;
- Continued implementation of an Activity-Based Costing/Management (ABC/M) system throughout the Department. The ABC/M system includes 316 crosscutting work activities that bureaus and Departmental offices either use directly, or to capture costs associated with specific work activities. ABC/M provides program and financial managers with the information needed to manage resources, monitor performance and evaluate outcomes effectively;
- Continued development and implementation of the Department's Financial and Business Management System (FBMS). The FBMS replaces Interior's legacy accounting and business systems while providing standard business practices supported by a single, integrated financial management system;

- Developed and published, in partnership with bureau asset management professionals, an approved asset management plan. This plan provides asset management policies and guidance, and documents the requirements for inventory and condition assessment of real property and facilities. The Department manages nearly every type of facility found in America's towns and cities—we have wastewater treatment plants, dams, electric generating facilities, houses, hotels, campgrounds, roads, boat docks, stables, and landfills. Understanding our assets and their condition, while managing them responsibly allows us to direct our resources to best serve the public;
- Made significant progress toward achieving the President's Management Agenda goals. We improved our status for E-Government and Real Property Management from red to yellow. While our status for Financial Management remains red, OMB has recognized our efforts to improve during the year, particularly in the area of correcting material weaknesses, and our progress score has been raised from yellow to green;
- Corrected two and downgraded two of the FMFIA material weaknesses carried over from FY 2005. We also corrected or downgraded 100% of the material weaknesses reported in the FY 2005 financial statement audits. One FMFIA material weakness is carried over into FY 2007. For a complete understanding of these issues and our commitment to accountability, please see the "Compliance with Legal and Regulatory Requirements" section;
- Exceeded our annual performance goal of implementing 85% of GAO and OIG audit recommendations scheduled for completion in this fiscal year. For FY 2006, Interior achieved an actual implementation rate of 91%; and
- Complied with the new requirements of OMB Circular A-123 Appendix A by documenting and testing the Department's internal controls over financial statements and issuing an unqualified assurance statement related to their effectiveness.

Our journey towards management excellence requires the ongoing commitment and creativity of Interior's dedicated employees. During FY 2007, mission, metrics, and management will continue to be the foundation on which we achieve results. We plan to strengthen this foundation and our "mission" by establishing clear goals, refining performance measures, and aligning our workforce to effectively achieve those goals.

R. Thomas Weimer

R. Thomas Weimer
Chief Financial Officer
November 15, 2006

Principal Financial Statements

The principal financial statements included in Interior's FY 2006 Annual Report on Performance and Accountability have been prepared in accordance with the requirements of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, and the Office of Management and Budget's (OMB) Circular No. A-136, "Financial Reporting Requirements." These statements include the following:

- Balance Sheet;
- Statement of Net Cost;
- Statement of Changes in Net Position;
- Statement of Budgetary Resources;
- Statement of Financing; and
- Statement of Custodial Activity.

The responsibility for the integrity of the financial information included in these statements rests with management of the Department of the Interior. The audit of Interior's principal financial statements was performed by an independent certified public accounting firm, selected by the Department's Office of Inspector General. The auditors' report issued by the independent certified public accounting firm is included in Part 3 of this report.

Balance Sheet
as of September 30, 2006
(dollars in thousands)

ASSETS	
Intragovernmental Assets:	
Fund Balance with Treasury (Note 2)	$ 33,409,382
Investments, Net (Note 4)	8,094,833
Accounts and Interest Receivable (Note 5)	440,510
Loans and Interest Receivable, Net (Note 6)	2,631,887
Other (Note 11)	529
Total Intragovernmental Assets	44,577,141
Cash (Note 3)	825
Investments, Net (Note 4)	188,100
Accounts and Interest Receivable, Net (Note 5)	2,478,037
Loans and Interest Receivable, Net (Note 7)	181,137
Inventory and Related Property, Net (Note 8)	280,859
General Property, Plant, and Equipment, Net (Note 9)	17,491,901
Other (Note 11)	234,987
Stewardship Assets (Note 10)	
TOTAL ASSETS (Note 11)	$ 65,432,987
LIABILITIES	
Intragovernmental Liabilities:	
Accounts Payable	$ 44,946
Debt (Note 12)	1,056,572
Other	
Resources Payable to Treasury	2,094,244
Advances and Deferred Revenue	1,309,798
Custodial Liability	1,061,879
Other Liabilities	501,075
Total Intragovernmental Liabilities	6,068,514
Accounts Payable	1,109,655
Loan Guarantee Liability (Note 7)	92,380
Federal Employee and Veteran Benefits (Note 13)	1,387,423
Environmental and Disposal Liabilities (Note 14)	153,466
Other	
Contingent Liabilities (Note 14)	614,468
Advances and Deferred Revenue	747,359
Payments Due to States	812,588
Other Liabilities	952,122
TOTAL LIABILITIES (Note 15)	11,937,975
Commitments and Contingencies (Notes 14 and 17)	
Net Position	
Unexpended Appropriations - Earmarked Funds (Note 24)	336,691
Unexpended Appropriations - Other Funds	3,890,857
Cumulative Results of Operations - Earmarked Funds (Note 24)	47,234,344
Cumulative Results of Operations - Other Funds	2,033,120
Total Net Position	53,495,012
TOTAL LIABILITIES AND NET POSITION	$ 65,432,987

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

Balance Sheet
as of September 30, 2005
(dollars in thousands)

ASSETS	
Intragovernmental Assets:	
Fund Balance with Treasury (Note 2)	$ 32,031,132
Investments, Net (Note 4)	7,463,669
Accounts and Interest Receivable (Note 5)	508,677
Loans and Interest Receivable, Net (Note 6)	2,458,075
Other (Note 11)	1,405
Total Intragovernmental Assets	42,462,958
Cash (Note 3)	1,270
Investments, Net (Note 4)	199,125
Accounts and Interest Receivable, Net (Note 5)	2,660,566
Loans and Interest Receivable, Net (Note 7)	183,855
Inventory and Related Property, Net (Note 8)	305,695
General Property, Plant, and Equipment, Net (Note 9)	17,323,778
Other (Note 11)	296,653
Stewardship Assets (Note 10)	
TOTAL ASSETS (Note 11)	$ 63,433,900
LIABILITIES	
Intragovernmental Liabilities:	
Accounts Payable	$ 519,799
Debt (Note 12)	1,220,525
Other	
Resources Payable to Treasury	2,016,834
Advances and Deferred Revenue	1,626,524
Custodial Liability	996,371
Other Liabilities	497,410
Total Intragovernmental Liabilities	6,877,463
Accounts Payable	1,082,888
Loan Guarantee Liability (Note 7)	81,670
Federal Employee and Veteran Benefits (Note 13)	1,367,705
Environmental and Disposal Liabilities (Note 14)	120,808
Other	
Contingent Liabilities (Note 14)	631,174
Advances and Deferred Revenue	665,949
Payments Due to States	1,009,418
Other Liabilities	859,903
TOTAL LIABILITIES (Note 15)	12,696,978
Commitments and Contingencies (Notes 14 and 17)	
Net Position	
Unexpended Appropriations	4,179,242
Cumulative Results of Operations	46,557,680
Total Net Position	50,736,922
TOTAL LIABILITIES AND NET POSITION	$ 63,433,900

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

Statement of Net Cost
for the fiscal years ended September 30, 2006 and 2005
(dollars in thousands)

	FY 2006	FY 2005
Resource Protection		
Costs	$ 3,946,834	$ 3,727,461
Less: Earned Revenue	1,136,759	1,428,697
Net Cost	2,810,075	2,298,764
Resource Use		
Costs	3,942,639	4,120,619
Less: Earned Revenue	1,327,167	1,217,758
Net Cost	2,615,472	2,902,861
Recreation		
Costs	1,780,694	1,847,534
Less: Earned Revenue	370,645	340,109
Net Cost	1,410,049	1,507,425
Serving Communities		
Costs	6,518,561	6,859,829
Less: Earned Revenue	904,395	1,026,009
Net Cost	5,614,166	5,833,820
Reimbursable Activity and Other		
Costs	3,295,714	3,195,202
Less: Earned Revenue	2,340,934	2,325,046
Net Cost	954,780	870,156
Total		
Costs	19,484,442	19,750,645
Less: Earned Revenue	6,079,900	6,337,619
Net Cost of Operations (Note 18)	$ 13,404,542	$ 13,413,026

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

Statement of Changes in Net Position
for the fiscal years ended September 30, 2006 and 2005
(dollars in thousands)

	Earmarked	All Other	FY 2006 Consolidated	FY 2005 Consolidated
	(Note 24)			
UNEXPENDED APPROPRIATIONS				
Beginning Balance	$ 396,643	$ 3,782,599	$ 4,179,242	$ 4,080,359
Budgetary Financing Sources				
Appropriations Received, General Funds	378,871	10,243,663	10,622,534	10,197,599
Appropriations Transferred In/(Out)	(6,043)	121,430	115,387	93,641
Appropriations-Used	(430,348)	(10,101,021)	(10,531,369)	(10,039,735)
Other Adjustments	(2,432)	(155,814)	(158,246)	(152,622)
Net Change	(59,952)	108,258	48,306	98,883
Ending Balance - Unexpended Appropriations	$ 336,691	$ 3,890,857	$ 4,227,548	$ 4,179,242
CUMULATIVE RESULTS OF OPERATIONS				
Beginning Balance	$ 44,704,003	$ 1,853,677	$ 46,557,680	$ 43,051,348
Adjustments				
Change in Accounting Principle (Note 26)	(282,732)	-	(282,732)	-
Beginning Balance, as adjusted	44,421,271	1,853,677	46,274,948	43,051,348
Budgetary Financing Sources				
Appropriations-Used	430,348	10,101,021	10,531,369	10,039,735
Royalties Retained (Note 16)	4,386,601	3,212	4,389,813	5,130,136
Non-Exchange Revenue	1,233,054	17,092	1,250,146	1,276,801
Transfers In/(Out) without Reimbursement	(43,666)	(150,619)	(194,285)	(58,601)
Donations and Forfeitures of Cash and Cash Equivalents	32,702	-	32,702	33,159
Other Budgetary Financing Sources	(223)	7,764	7,541	51,040
Other Adjustments	(393)	364	(29)	-
Other Financing Sources				
Donations and Forfeitures of Property	505	6,040	6,545	26,596
Transfers In/(Out) without Reimbursement	(132,964)	33,373	(99,591)	(31,041)
Imputed Financing from Costs Absorbed by Others (Note 19)	120,079	352,768	472,847	451,533
Total Financing Sources	6,026,043	10,371,015	16,397,058	16,919,358
Net Cost of Operations	(3,212,970)	(10,191,572)	(13,404,542)	(13,413,026)
Net Change	2,813,073	179,443	2,992,516	3,506,332
Ending Balance - Cumulative Results of Operations	$ 47,234,344	$ 2,033,120	$ 49,267,464	$ 46,557,680

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

Statement of Budgetary Resources
for the fiscal years ended September 30, 2006 and 2005
(dollars in thousands)

	Total Budgetary Accounts FY 2006	Total Budgetary Accounts FY 2005	Non-Budgetary Credit Program Financing Accounts FY 2006	Non-Budgetary Credit Program Financing Accounts FY 2005
Budgetay Resources:				
Unobligated balance, beginning of Fiscal Year:	$ 5,710,929	$ 5,209,456	$ 83,309	$ 76,836
Recoveries of prior year unpaid obligations	484,943	411,226	8	9
Budget Authority				
Appropriation	16,124,453	16,085,947	-	-
Borrowing Authority	-	-	1,584	1,095
Spending authority from offsetting collections				
Earned				
Collected	$ 5,479,124	$ 5,194,626	39,702	42,284
Change in receivables from Federal sources	(2,997)	75,028	-	-
Change in unfilled customer orders				
Advance received	(306,820)	51,822	-	-
Without advance from Federal sources	(104,540)	270,854	-	-
Total Budget Authority	21,189,220	21,678,277	41,286	43,379
Nonexpenditure transfers, net, anticipated and actual	438,207	(114,713)	-	-
Temporarily not available pursuant to Public Law	(16,617)	(11,853)	-	-
Permanently not available	(186,788)	(347,464)	(3,255)	(18,282)
Total Budgetary Resources (Note 21)	$ 27,619,894	$ 26,824,929	$ 121,348	$ 101,942
Status of Budgetary Resources:				
Obligations incurred (Note21):				
Direct	$ 16,380,951	$ 16,019,806	$ 12,768	$ 18,633
Reimbursable	5,052,958	5,094,194	-	-
Total Obligations incurred	21,433,909	21,114,000	12,768	18,633
Unobligated balance available (Note 21):				
Apportioned	5,987,182	5,556,737	108,580	83,309
Exempt from apportionment	58,325	44,920	-	-
Total Unobligated balance available	6,045,507	5,601,657	108,580	83,309
Unobligated balance not available (Note 21)	140,478	109,272	-	-
Total Status of Budgetary Resources	$ 27,619,894	$ 26,824,929	$ 121,348	$ 101,942
Obligated Balance:				
Obligated balance, net				
Unpaid obligations, brought forward, beginning of Fiscal Year	$ 8,557,216	$ 7,648,696	$ 4,005	$ 7,775
Less: Uncollected customer payments from Federal sources, brought forward, beginning of Fiscal Year	(1,224,762)	(878,880)	-	-
Total unpaid obligated balances, net, beginning of Fiscal Year	7,332,454	6,769,816	4,005	7,775
Obligations incurred, net	21,433,909	21,114,000	12,768	18,633
Less: Gross outlays	(20,666,259)	(19,794,254)	(12,831)	(22,394)
Less: Recoveries of prior year unpaid obligations, actual	(484,943)	(411,226)	(8)	(9)
Change in uncollected customer payments from Federal sources	107,537	(345,882)	-	-
Total, unpaid obligated balance, net, end of period	$ 7,722,698	$ 7,332,454	$ 3,934	$ 4,005
Obligated Balance, net, end of period - by component:				
Unpaid obligations	8,839,925	8,557,216	3,934	4,005
Less: Uncollected customer payments from Federal sources	(1,117,227)	(1,224,762)	-	-
Total, unpaid obligated balance, net, end of period	$ 7,722,698	$ 7,332,454	$ 3,934	$ 4,005
Net Outlays:				
Gross outlays	20,666,259	19,794,254	12,831	22,394
Less: Offsetting collections	(5,172,304)	(5,246,450)	(39,702)	(42,284)
Less: Distributed Offsetting receipts	(6,940,455)	(5,904,495)	-	-
Net Outlays(Receipts)	$ 8,553,500	$ 8,643,309	$ (26,871)	$ (19,890)

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

Statement of Financing
for the fiscal years ended September 30, 2006 and 2005
(dollars in thousands)

	FY 2006	FY 2005
Resources Used to Finance Activities:		
Budgetary Resources Obligated:		
Obligations Incurred	$ 21,446,677	$ 21,132,633
Less: Spending Authority From Offsetting Collections/Recoveries	(5,589,420)	(6,045,849)
Obligations Net of Offsetting Collections and Recoveries	15,857,257	15,086,784
Less: Offsetting Receipts	(6,940,455)	(5,904,495)
Net Obligations	8,916,802	9,182,289
Other Resources:		
Donations and Forfeitures of Property	6,545	26,596
Transfers In/Out Without Reimbursement	(99,591)	(31,041)
Imputed Financing From Costs Absorbed by Others	472,847	451,533
Net Other Resources Used to Finance Activities	379,801	447,088
Total Resources Used to Finance Activities	9,296,603	9,629,377
Resources Used to Finance Items Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	(97,976)	(815,718)
Change in Unfilled Customer Orders	(413,712)	334,416
Resources That Fund Expenses Recognized in Prior Periods	(520,965)	(229,281)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations:		
Credit Program Collections Which Increase Liabilities for Loan Guarantees or Allowances for Subsidy	40,818	41,298
Offsetting Receipts Not Part of the Net Cost of Operations	4,983,557	3,506,569
Resources That Finance the Acquisition of Assets	(706,424)	(920,029)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	86,350	122,673
Allocation Transfers Reconciling Items, Parent (Note 22)	(32,341)	(33,613)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	3,339,307	2,006,315
Total Resources Used to Finance the Net Cost of Operations	12,635,910	11,635,692
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 Annual Leave Liability	5,724	10,155
Increase in Environmental and Disposal Liability	34,446	39,971
Upward/Downward Re-estimates in Credit Subsidy Expense	10,918	21,035
(Increase) in Exchange Revenue Receivable From the Public	(767)	(424)
Other	94,662	743,467
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	144,983	814,204
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	476,377	483,122
Revaluation of Assets or Liabilities	16,418	46,173
Allocation Transfers Reconciling Items, Child (Note 22)	124,400	411,612
Other	6,454	22,223
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	623,649	963,130
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	768,632	1,777,334
Net Cost of Operations	$ 13,404,542	$ 13,413,026

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

Statement of Custodial Activity
for the fiscal years ended September 30, 2006 and 2005
(dollars in thousands)

	FY 2006	FY 2005
Revenues on Behalf of the Federal Government		
Mineral Lease Revenue		
Rents and Royalties	$ 10,660,720	$ 8,972,260
Onshore Lease Sales	275,031	1,658,786
Offshore Lease Sales	949,875	560,622
Strategic Petroleum Reserve (Note 20)	(18,466)	1,194,618
Total Revenue	$ 11,867,160	$ 12,386,286
Disposition of Revenue		
Distribution to Department of the Interior		
National Park Service Conservation Funds	898,304	1,048,870
Bureau of Reclamation	1,651,813	1,289,055
Minerals Management Service	2,295,815	1,762,092
Bureau of Land Management	71,821	81,408
Fish and Wildlife Service	1,608	1,036
Distribution to Other Federal Agencies		
Department of the Treasury	6,870,450	5,502,464
Department of Agriculture	73,531	50,860
Department of Commerce	25	1
Department of Energy (Note 20)	(18,466)	1,194,618
Distribution to Indian Tribes and Agencies	158,155	114,025
Distribution to States and Others	84,490	73,706
Change in Untransferred Revenue	(220,386)	1,268,151
Total Disposition of Revenue	$ 11,867,160	$ 12,386,286
Net Custodial Activity	$ -	$ -

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

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U.S. Department of the Interior
Notes to Principal Financial Statements
For the fiscal years ended September 30, 2006 and 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Department of the Interior is a cabinet-level agency of the Executive branch of the Federal Government. Created in 1849 by Congress as the Nation's principal conservation agency, the Interior has responsibility for most of the Nation's publicly-owned lands and natural resources. Interior protects and manages the Nation's natural resources and cultural heritage; provides scientific and other information about those resources; and honors its trust responsibilities or special commitments to American Indians, Alaska Natives, and affiliated island communities.

The accompanying financial statements include all Federal funds under Interior's control or which are a component of the reporting entity, including Conservation Funds (Land and Water Conservation Fund, Historic Preservation Fund, and Environmental Improvement and Restoration Fund), Custodial Funds, and the Aquatic Resources Trust Fund. The financial statements, however, do not include non-Federal trust funds, trust related deposit funds, or other related accounts that are administered, accounted for, and maintained by Interior's Office of the Special Trustee for American Indians on behalf of Native American Tribes and individuals. Interior prepares financial statements for these Tribal and Other Trust Funds and Individual Indian Monies under separate cover. A summary of the trust fund balances and changes in trust fund balances managed on behalf of Indian Tribes and individuals is included in Note 23. The financial statements included herein also do not include the effects of centrally administered assets and liabilities related to the Federal Government as a whole, such as public borrowing or certain tax revenue, which may in part be attributable to the Interior.

B. Organization and Structure of Interior

Interior is composed of the following eight operating bureaus and Departmental Offices:

- National Park Service (includes the Land and Water Conservation Fund and Historic Preservation Fund)
- Fish and Wildlife Service (includes the Sport Fish Restoration and Boating Trust Fund)
- Bureau of Land Management
- Bureau of Reclamation
- Office of Surface Mining
- Minerals Management Service (includes the Environmental Improvement and Restoration Fund)
- U.S. Geological Survey
- Bureau of Indian Affairs
- Departmental Offices

An overview of the operating performance of Interior and its components is presented in the Management's Discussion and Analysis portion of this report. In addition, more detailed information about the bureaus may be found in the individual financial reports prepared by each bureau.

The U.S. Bureau of Mines (USBM) was closed in 1996. Although it no longer exists, certain transactions and data related to USBM programs and activities are reflected in the Interior's FY 2006 and FY 2005 financial statements and notes.

C. Basis of Accounting and Presentation

These financial statements have been prepared to report the financial position, net cost, custodial activities, changes in net position, budgetary resources, and reconciliation of net cost to budgetary obligations of the Interior as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. These financial statements have been prepared from the books and records of the Interior in accordance with generally accepted accounting principles (GAAP), OMB Circular No. A-136, "Financial Reporting Requirements." GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is the official standard-setting body for the Federal Government. These financial statements present proprietary and budgetary information. Interior, pursuant to OMB directives, prepares additional financial reports that are used to monitor and control Interior's use of budgetary resources.

OMB financial statement reporting guidelines require the presentation of comparative financial statements for all of the principal financial statements. Interior has presented comparative FY 2006 financial statements for the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, Statement of Financing, and Statement of Custodial Activity.

Certain assets, liabilities, earned revenue, and costs have been classified as intragovernmental throughout the financial statements and notes. Intragovernmental is defined as exchange transactions made between two reporting entities within the Federal Government.

The accounting structure of Federal agencies is designed to 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 receipt or payment of cash. The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds.

D. Fund Balance with Treasury and Cash

Interior maintains all cash accounts with the Department of the Treasury (Treasury) except for imprest fund accounts. Treasury processes cash receipts and disbursements on behalf of Interior and Interior's accounting records are reconciled with those of Treasury on a regular basis.

The Fund Balance with Treasury includes several types of funds available to pay current liabilities and finance authorized purchases, as well as funds restricted until future appropriations are received. The following describes the type of funds Interior maintains: (1) general funds are funds not earmarked by law for a specific purpose; (2) special funds are funds earmarked for specific purposes; (3) revolving funds are funds that conduct continuing cycles of business-like activity, in which the fund charges for the sale of products or services and uses the proceeds to finance its spending, usually without requirement for annual appropriations; (4) trust funds are funds that are designated by law as a trust fund where the receipt accounts collect earmarked receipts for specific purposes and the associated trust fund expenditure accounts track spending of the receipts; and (5) other funds include balances in deposit accounts, such as for collections pending litigation, awaiting determination of the proper accounting disposition, or being held by the entity in the capacity of a banker or agent for others.

Cash consists primarily of Federal funds held by private banks and investing firms for the Office of Trust Funds Management.

E. Investments, Net

Interior invests funds in Federal Government and public securities on behalf of various Interior programs and for amounts held in certain escrow accounts. The Federal Government securities include marketable Treasury securities and non-marketable par value or non-marketable market-based securities issued by the Federal

Investment Branch of the Bureau of the Public Debt. Par value securities are special issue bonds or certificates of indebtedness that bear interest determined by legislation or Treasury. Market-based securities are Treasury securities that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms.

Public securities include, but are not limited to, marketable securities issued by government-sponsored entities and consist mainly of various mortgage instruments, bonds, and bank notes. Mortgage instruments are with the Federal National Mortgage Association, the Government National Mortgage Association, and the Federal Home Loan Mortgage Corporation, the Private Export Funding Corporation, the Federal Farm Credit Banks Consolidated System, the Federal Agricultural Mortgage Corporation, and the Government National Real Estate Mortgage Investment Conduit. Bonds and bank notes are with the Federal Home Loan Bank and the Federal Judiciary.

It is expected that investments will be held until maturity; therefore, they are valued at cost and adjusted for amortization of premiums and discounts, if applicable. The premiums and discounts are recognized as adjustments to interest income, utilizing the straight-line method of amortization for short-term securities (i.e., bills) and the interest method for longer-term securities (i.e., notes). Interest on investments is accrued as it is earned.

The market value is estimated by multiplying the total number of shares by the market price on the last day of the fiscal year.

F. Accounts and Interest Receivable, Net

Accounts and interest receivable consists of amounts owed to Interior by other Federal agencies and the public. Federal accounts receivable arise generally from the provision of goods and services to other Federal agencies and, with the exception of occasional billing disputes, are considered to be fully collectible. Receivables from the public generally arise either from the provision of goods and services or from the levy of fines and penalties resulting from Interior's regulatory responsibilities. An allowance for doubtful accounts is established for reporting purposes based on past experience in the collection of accounts receivable and analysis of outstanding balances.

G. Loans and Interest Receivable, Net

Intragovernmental Loans. The Reclamation Fund is a restricted, unavailable receipt fund into which a substantial portion of Reclamation's revenues (mostly repayment of capital investment costs, associated interest and operating and maintenance reimbursements from water and power users) and receipts from other Federal agencies (primarily revenues from certain Federal mineral royalties and hydropower transmission) are deposited. No expenditures are made directly from the Reclamation Fund; however, funds are transferred from the Reclamation Fund into Reclamation's appropriated expenditure funds or other Federal agencies pursuant to specific appropriation acts authorized by the U.S. Congress.

The funds transferred from the Reclamation Fund to the other Federal agencies are primarily for the purpose of funding operating and maintenance and capital investment activities at Western Area Power Administration (Western), a component of the Department of Energy (DOE). Western recovers the capital investments, associated interest, and operating and maintenance costs through future power rates, and subsequently deposits amounts recovered into the Reclamation Fund.

The Bonneville Power Administration (BPA), also a component of DOE, is responsible for the transmission and marketing of hydropower generated at Reclamation facilities located in the Pacific Northwest region. Unlike Western, BPA does not receive appropriations from the Reclamation Fund, but they legislatively assumed the repayment obligation for the appropriations used to construct Reclamation's hydropower generation facilities.

The amounts transferred to Western and BPA are recorded as receivables at the time of the transfer as Western and BPA are required to repay Interior. Interior reduces the receivables at the time payments are received from Western and BPA.

Loans with the Public. Loans are accounted for as receivables after the funds have been disbursed. For loans obligated after the effective date of the Credit Reform Act, October 1, 1990, the amount of the Federal loan subsidy is computed. The loan subsidy includes estimated delinquencies and defaults net of recoveries, the interest rate differential between the loan rates and Treasury borrowings, offsetting fees, and other estimated cash flows associated with these loans. The value of loans receivable is reduced by the present value of the expected subsidy costs. The allowance for subsidy cost is reestimated annually on September 30.

For loans obligated prior to October 1, 1990, principal, interest, and penalties receivable are presented net of an allowance for estimated uncollectible amounts. The allowance is based on past experience, present market conditions, an analysis of outstanding balances, and other direct knowledge relating to specific loans.

H. Inventory and Related Property, Net

Interior's inventory and related property is primarily composed of published maps, gas and storage rights, operating supplies for the Working Capital Fund, airplane parts and fuel, and recoverable below-ground crude helium. These inventories were categorized based on Interior's major activities and services Interior provides to the Federal Government and the public. There are no restrictions on these inventories.

The USGS maintains maps and map products that are located at several Earth Science Information Centers across the United States. This inventory is valued at historical cost using a weighted average cost variation method, less an allowance, which is based on inventory turnover and current stock levels.

The BLM maintains a helium stockpile inventory which is stored in a partially depleted natural gas reservoir. The inventory is valued at cost and the volume of helium is accounted for on a perpetual basis. Annually, the volume is verified by collecting reservoir data and using generally accepted petroleum engineering principles to calculate the volume. The values shown for stockpile helium are net of the estimated unrecoverable amount, so no allowance is required. Gas and storage rights for the storage of helium are recorded at historical cost.

Under the Helium Privatization Act of 1996, Interior is authorized to store, transport, and withdraw crude helium and maintain and operate crude helium storage facilities that were in existence when the Helium Privatization Act was enacted. Interior also has the authority to sell crude stockpile helium until January 1, 2015, at which time the helium reserves will be sold.

Aircraft fuel and parts are held in inventory as operating materials to be consumed and are valued at historical cost, based on the moving average cost method. The value of this inventory is adjusted based on the results of periodic physical inventories.

The Interior's Working Capital Fund maintains an inventory of operating materials that will be consumed during future operations and is stated at historical cost using the weighted average cost method. These operating materials are maintained for sign construction, employee uniforms, and the Interior's standard forms functions.

I. General Property, Plant, and Equipment, Net

General Purpose Property, Plant, and Equipment. General purpose property, plant, and equipment consists of buildings, structures, and facilities used for general operations, power, irrigation, fish protection, wildlife enhancement, and recreation; land and land improvements acquired for general operating purposes; equipment, vehicles, and aircraft; construction in progress; capital leases; leasehold improvements; and internal use software.

All general purpose property, plant, and equipment are capitalized at acquisition cost and depreciated using the straight-line amortization method over the assigned useful lives of the property. Buildings, structures, and facilities are depreciated over a useful life of from 10 to 75 years with the exception of dams and certain related property which are depreciated over useful lives of up to 100 years. Equipment, vehicles, and aircraft are depreciated over useful lives generally ranging from 2 to 50 years. Capital leases and leasehold improvements are amortized over the life of the lease. For land, buildings, structures, land improvements, leasehold improvements, and facilities purchased prior to October 1, 2003, capitalization thresholds were established by the individual bureaus and generally ranged from $50,000 to $500,000. For these same items purchased subsequent to September 30, 2003, Interior has established a capitalization threshold of $100,000 with the exception of dams and certain related property, which are fully capitalized. For equipment, vehicles and aircraft, and capital leases, Interior has established a capitalization threshold of $15,000. There are no restrictions on the use or convertibility of the Interior's general purpose property, plant, and equipment.

In accordance with the implementation guidance for Statement of Federal Financial Accounting Standard (SFFAS) No. 6, Interior recorded certain general property, plant, and equipment acquired on or before September 30, 1996, at its estimated net book value (i.e., gross cost less accumulated depreciation) or its estimated gross cost. Interior estimated these costs and net book values based on available historic supporting documents, current replacement cost deflated to date of acquisition, and the cost of similar assets at the time of acquisition.

Construction in Progress. Construction in Progress is used for the accumulation of the cost of construction or major renovation of fixed assets during the construction period. The assets are transferred out of construction in progress when the project is substantially completed.

Construction in Progress also includes projects in abeyance. In past years, the Interior began construction on 12 projects located in California, Colorado, Arizona, Washington, North Dakota, and South Dakota, for which activities were placed in abeyance. These projects were authorized to provide various benefits, among them irrigation, fish and wildlife conservation and enhancement, recreation, municipal water supplies, and flood control. Until congressional disposition of these assets is determined, maintenance costs have been and will continue to be budgeted and expended to minimize the erosive effects of time and weather and to keep the asset ready for completion.

Internal Use Software. Internal use software includes purchased commercial off-the-shelf software (COTS), contractor-developed software, and software that was internally developed by agency employees. Internal use software is capitalized at cost if the acquisition cost is $100,000 or more. For COTS software, the capitalized costs include the amount paid to the vendor for the software; for contractor-developed software it includes the amount paid to a contractor to design, program, install, and implement the software. Capitalized costs for internally developed software include the full cost (direct and indirect) incurred during the software development stage. The estimated useful life is 2 to 5 years for calculating amortization of software using the straight-line method.

Stewardship Assets. Stewardship assets consists of public domain land and heritage assets such as national monuments and historic sites that have been entrusted to Interior to be maintained in perpetuity for the benefit of current and future generations.

The majority of public lands, presently under the management of Interior, were acquired by the Federal Government during the first century of the Nation's existence and are considered stewardship land. A portion of these lands has been reserved as national parks, wildlife refuges, and wilderness areas, while the remainder is managed for multiple uses. Interior is also responsible for maintaining a variety of cultural and natural heritage assets, which include national monuments, historic structures, and library and museum collections. The stewardship land and heritage assets managed by Interior are considered priceless and irreplaceable. Because of this, Interior assigns no financial value to them and the property, plant, and equipment capitalized and reported on the Balance Sheet excludes these assets. The Required Supplementary Information (RSI) section of this report provides additional information concerning stewardship land and heritage assets.

J. Advances and Prepayment

Payments in advance of the receipt of goods and services are recorded as prepaid charges at the time of prepayment and recognized as expenditures/operating expenses when the related goods and services are received.

K. Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by Interior as the result of a transaction or event that has already occurred. No liability can be paid by Interior absent an appropriation of funds by the U.S. Congress, and the payment of all liabilities other than for contracts can be abrogated by Interior. Liabilities for which an appropriation has not been enacted are, therefore, disclosed as liabilities not covered by budgetary resources, or unfunded liabilities. The liquidation of liabilities not covered by budgetary or other resources is dependent on future congressional appropriations or other funding. There is no legal certainty that the appropriations will be enacted.

Interior estimates certain accounts payable balances based on past history of payments in current periods that relate to prior periods or on a current assessment of services/products received but not paid.

Environmental and Disposal Liabilities. Interior has responsibility to remediate its sites with environmental contamination, and it is party to various administrative proceedings, legal actions, and tort claims which may result in settlements or decisions adverse to the Federal Government. Interior has accrued environmental liabilities where losses are determined to be probable and the amounts can be estimated. In accordance with Federal accounting guidance, the liability for future cleanup of environmental hazards is “probable” when the government is legally responsible for creating the hazard or is otherwise related to it in such a way that it is legally liable to clean up the contamination.

When Interior is not legally liable, but chooses to accept financial responsibility, it is considered “Government-acknowledged.” Government-acknowledged events are events that are of financial consequence to the Federal Government because it chooses to respond to the event. When Interior accepts financial responsibility for cleanup, has an appropriation for the cleanup, and has begun incurring cleanup costs, then any unpaid amounts for work performed are reported as accounts payable.

Changes in cleanup cost estimates are developed in accordance with departmental policy, which addresses systematic processes for cost estimating and places added emphasis on development and retention of supporting documentation. Changes in cleanup cost estimates are based on progress made in and revision of the cleanup plans, assuming current technology, laws, and regulations.

Contingent Liabilities. Contingent liabilities are liabilities where the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. Interior recognizes contingent liabilities when the liability is probable and reasonably estimable. Interior discloses contingent liabilities in the notes to the financial statements when the conditions for liability recognition are not met and when the outcome of future events is more than remote. In some cases, once losses are certain, payments may be made from the Judgment Fund maintained by Treasury rather than from amounts appropriated to Interior for departmental operations.

L. Revenues and Financing Sources

The United States Constitution prescribes that no money may be expended by a Federal agency unless and until funds have been made available by congressional appropriation. Thus, the existence of all financing sources is dependent upon congressional appropriation.

Appropriations. Congress appropriates the majority of Interior's operating funds from the general receipts of the Treasury. These funds are made available to Interior for a specified time period (one or more fiscal years) or until expended. For example, funds for general operations are generally made available for one fiscal year; funds for long-term projects such as major construction are generally available to Interior until expended; and funds used to establish revolving fund operations are generally available indefinitely (i.e., no year funds). The greater majority of operating funds for Interior are available for either multiple years or until expended. Appropriations are reflected as a financing source entitled "Appropriations Used" on the Consolidated Statement of Changes in Net Position once goods and services have been received. The Combined Statement of Budgetary Resources presents information about the resources appropriated to Interior.

Exchange and Non-Exchange Revenue. Interior classifies revenues as either exchange revenue or non-exchange revenue. Exchange revenues are those that derive from transactions in which both the government and the other party receive value, including park entrance fees; map sales; reimbursements for services performed for other Federal agencies and the public; reimbursements for the cost of constructing and maintaining irrigation and water facilities; and other sales of goods and services. These revenues are presented on Interior's Consolidated Statement of Net Cost and serve to off-set the costs of these goods and services.

Non-exchange revenues result from donations to the government and from the government's sovereign right to demand payment, including taxes, fines for violation of environmental laws and Abandoned Mine Land duties charged per ton of coal mined. These revenues are not considered to reduce the cost of the Interior's operations and are reported on the Consolidated Statement of Changes in Net Position. The portion of Offsetting Receipts that is related to non-exchange revenue is disclosed as a reconciling item on the Statement of Financing as an item not part of the net cost of operations.

With minor exceptions, all receipts of revenues by Federal agencies are processed through the Treasury's central accounting system. Regardless of whether they derive from exchange or non-exchange transactions, all receipts that are not designated by congressional appropriation for immediate departmental use are deposited in the general or special funds of the Treasury. Amounts not retained for use by Interior are reported as transfers to other government agencies on Interior's Consolidated Statement of Changes in Net Position.

Reporting entities that provide goods and services to the public or another government entity should disclose specific information related to their pricing policies. In certain cases, the prices charged by Interior are set by law or regulation, which for program and other reasons may not represent full cost (e.g., grazing fees, park entrance, and other recreation fees). Prices set for products and services offered through working capital funds are intended to recover the full costs (cost, plus administrative fees) incurred by these activities.

Interior transfers a portion of royalty collections from the custodial fund to the operating funds for distribution to certain States. In accordance with SFFAS No. 7, Interior reports these State amounts as "Royalties Retained," an other budgetary financing source on the Consolidated Statement of Changes in Net Position rather than on the Consolidated Statement of Net Cost, because MMS incurred minimal costs in earning this revenue.

Custodial Revenue. Interior's Minerals Revenue Management (MRM), administered by the MMS, collects royalties, rents, bonuses, and other receipts for Federal and Indian oil, gas, and mineral leases, and distributes the proceeds to the Treasury, other Federal agencies, and States, in accordance with legislated allocation formulas. MMS is authorized to retain a portion of the rental income collected as part of the custodial activity provided by the MRM Program to fund operating costs. BLM collects and remits to MMS first year bonuses and rents for on-shore mineral leases. Interior records custodial revenue based on accounts reported by producers. Custodial revenue is reported when the government has a legal claim to the revenue. The royalty accrual represents royalties on September oil and gas lease activity that Interior receives in October and November. The royalty accrual is estimated based on an analysis of the last 12 months of royalty activity and recent events. Interior does not record a liability for potential overpayments and refunds until requested by the payor or until Interior completes a compliance audit and determines the refundable amount. This is in accordance with the Federal Oil and Gas Royalty Management Act of 1982 (P.L. 97-451, 96 Stat. 2447, 30 U.S.C. 1701).

Royalty-in-Kind (RIK). Interior, under the provisions of the Mineral Lands Leasing Act of 1920 and the Outer Continental Shelf Lands Act (OCSLA) of 1953, may take part or all of its oil and gas RIK (a volume of the commodity) as opposed to in value (cash). Interior may either transfer the volume of oil or gas commodity taken in-kind to Federal agencies for internal use or sell the commodity on the open market at fair market value and transfer the cash received. Interior reflects RIK as mineral lease revenue on the Consolidated Statement of Custodial Activity.

Interior assists the Administration's initiative to fill the Strategic Petroleum Reserve, which was completed in July 2005. Interior transfered to DOE royalty oil received-in-kind from Federal leases in the Gulf of Mexico. Interior determines the value of the commodity transferred using the fair market value on the date of transfer. Interior reports these transfers as mineral lease revenue and transfers to the DOE on the Consolidated Statement of Custodial Activity. The current year Strategic Petroleum Reserve revenues and distribution to DOE represents changes to prior year estimates based on revised pipeline statements.

Sport Fish Restoration and Boating Trust Fund. Interior presents the Sport Fish Restoration and Boating Trust Fund (SFRBTF) in its financial statements in accordance with the requirements of Statement of Federal Financial Accounting Standard (SFFAS) No.27, "Identifying and Reporting Earmarked Funds." The source of funding for the SFRBTF includes excise taxes levied on the sale of fishing tackle and equipment, certain motorboat and small engine gasoline, and interest earned on invested trust funds. These funds are used to make grants available to States for support projects that restore, conserve, manage, protect, and enhance sport fish resources and coastal wetlands and projects that provide for public use and benefit from sport fish resources. The SFRBTF also provides funding for boating safety programs conducted by the U.S. Coast Guard and coastal wetlands initiatives conducted by the U.S. Army Corps of Engineers. The Appropriations Act of 1951 authorized amounts equal to revenues credited during the year to be used in the subsequent fiscal year. This inflow is recorded as permanent appropriations to remain available until expended.

Imputed Financing Sources. In certain instances, operating costs of Interior are paid out of funds appropriated to other Federal agencies. For example, the Office of Personnel Management (OPM), by law, pays certain costs of retirement programs, and certain legal judgments against Interior are paid from the Judgment Fund maintained by Treasury. When costs that are identifiable to Interior and directly attributable to Interior's operations are paid for by other agencies, Interior recognizes these amounts as operating expenses. In addition, Interior recognizes an imputed financing source on the Consolidated Statement of Changes in Net Position to indicate the funding of Interior operations by other Federal agencies.

Advances and Deferred Revenue. Advances and deferred revenue from the public represents funding received from certain power customers who benefit from current and future power deliveries. The repayments are recognized as revenue incrementally as power benefits are provided. Advances and deferred revenue received from Federal agencies represent cash advances to the Interior Franchise Fund (IFF) and the National Business Center (NBC). IFF and NBC provide shared administrative services and commonly provide products to Federal agencies.

M. Personnel Compensation and Benefits

Annual and Sick Leave Program. Annual leave is accrued as it is earned by employees and is included in personnel compensation and benefit costs. An unfunded liability is recognized for earned but unused annual leave since from a budgetary standpoint, this annual leave will be paid from future appropriations when the leave is used by employees rather than from amounts that were appropriated to Interior as of the date of the financial statements. The amount accrued is based upon current pay rates of the employees. Sick leave and other types of leave are expensed when used and no future liability is recognized for these amounts, as employees do not vest in these benefits.

Federal Employees Workers' Compensation Program. 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 Department of Labor (DOL), which pays valid claims and subsequently seeks reimbursement from Interior for these paid claims.

The FECA liability consists of two components. The first component is based on actual claims paid by DOL but not yet reimbursed by Interior. Interior reimburses DOL for the amount of the actual claims as funds are appropriated for this purpose. There is generally a 2-to-3 year lag between payment by DOL and reimbursement by Interior. As a result, Interior recognizes a liability for the actual claims paid by DOL and to be reimbursed by Interior.

The second component is the estimated liability for future benefit payments as a result of past events. This liability includes death, disability, medical, and miscellaneous costs. DOL determines this component annually, as of September 30, using a method that considers historical benefit payment patterns, wage inflation factors, medical inflation factors, and other variables. The projected annual benefit payments are discounted to present value using OMB's economic assumptions for 10-year Treasury notes and bonds. To provide for the effects of inflation on the liability, wage inflation factors (i.e., cost of living adjustments) and medical inflation factors (i.e., consumer price index medical adjustments) are applied to the calculation of projected future benefit payments. These factors are also used to adjust historical benefit payments to current-year constant dollars. A discounting formula is also used to recognize the timing of benefit payments as 13 payments per year instead of one lump sum payment per year.

DOL also evaluates the estimated projections to ensure that the estimated future benefit payments are appropriate. The analysis includes three tests: (1) a comparison of the current-year projections to the prior-year projections; (2) a comparison of the prior-year projected payments to the current-year actual payments, excluding any new case payments that had arisen during the current year; and (3) a comparison of the current-year actual payment data to the prior-year actual payment data. Based on the outcome of this analysis, adjustments may be made to the estimated future benefit payments.

Federal Employees Group Life Insurance (FEGLI) Program. Most Interior employees are entitled to participate in the FEGLI Program. Participating employees can obtain "basic life" term life insurance, with the employee paying two-thirds of the cost and Interior 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 the basic life coverage. Because Interior's contributions to the basic life coverage are fully allocated by OPM to the pre-retirement portion of coverage, Interior has recognized the entire service cost of the post-retirement portion of basic life coverage as an imputed cost and imputed financing source.

Retirement Programs. Interior employees participate in one of three retirement programs: (1) the Civil Service Retirement System (CSRS); (2) the Federal Employees Retirement System (FERS), which became effective on January 1, 1987; or (3) the United States Park Police (USPP) Pension Plan. Most Interior employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS. Employees covered by CSRS are not subject to Social Security taxes, nor are they entitled to accrue Social Security benefits for wages subject to CSRS.

For employees participating in FERS, Interior contributes an amount equal to 1% of the employee's basic pay to the tax deferred Thrift Savings Plan and matches employee contributions up to an additional 4% of pay. Employees participating in CSRS receive no matching contribution from Interior. During FY 2006, employees could contribute as much as $15,000 of their gross earnings to the plan.

OPM is responsible for reporting assets, accumulated plan benefits, and unfunded liabilities, if any, applicable to CSRS participants and FERS employees government-wide, including Interior employees. Interior has recognized an imputed cost and imputed financing source for the difference between the estimated service cost and the contributions made by Interior and covered CSRS employees.

Police Officers hired on or before December 31, 1985, by the NPS participate in the USPP Pension Plan, which is administered by the District of Columbia. Each in-service member contributes 7% of their gross earnings. The normal retirement benefit is 2.5% for each year of service up to 20 with an additional 3% for each year beyond 20, but no more than an aggregate of 80%. Retirement is permitted after 20 years of service, but mandatory by the age of 60. Annual benefits paid from the USPP Pension Plan are funded on a pay-as-you-go basis through a permanent indefinite appropriation from the Treasury's General Fund.

Interior reports the USPP pension liability and associated expense in accordance with OMB guidance. An actuary estimates Interior's future cost to provide benefits to current and future retirees using economic assumptions and historical cost information. The estimate is adjusted by the time value of money and the probability of having to pay benefits due to assumed decrements for mortality, morbidity, and terminations.

The actuarial liabilities are measured during the fiscal year, with a "roll-forward" or projection to the end of the year, in accordance with SFFAS Interpretation No. 3, Measurement Date for Pension and Retirement Health Care Liabilities. The "roll-forward" considers all major factors that affect the measurement that occurred during the reporting year, including any raises, cost-of-living allowances, and material changes in the number of participants.

N. Federal Government Transactions

Interior's financial activities interact with and are dependent upon the financial activities of the centralized management functions of the Federal Government. These activities include public debt and cash management activities and employee retirement, life insurance, and health benefit programs. The financial statements of Interior do not contain the costs of centralized financial decisions and activities performed for the benefit of the entire government. However, expenses have been recognized as expenses incurred by other agencies on behalf of Interior, including settlement of claims and litigation paid by Treasury's Judgment Fund and the partial funding of employee benefits by OPM.

Transactions and balances among the Interior's entities have been eliminated from the Balance Sheet, the Statement of Net Cost, and the Statement of Changes in Net Position. As provided for by OMB Circular No. A-136, the Statement of Budgetary Resources is presented on a combined basis, therefore, intra-departmental transactions and balances have not been eliminated from this statement. In accordance with OMB Circular No. A-136, intra-departmental transactions and balances have been eliminated from all the amounts on the

Statement of Financing, except for obligations incurred and spending authority from offsetting collections and adjustments, which are presented on a combined basis. Intra-departmental transactions have been eliminated within the Statement of Custodial Activity. In order to present all custodial activity, the distributions to the Department's entities have not been eliminated on the Statement of Custodial Activity and the Statement of Changes in Net Position. The distributions, however, are reported separately on the Statement of Custodial Activity.

O. Possessory Interest and Leasehold Surrender Interest

Interior has contracts with organizations that manage and operate hotels, lodges, restaurants, gift shops, and other concession operations at various parks. In accordance with legislation and the contracts, some of these concessionaires have a possessory interest or leasehold surrender interest (PI/LSI) in certain real property construction or improvements that the concessionaire pays for and Interior approves.

A concessionaire's interest may be extinguished provided the concessionaire is compensated for the PI/LSI in accordance with concession laws and contracts. At the end of the contract period, PI/LSI amounts are negotiated and either incorporated into new contracts or extinguished through payment. Payment for this interest has been made by a subsequent concessionaire in most situations.

Interior does not report the assets used by concessioners in its financial statements because the concessioners control the benefits of the assets and have the responsibilities of the risks and maintenance of the assets. In addition, Interior does not report a PI/LSI liability at the time a concessioner receives PI/LSI because an event of financial consequence has not occurred. However, Interior does record a liability at the time that the Interior decides to discontinue a concession operation or take possession of the assets.

Interior has concession agreements which contain provisions that provide for the establishment of escrow type accounts to be used to develop, improve, and maintain visitor facilities. The concessioner periodically deposits a percentage of gross revenue in the account as provided in the concessioner agreement. These "Special Account" funds are maintained in separate interest-bearing bank accounts for the concessioners, are not assets of Interior, and may not be used in Interior operations. Therefore, the balances, inflows, and outflows of these concessioner Special Accounts are not recognized in the consolidated financial statements.

P. Resources Payable to Treasury

Interior receives appropriations from Treasury's General Fund to construct, operate, and maintain various multipurpose projects. Many of the projects have reimbursable components, for which Interior is required to recover the capital investment and operating costs through user fees, mainly the sale of water and power. These recoveries are deposited in Treasury's General Fund.

Interior records a liability when appropriations are expended on reimbursable components of a project. The liability is decreased when reimbursments are received from Interior's customers and subsequently transferred to Treasury's General Fund.

Q. Earmarked Funds

Earmarked funds are financed by specifically identified revenues and other financing sources. These funds are required by statute to be used for designated activities or purposes and must be accounted for separately from the Federal Government's general fund. The Balance Sheet and the Statement of Changes in Net Position are not presented in a comparable format because SFFAS No. 27, *Identifying and Reporting Earmarked Funds*, does not allow prior year restatement of financial information.

R. Allocation Transfers

Interior receives budget resources from the Department of Transportation in the form of "allocation transfers" in order to perform maintenance to highways that are on Interior land. This activity is reported in DOT's financial statements for FY 2006 as Interior early implemented OMB Circular No. A-136 parent/child reporting requirements with the Department of Transportation (DOT) for the Highway Trust Fund, only.

S. Income Taxes

As an agency of the Federal Government, Interior is generally exempt from all income taxes imposed by any governing body, whether it be a Federal, State, commonwealth, local, or foreign government.

T. Estimates

Interior has made certain estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenses, and the disclosure of contingent liabilities to prepare these financial statements. Actual results could differ from these estimates.

U. Reclassification

Certain prior year amounts have been reclassified to conform to current year presentation.

NOTE 2. FUND BALANCE WITH TREASURY

Treasury performs cash management activities for all Federal agencies. The net activity represents Fund Balance with Treasury. The Fund Balance with Treasury represents the right of Interior to draw down funds from Treasury for expenses and liabilities.

Fund Balance with Treasury by fund type as of September 30, 2006 and 2005, consists of the following:

(dollars in thousands)	FY 2006	FY 2005
General Funds	$ 5,424,657	$ 5,070,334
Special Funds	25,464,346	23,879,261
Revolving Funds	2,027,366	2,590,741
Trust Funds	211,851	214,102
Other Fund Types	281,162	276,694
Total Fund Balance with Treasury by Fund Type	$ 33,409,382	$ 32,031,132

Interior's fund types and purpose are described below:

General Funds. These funds consist of expenditure accounts used to record financial transactions arising from congressional appropriations, as well as receipt accounts.

Special Funds. These accounts are credited with receipts from special sources that are earmarked by law for a specific purpose. These receipts are available for expenditure for special programs, such as providing housing for employees on field assignments; Land and Water Conservation and Historic Preservation Fund activities; sales of public lands, timber, mineral leases; cleanup associated with the Exxon Valdez oil spill; and operating science and cooperative programs.

Revolving Funds. These funds account for cash flows to and from the government resulting from operations of the helium operations, Interior franchise fund, and other bureau working capital funds. The revolving funds are restricted to the purposes set forth in the legislation that established the funds and related investment plans, and do not fund normal operating expenses of the bureau.

Trust Funds. These funds are used for the acceptance and administration of funds contributed from public and private sources and programs and in cooperation with other Federal and State agencies or private donors, and other activities such as maintaining the Boyhood Home of Abraham Lincoln; trust fund construction; highway maintenance and construction; and managing the Land and Resource Management trust fund, the Alaska Townsite Trustee fund, and the Aquatic Resources Trust Fund.

Other Fund Types. These include miscellaneous receipt accounts, transfer accounts, performance bonds, deposit and clearing accounts maintained to account for receipts, and disbursements awaiting proper classification.

Status of Fund Balance with Treasury as of September 30, 2006 and 2005, consists of the following:

(dollars in thousands)	FY 2006	FY 2005
Unobligated		
Available	$ 3,623,391	$ 3,968,467
Unavailable	201,887	207,134
Obligated Not Yet Disbursed	6,114,435	5,940,979
Subtotal	9,939,713	10,116,580
Fund Balance with Treasury Not Covered by Budgetary Resources		
Unavailable Receipt Accounts	23,308,813	21,735,627
Clearing and Deposit Accounts	160,856	178,925
Subtotal	23,469,669	21,914,552
Total Status of Fund Balance with Treasury	$ 33,409,382	$ 32,031,132

The Status of the Fund Balance with Treasury may be classified as unobligated available, unobligated unavailable, and obligated. Unobligated funds, depending on budget authority, are generally available for new obligations in current operations. The unavailable amounts are primarily composed of funds in unavailable collection accounts, such as the Land and Water Conservation Fund and the Reclamation Fund, which are not available to Interior for use unless appropriated by Congress. The unavailable balance also includes amounts appropriated in prior fiscal years, which are not available to fund new obligations. The obligated, but not yet disbursed balance represents amounts designated for payment of goods and services ordered, but not yet received or goods and services received, but for which payment has not yet been made.

Obligated and unobligated balances reported for the status of fund balance with Treasury do not agree with obligated and unobligated balances reported on the Combined Statement of Budgetary Resources because the budgetary balances include amounts supported by other than fund balance with Treasury, such as investments in Treasury Securities and allocation transfers (transferring agency). Allocation transfers result in differences for both the transferring and receiving agency because the budgetary amounts are reported by the agency transferring the funds, but the proprietary amounts are reported by the receiving agency.

NOTE 3. CASH

The cash amount includes balances held by private banks and investing firms and change-making funds maintained in offices where maps are sold over the counter.

Cash as of September 30, 2006 and 2005, consists of the following:

(dollars in thousands)	FY 2006	FY 2005
Cash Not Yet Deposited to Treasury	$ 174	$ 622
Imprest Fund	651	648
Total Cash	$ 825	$ 1,270

NOTE 4. INVESTMENTS, NET

A. Investments in Treasury Securities

The BIA, BLM, BOR, Departmental Offices, MMS, NPS, OSM, and FWS invest funds in securities on behalf of various Interior programs.

Bureau of Indian Affairs (BIA). The BIA invests irrigation and power receipts in Treasury and public securities until the funds are required for project operations. Federal investments are purchased under the Treasury Overnighter Program and in marketable Treasury bills and notes. BIA's investments in public securities are discussed more fully below.

Bureau of Land Management (BLM). The BLM is authorized to invest in special non-marketable par value and market-based book entry Treasury securities. These securities include Treasury bills, notes, bonds, and one-day certificates that may be purchased and sold as necessary to meet operating needs and legislated requirements. The BLM invests in these securities of the Treasury pursuant to authorizing legislation for three accounts: (1) the proceeds of certain land sales authorized by the Southern Nevada Public Land Management Act enacted in October 1998; (2) the proceeds of certain land sales authorized by the Lincoln County Land Act enacted in October 2000; and (3) the proceeds of certain oil and gas lease sales authorized by the Alaska Native Claims Settlement Act and the Alaska National Interest Lands Conservation Act, as amended July 17, 2000.

Bureau of Reclamation (BOR). BOR has investment authority in the Lower Colorado River Basin Development Fund and the San Gabriel Basin Restoration fund, both of which are classified as earmarked funds. The market value of these securities is equal to the cost.

Departmental Offices. Departmental Offices invest funds that are contributed to the Utah Reclamation Mitigation and Conservation Account by the Utah Reclamation Mitigation and Conservation Commission in non-marketable market-based securities issued by the Federal Investment Branch of the Bureau of the Public Debt. Departmental Offices invest funds for the Natural Resource Damage Assessment and Restoration Fund (NRDAR), in non-marketable market-based securities issued by Treasury. Funds are invested in both long and short-term securities, depending upon the program's needs for their funds.

Departmental Offices invest a portion of Tribal Trust and Special Funds in marketable and non-marketable market-based securities issued by the Federal Investment Branch of the Bureau of the Public Debt. Investment instruments are continually reviewed for appropriateness in conjunction with current tribal needs.

Minerals Management Service (MMS). Investments consist of non-marketable, market-based Treasury securities that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms. The MMS has limited investment authority based on two categories: Environmental Improvement and Restoration and Custodial Investments.

The Environmental Improvement and Restoration Fund (EIRF) is available for investment under the Interior and Related Agencies Appropriations Act of 1998. Congress has permanently appropriated 20% of the prior fiscal year interest earned by the EIRF to the Department of Commerce. The remaining 80% of interest earned remains in the fund and may be appropriated by Congress to certain other agencies, as provided by the law. This investment was initially funded in 2000 by the settlement of the boundary dispute with the State of Alaska.

MMS is also required by regulation to invest the 1/5 Outer Continental Shelf (OCS) bid amounts from the apparent high bidders for all OCS lease sales. Should any of the apparent high bids be later rejected, the 1/5 bid and actual interest earned are returned to the bidder. The investment earned on accepted bids reverts to Treasury when the bids are accepted.

Investments as of September 30, 2006, consist of the following:

FY 2006

(dollars in thousands)	Investment Type	Cost	Net Amortized (Premium)/Discount	Investments, Net	Market Value Disclosure
U.S. Treasury Securities					
Bureau of Indian Affairs	Marketable	$ 69,480	$ -	$ 69,480	$ 69,525
Bureau of Land Management	Non-Marketable, market-based	2,332,347	25,503	2,357,850	2,357,290
Bureau of Reclamation	Non-Marketable, market-based	322,000	-	322,000	322,000
Departmental Offices					
Utah Reclamation Mitigation and Conservation Account	Non-Marketable, market-based	163,449	(1,406)	162,043	156,876
Natural Resource Damage Assessment and Restoration Fund	Non-Marketable, market-based	225,920	561	226,481	226,414
Tribal Trust and Special Funds	Non-Marketable, market-based	40,700	-	40,700	40,700
	Marketable	59,856	(466)	59,390	58,593
Minerals Management Service - Restricted	Non-Marketable, market-based	1,067,414	(10,371)	1,057,043	1,039,783
Minerals Management Service - Custodial	Non-Marketable, market-based	58,325	68	58,393	58,411
National Park Service	Non-Marketable, market-based	1,455	-	1,455	1,455
Office of Surface Mining	Non-Marketable, market-based	2,263,900	594	2,264,494	2,230,790
U.S. Fish and Wildlife Service	Non-Marketable, market-based	493,189	2,163	495,352	490,325
U.S. Fish and Wildlife Service - Sport Fish Restoration and Boating Trust Fund	Non-Marketable, market-based	952,739	1,804	954,543	950,635
Total U.S. Treasury Securities		8,050,774	18,450	8,069,224	8,002,797
Accrued Interest		25,609	-	25,609	-
Total Non-Public Investments		8,076,383	18,450	8,094,833	8,002,797
Public Securities					
Bureau of Indian Affairs	Marketable	1,052	-	1,052	1,052
Departmental Offices - Tribal Trust and Special Funds	Marketable	185,105	339	185,444	182,628
Total Public Securities		186,157	339	186,496	183,680
Accrued Interest		1,604	-	1,604	-
Total Public Investments		187,761	339	188,100	183,680
Total Investments		$ 8,264,144	$ 18,789	$ 8,282,933	$ 8,186,477

National Park Service (NPS). The "United States Commemorative Coin Act of 1996" mandates the minting and sale of several commemorative coins, including a National Law Enforcement Officers Memorial Silver Dollar. During FY 2006, the monies generated from the sale of the National Law Enforcement Officers Memorial Silver Dollar have been invested in a non-marketable, market-based, interest bearing security.

Office of Surface Mining (OSM). Effective October 1, 1991, the OSM was authorized to invest available Abandoned Mine Land (AML) funds in non-marketable market-based securities issued by the Federal Investment Branch of the Bureau of the Public Debt in the Treasury. The OSM has authority to invest AML trust funds in Treasury bills, notes, bonds, and one-day certificates. A portion of the AML investment interest earned is transferred to the United Mine Workers of America Combined Benefit Fund to provide health benefits for certain eligible retired coal miners and dependents.

U.S. Fish and Wildlife Service (FWS). The FWS has investments in non-marketable market-based Treasury securities that consist of various bills purchased through the Federal Investment Branch of the Bureau of the Public Debt. The invested funds consist of excise tax receipts from the Federal Aid in Wildlife Restoration Fund, the Sport Fish Restoration and Boating Trust Fund (SFRBTF), and the Multi-National Species Conservation Fund.

Investments as of September 30, 2005, consist of the following:

FY 2005

(dollars in thousands)	Investment Type	Cost	Net Amortized (Premium)/Discount	Investments, Net	Market Value Disclosure
U.S. Treasury Securities					
Bureau of Indian Affairs	Marketable	$ 66,541	$ -	$ 66,541	$ 66,541
Bureau of Land Management	Non-Marketable, market-based	1,734,975	10,790	1,745,765	1,739,828
Departmental Offices					
Utah Reclamation Mitigation and Conservation Account	Non-Marketable, market-based	157,931	(2,248)	155,683	155,165
Natural Resource Damage Assessment and Restoration Fund	Non-Marketable, market-based	179,107	(1,225)	177,882	160,500
Tribal Trust and Special Funds	Non-Marketable, market-based	26,333	-	26,333	26,336
	Marketable	55,487	(215)	55,272	55,076
Minerals Management Service - Restricted	Non-Marketable, market-based	1,032,450	(6,803)	1,025,647	1,014,909
Minerals Management Service - Custodial	Non-Marketable, market-based	57,214	106	57,320	57,261
National Park Service	Non-Marketable, market-based	1,370	-	1,370	1,370
Office of Surface Mining	Non-Marketable, market-based	2,132,891	376	2,133,267	2,122,530
U.S. Fish and Wildlife Service	Non-Marketable, market-based	450,309	1,337	451,646	446,705
U.S. Fish and Wildlife Service - Sport Fish Restoration and Boating Trust Fund	Non-Marketable, market-based	1,543,745	983	1,544,728	1,473,847
Total U.S. Treasury Securities		7,438,353	3,101	7,441,454	7,320,068
Accrued Interest		22,215	-	22,215	-
Total Non-Public Investments		7,460,568	3,101	7,463,669	7,320,068
Public Securities					
Bureau of Indian Affairs	Marketable	1,065	-	1,065	1,066
Departmental Offices - Tribal Trust and Special Funds	Marketable	196,166	431	196,597	193,790
Total Public Securities		197,231	431	197,662	194,856
Accrued Interest		1,463	-	1,463	-
Total Public Investments		198,694	431	199,125	194,856
Total Investments		$ 7,659,262	$ 3,532	$ 7,662,794	$ 7,514,924

The Treasury collects, invests, and maintains on behalf of the FWS, the SFRBTF, which includes FWS's Sport Fish Restoration Account. Although the FWS has advisory authority for SFRBTF investment decisions, the Treasury has legal responsibility for investing SFRBTF funds.

Consistent with authorizing legislation and Treasury fiscal investment policies, the Secretary of the Treasury invests such portions of the SFRBTF balance deemed by the program agencies not necessary to meet current withdrawals to cover program and related costs as defined by law. Such investments are in non-marketable par value or non-marketable market-based securities as authorized by legislation and are issued and redeemed by the Federal Investment Branch of the Bureau of the Public Debt, in the Treasury. These securities are held in the name of the Secretary of the Treasury for the SFRBTF.

B. Investments in Public Securities

The BIA is authorized by law to invest irrigation and power receipts in marketable Treasury and public securities. Investments in public securities consist of certificates of deposit from insured institutions, various mortgage instruments, bank notes, and bonds. Mortgage instruments are issued by the Federal National Mortgage Association (Fannie Mae) and similar government-sponsored enterprises and government corporations. Bonds and bank notes are issued by Federal Home Loan Bank, the Federal Judiciary, and the

Federal Farm Credit Bank. Investments in public securities reflect investments held by BIA's Power and Irrigation program and are recorded at cost.

Departmental Offices invest a portion of the Tribal Trust and Special Funds in marketable securities issued by government-sponsored entities. Investment instruments are continually reviewed for appropriateness in conjunction with current tribal needs.

NOTE 5. ACCOUNTS AND INTEREST RECEIVABLE, NET

Due From the Public, Net. Accounts receivable due to Interior from the public may arise either from the sale of products and services or from the imposition of regulatory fines and penalties. Products and services sold by Interior are diverse and include mineral leases sold by MMS, from which royalties are then collected, the sale of water and hydroelectric power by Reclamation, and water testing and other scientific studies conducted for State and local governments by the USGS. Fines and penalties are imposed by OSM, MMS, FWS, and other bureaus in the enforcement of various environmental laws and regulations. Unbilled receivables reflect work performed to date on agreements and uncollected revenue for royalties due subsequent to year-end, which will be billed in the future.

Accounts and Interest Receivable from the Public consists of the following:

(dollars in thousands)	FY 2006	FY 2005
Accounts and Interest Receivable from the Public		
Current	$ 417,302	$ 131,278
1 - 180 Days Past Due	200,524	129,914
181 - 365 Days Past Due	7,610	12,306
1 to 2 Years Past Due	9,414	26,885
Over 2 Years Past Due	91,370	98,954
Total Billed Accounts and Interest Receivable - Public	726,220	399,337
Unbilled Accounts and Interest Receivable	1,944,115	2,454,061
Total Accounts and Interest Receivable - Public	2,670,335	2,853,398
Allowance for Doubtful Accounts - Public	(192,298)	(192,832)
Total Accounts and Interest Receivable - Public, Net	$ 2,478,037	$ 2,660,566

Recovery of Reimbursable Capital Costs. Reclamation enters into long-term repayment contracts and water service contracts with non-Federal (public) water users that allow the use of irrigation, and municipal and industrial (M&I) water facilities in exchange for annual payments to repay a portion of the Federal investment allocation to the construction of reimbursable irrigation and M&I facilities. Also, power-marketing agencies enter into agreements with power users to recover capital investment costs allocated to power, on Reclamation's behalf. Costs associated with multipurpose plants are allocated to the various purposes through a cost allocation process. Generally, only those costs associated with power, irrigation, and M&I water are reimbursable. The typical repayment contract is up to 40 years, but may extend to 50 years or more if authorized by the Congress.

Unmatured repayment contracts are recognized on the Balance Sheet when the annual repayment amount is earned, at which time current accounts receivable and current period exchange revenue is recorded. As of September 30, 2006 and 2005, amounts not yet earned under unmatured repayment contracts were $2.4 billion and $2.5 billion respectively.

Due from Federal Agencies, Net. Accounts receivable due from Federal agencies arise from the sale of products and services to other Federal agencies, including the sale of maps, the performance of environmental and scientific services, and administrative and other services. These reimbursable arrangements generally reduce the duplication of effort within the Federal Government resulting in a lower cost of Federal programs and services. Substantially all receivables from other Federal agencies are considered to be collectible, as there is no credit risk. However, an allowance for doubtful accounts is used occasionally to recognize billing disputes.

Accounts and Interest Receivable from Federal entities consist of the following:

(dollars in thousands)	FY 2006	FY 2005
Accounts and Interest Receivable from Federal Agencies		
Billed	$ 25,722	$ 21,059
Unbilled	414,788	487,618
Total Accounts and Interest Receivable - Federal	$ 440,510	$ 508,677

NOTE 6. INTRAGOVERNMENT LOANS AND INTEREST RECEIVABLE, NET

Intragovernment Loans and Interest Receivable, as of September 30, 2006 and 2005, are summarized as follows:

(dollars in thousands)	FY 2006	FY 2005
Principal	$ 6,378,188	$ 7,771,518
Interest	2,053,503	1,928,373
Cumulative Repayments	(5,778,102)	(7,220,114)
Allowance for Non-Reimbursable Costs	(21,702)	(21,702)
Intragovernmental Loans and Interest Receivable, Net	$ 2,631,887	$ 2,458,075

Interest rates vary by project and pertinent legislation, and range from 1.25% to 12.4% for the periods ended September 30, 2006 and 2005. Repayment terms are generally over a period not to exceed 50 years from the time revenue producing assets are placed in service.

NOTE 7. LOANS AND INTEREST RECEIVABLE, NET

Direct loans and loan guarantees made prior to FY 1992 were funded by congressional appropriation from the general or special funds. These loans, referred to as liquidating loans, are reported net of an allowance for estimated uncollectible loans.

Direct loans and loan guarantees made after FY 1991 are accounted for in accordance with the requirements of the Credit Reform Act of 1990 and are referred to as credit reform loans. Under credit reform, loans are comprised of two components. The first component is borrowed from Treasury with repayment provisions. The second component is for the subsidized portion of the loan and is funded by congressional appropriation. The Act provides that the present value of the subsidy costs (i.e., interest rate differentials, interest subsidies, estimated delinquencies and defaults, fee offsets, and other cash flows) associated with the direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed. While this component is not subject to repayment, the loan program receives appropriations to fund any increases in subsidy due to interest rate fluctuations and changes in default rate estimates. In FY 2005 and FY 2006, there were no changes in economic conditions, other risk factors, legislation, credit policies, and subsidy estimation methodologies and assumptions that have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy reestimates.

Included in the financial statements is a subsidy reestimate computed at the end of the fiscal year. The amounts included in the consolidated financial statements are not reported in the budget until the following fiscal year.

BIA and Reclamation administer loan programs while the Departmental Offices and NPS provide loans on an individual basis under special circumstances. An analysis of the loans and the nature and amounts of the subsidy and associated administrative costs are provided in the following tables.

The subsidy rates disclosed pertain only to the current year cohorts. These rates cannot be applied to direct loans or guarantees for loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans or guarantees for loans reported in the current year could result from disbursements of loans from both the current year and prior year cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

Bureau of Indian Affairs. The BIA provides guaranteed loans to Indian Tribes and organizations, Indian individuals, and Alaska Natives for economic development purposes. The BIA loan program includes the Indian Direct Loan Program (which ceased providing loans in 1995), the Indian Loan Guarantee Program under the Credit Reform Act, and a Liquidating Fund for loans made prior to 1992.

Interest is accrued daily on the outstanding principal balance of direct and assigned loans based on a 360-day year for pre-credit reform loans and a 365-day year for credit reform loans. The interest rate charged on each loan is the Indian Financing Act rate that was effective at the time the loan was made. Interest is accrued on current and delinquent loans. Late fees accrue if a payment is received 15 days after its due date. For pre-credit reform loans, the amount of interest and late fees receivable is reduced by an allowance for uncollectible accounts. For credit reform direct loans, the interest and late fees receivable are considered in the subsidy allowance account.

Bureau of Reclamation. Reclamation operates loan programs that provide Federal assistance to non-Federal organizations for constructing or improving water resource projects in the Western States. Reclamation's loan programs are authorized under the Small Reclamation Projects Act of 1956, the Distribution System Loans Act, the Rural Development and Policy Act of 1980, and the Rehabilitation and Betterment Act. The loan programs are classified into two categories, credit reform loans and other loans made prior to the Credit Reform Act.

Other loans consist primarily of drought relief and repayment loans. The other loans receivable balances represent amounts due to Reclamation, net of an allowance for estimated uncollectible loan balances. The allowance is determined by management for loan balances where collectibility is considered to be uncertain based on various factors, including age, past experience, present market and economic conditions, and characteristics of debtors.

Loan interest rates vary depending on the applicable legislation; in some cases, there is no stated interest rate on agricultural and Native American loans. Interest on applicable loans does not accrue until the loan enters repayment status.

The subsidy expense reported for FY 2006 includes interest and technical reestimates. These reestimates resulted in a net decrease to the subsidy cost allowance of $13.6 million for the period ended September 30, 2006. The technical reestimate adjusted for differences between the projected cash flows that were expected versus actual cash flows. The interest reestimate adjusted the subsidy allowance to provide for the prevailing interest rate at the time the loans were disbursed versus the interest rates assumed in the budget preparation process.

Departmental Offices. Departmental Offices have two loans, one pre-credit reform loan to the U.S. Virgin Islands and one post-credit reform loan to the American Samoa Government (ASG).

In 1977, a loan was extended to the Virgin Islands. The loan receivable from the Virgin Islands has an offsetting liability to the Federal Financing Bank. It has a final payment due date of January 2, 2007. Principal and interest are due in January and July of each year. Interest is based on the amortization schedule for the loan with the Federal Financing Bank. The interest is accrued at year end based upon the period of July - September.

In 2001, a loan was extended to the American Samoa Government. The total has been approved for $18.6 million and made available to the ASG bearing interest at a rate equal to the Treasury cost of borrowing for obligations of similar duration. The proceeds of the loan were used by the ASG for debt reduction and fiscal reform. In FY 2005, Interior wrote off the entire loan based on a reassessment of the loan's collectibility.

National Park Service. The NPS has a single non-interest bearing loan with the Wolf Trap Foundation for the Performing Arts with an original loan principal totaling $8.5 million. The loan principal is to be repaid to the NPS within 25 years from June 1, 1991. The loan principal is repaid in equal annual installments of approximately $360,000, except for the first three annual payments of $215,000 per year. Repayment of the loan principal may include a credit of up to $60,000 annually, for public service tickets given to entities exempt from taxation pursuant to section 501(c) (3) of the Internal Revenue Code of 1986. In FY 2006 and 2005, the NPS granted the full $60,000 credit to Wolf Trap. The monies received for repayment of this loan may be retained until expended by the Secretary of the Interior in consultation with the Wolf Trap Foundation for the maintenance of structures, facilities, and equipment of the park.

Credit Reform balances as of September 30, 2006 and 2005, are summarized as follows:

(dollars in thousands)

A. Direct Loan and Loan Guarantee Program Names:	FY 2006	FY 2005
Bureau of Indian Affairs - Direct Liquidating Loans (Pre-Credit Reform)	$ 13,836	$ 18,378
Bureau of Indian Affairs - Direct Loans (Credit Reform)	2,347	8,890
Bureau of Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	422	317
Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	633	546
Bureau of Reclamation - Direct Loans (Pre-Credit Reform)	50,466	53,598
Bureau of Reclamation - Direct Loans (Credit Reform)	106,820	92,870
Departmental Offices - Virgin Island (Pre-Credit Reform)	3,375	5,658
National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	3,238	3,598
Total Loans and Interest Receivable, Net	$ 181,137	$ 183,855

(dollars in thousands)
Direct Loans

B. Direct Loans Obligated Prior to FY 1992:
Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method):

	Direct Loan Programs	Loans Receivable, Gross	Interest Receivable	Allowance For Loan Losses	Foreclosed Property	Value of Assets Related to Direct Loans, Net
	Bureau of Indian Affairs - Direct Liquidating Loans (Pre-Credit Reform)	$ 15,905	$ 5,153	$ (7,222)	$ -	$ 13,836
	Bureau of Reclamation - Direct Loans (Pre-Credit Reform)	57,644	77	(7,255)	-	50,466
	Departmental Offices - Virgin Island (Pre-Credit Reform)	3,239	136	-	-	3,375
	National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	3,238	-	-	-	3,238
FY 2006	Total	$ 80,026	$ 5,366	$ (14,477)	$ -	$ 70,915
	Bureau of Indian Affairs - Direct Liquidating Loans (Pre-Credit Reform)	$ 17,154	$ 4,812	$ (3,588)	$ -	$ 18,378
	Bureau of Reclamation - Direct Loans (Pre-Credit Reform)	60,775	78	(7,255)	-	53,598
	Departmental Offices - Virgin Island (Pre-Credit Reform)	5,523	135	-	-	5,658
	National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	3,598	-	-	-	3,598
FY 2005	Total	$ 87,050	$ 5,025	$ (10,843)	$ -	$ 81,232

(dollars in thousands)
C. Direct Loans Obligated After FY 1991:

	Direct Loan Programs	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans
	Bureau of Indian Affairs - Direct Loans (Credit Reform)	$ 6,933	$ 342	$ -	$ (4,928)	$ 2,347
	Bureau of Reclamation - Direct Loans (Credit Reform)	114,329	-	-	(7,509)	106,820
	Departmental Offices - American Samoa Government (Credit Reform)	17,324	796	-	(18,120)	-
FY 2006	Total	$ 138,586	$ 1,138	$ -	$ (30,557)	$ 109,167
	Bureau of Indian Affairs - Direct Loans (Credit Reform)	$ 7,774	$ 461	$ -	$ 655	$ 8,890
	Bureau of Reclamation - Direct Loans (Credit Reform)	117,881	-	-	(25,011)	92,870
	Departmental Offices - American Samoa Government (Credit Reform)	17,324	626	-	(17,950)	-
FY 2005	Total	$ 142,979	$ 1,087	$ -	$ (42,306)	$ 101,760

(dollars in thousands)
D. Total Amount of Direct Loans Disbursed (Post 1991):

Direct Loan Programs	FY 2006	FY 2005
Bureau of Reclamation - Direct Loans (Credit Reform)	$ 8	$ 10
Departmental Offices - American Samoa Government (Credit Reform)	19	-
Total	$ 27	$ 10

(dollars in thousands)
E. Subsidy Expense for Direct Loans by Program and Component:

Subsidy Expense for New Direct Loans Disbursed:

	Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Total
	Bureau of Reclamation - Direct Loans (Credit Reform)	$ -	$ -	$ -	$ -	$ -
FY 2006	Total	$ -	$ -	$ -	$ -	$ -

	Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Total
	Bureau of Reclamation - Direct Loans (Credit Reform)	$ -	$ -	$ -	$ -	$ -
FY 2005	Total	$ -	$ -	$ -	$ -	$ -

Modifications and Reestimates

	Direct Loan Programs	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
	Bureau of Indian Affairs - Direct Loans (Credit Reform)	$ -	$ 3,770	$ 2,134	$ 5,904
	Bureau of Reclamation - Direct Loans (Credit Reform)	-	(8,989)	(4,570)	(13,559)
	Departmental Offices - American Samoa Government (Credit Reform)	-	-	-	-
FY 2006	Total	$ -	$ (5,219)	$ (2,436)	$ (7,655)
	Bureau of Indian Affairs - Direct Loans (Credit Reform)	$ -	$ 51	$ 3	$ 54
	Bureau of Reclamation - Direct Loans (Credit Reform)	-	3,120	17,224	20,344
	Departmental Offices - American Samoa Government (Credit Reform)	15,387	-	-	15,387
FY 2005	Total	$ 15,387	$ 3,171	$ 17,227	$ 35,785

Total Direct Loan Subsidy Expense:

Direct Loan Programs	FY 2006	FY 2005
Bureau of Indian Affairs - Direct Loans (Credit Reform)	$ 5,904	$ 54
Bureau of Reclamation - Direct Loans (Credit Reform)	(13,559)	20,344
Departmental Offices - American Samoa Government (Credit Reform)	-	15,387
Total	$ (7,655)	$ 35,785

(dollars in thousands)

F. Subsidy Rates for Direct Loans by Program and Component:

Budget Subsidy Rates for Direct Loans for the Cohorts:

	Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Total
	Bureau of Reclamation - Direct Loans (Credit Reform)	0.0%	0.0%	0.0%	0.0%	0.0%
	Departmental Offices - American Samoa Government (Credit Reform)	0.0%	0.0%	0.0%	0.0%	0.0%
FY 2006	Total	0.0%	0.0%	0.0%	0.0%	0.0%

	Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Total
	Bureau of Reclamation - Direct Loans (Credit Reform)	0.0%	0.0%	0.0%	0.0%	0.0%
	Departmental Offices - American Samoa Government (Credit Reform)	0.0%	0.0%	0.0%	0.0%	0.0%
FY 2005	Total	0.0%	0.0%	0.0%	0.0%	0.0%

(dollars in thousands)

G. Schedule for Reconciling Direct Loan Subsidy Cost Allowance Balances (Post-1991 Direct Loans)

	FY 2006	**FY 2005**
Beginning balance of the subsidy cost allowance	$ 42,306	$ 12,333
Adjustments:		
(a) Loans written off	(264)	14,540
(b) Subsidy allowance amortization	(3,830)	(4,852)
(c) Other	-	(113)
Ending balance of the subsidy cost allowance before reestimates	38,212	21,908
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate	(5,219)	3,171
(b) Technical/default reestimate	(2,436)	17,227
Total of the above reestimate components	(7,655)	20,398
Ending balance of the subsidy cost allowance	$ 30,557	$ 42,306

The allowance for Subsidy Account reflects the unamortized credit reform subsidy for direct loans.

(dollars in thousands)
Defaulted Guaranteed Loans

H. Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method):

	Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance For Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
	Bureau of Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	$ 8,431	$ 5,634	$ -	$ (13,643)	$ 422
FY 2006	Total	$ 8,431	$ 5,634	$ -	$ (13,643)	$ 422
	Bureau of Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	$ 6,804	$ 3,757	$ -	$ (10,244)	$ 317
FY 2005	Total	$ 6,804	$ 3,757	$ -	$ (10,244)	$ 317

(dollars in thousands)
I. Defaulted Guaranteed Loans from Post-1991 Guarantees (Present Value Method):

	Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	$ 5,610	$ 1,437	$ -	$ (6,414)	$ 633
FY 2006	Total	$ 5,610	$ 1,437	$ -	$ (6,414)	$ 633
	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	$ 4,930	$ 1,052	$ -	$ (5,436)	$ 546
FY 2005	Total	$ 4,930	$ 1,052	$ -	$ (5,436)	$ 546

(dollars in thousands)
Loan Guarantees

J. Guaranteed Loans Outstanding as of September 30, 2006:

Guaranteed Loans Outstanding

Loan Guarantee Programs	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Pre-1992	$ 342	$ 295
FY 1992	645	572
FY 1993	265	222
FY 1994	9,946	8,944
FY 1995	1,734	1,395
FY 1996	1,523	1,371
FY 1997	5,455	4,855
FY 1998	4,302	3,857
FY 1999	15,725	14,127
FY 2000	38,931	34,960
FY 2001	23,083	20,382
FY 2002	25,506	21,835
FY 2003	41,705	37,383
FY 2004	66,829	59,778
FY 2005	34,467	31,013
FY 2006	47,682	41,999
Total	$ 318,140	$ 282,988

New Guaranteed Loans Disbursed:

	Loan Guarantee Programs	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
	Amount Paid in FY 2006 for Prior Years	$ 14,024	$ 12,622
	Amount Paid in FY 2006 for 2006 Guarantees	47,744	42,970
FY 2006	Total	$ 61,768	$ 55,592
	Amount Paid in FY 2005 for Prior Years	$ 24,305	$ 21,874
	Amount Paid in FY 2005 for 2005 Guarantees	28,725	25,852
FY 2005	Total	$ 53,030	$ 47,726

(dollars in thousands)
K. Liability for Loan Guarantees:

Liability for Loan Guarantees (Estimated Future Default Claims for pre-1992 guarantees):

	Loan Guarantee Programs	Liabilities for Losses on Pre-1992 Guarantees Estimated Future Default Claims	Liabilities for Loan Guarantees for Post-1991 Guarantees, Present Value	Total Liabilities for Loan Guarantees
	Bureau of Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	$ -	$ 92,380	$ 92,380
FY 2006	Total	$ -	$ 92,380	$ 92,380
	Bureau of Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	$ -	$ 81,670	$ 81,670
FY 2005	Total	$ -	$ 81,670	$ 81,670

(dollars in thousands)
L. Subsidy Expense for Loan Guarantees by Program and Component:

Subsidy Expense for New Loan Guarantees:

	Loan Guarantee Programs	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	$ 2,172	$ 1,712	$ (1,039)	$ -	$ 2,845
FY 2006	Total	$ 2,172	$ 1,712	$ (1,039)	$ -	$ 2,845
	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	$ 2,414	$ 2,011	$ (954)	$ -	$ 3,471
FY 2005	Total	$ 2,414	$ 2,011	$ (954)	$ -	$ 3,471

Modifications and Reestimates:

	Loan Guarantee Programs	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	$ -	$ (464)	$ 5,481	$ 5,017
FY 2006	Total	$ -	$ (464)	$ 5,481	$ 5,017
	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	$ -	$ 3,760	$ 14,955	$ 18,715
FY 2005	Total	$ -	$ 3,760	$ 14,955	$ 18,715

Total Loan Guarantee Subsidy Expense:

Loan Guarantee Programs	**FY 2006**	**FY 2005**
Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	$ 7,863	$ 22,186
Total	$ 7,863	$ 22,186

(dollars in thousands)
M. Subsidy Rates for Loan Guarantees by Program and Component:

	Loan Guarantee Programs	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	3.5%	3.1%	-1.8%	0.0%	4.8%
FY 2006	Total	3.5%	3.1%	-1.8%	0.0%	4.8%
	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	4.5%	4.1%	-1.8%	0.0%	6.8%
FY 2005	Total	4.5%	4.1%	-1.8%	0.0%	6.8%

(dollars in thousands)
N. Schedule for Reconciling Loan Guarantee Liability Balances

	FY 2006	FY 2005
Beginning balance of the loan guarantee liability	$ 81,670	$ 60,081
Add: Subsidy expense for guaranteed loans disbursed during the reporting years by component:		
(a) Interest supplement costs	2,172	2,415
(b) Default costs (net of recoveries)	1,712	2,011
(c) Fees and other collections	(1,039)	(954)
Total of the above subsidy expense components	2,845	3,472
Adjustments:		
(a) Fees received	1,092	951
(b) Interest supplements paid	(2,405)	(1,657)
(c) Claim payments to lenders	(289)	(2,848)
(d) Interest accumulation on the liability balance	4,541	2,956
(e) Other (recovery, revenue, and prior period adjustments)	(91)	-
Ending balance of the loan guarantee liability before reestimates	87,363	62,955
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate	(464)	3,760
(b) Technical/default reestimate	5,481	14,955
Total of the above reestimate components	5,017	18,715
Ending balance of the loan guarantee liability	$ 92,380	$ 81,670

(dollars in thousands)
O. Administrative Expense:

	Direct Loan Programs			Loan Guarantee Programs		
	Bureau of Reclamation - Direct Loans (Credit Reform)	$	54	Bureau of Indian Affairs - Guaranteed Loan Programs	$	671
FY 2006	Total	$	54		$	671
	Bureau of Reclamation - Direct Loans (Credit Reform)	$	78	Bureau of Indian Affairs - Guraranteed Loan Programs	$	1,151
FY 2005	Total	$	78		$	1,151

NOTE 8. INVENTORY AND RELATED PROPERTY, NET

Inventory and Related Property as of September 30, 2006 and 2005, consists of the following:

(dollars in thousands)		**FY 2006**		**FY 2005**
Inventory				
Published Maps Held for Current/Future Sale	$	8,600	$	9,675
Gas and Storage Rights held for Current / Future Sales		927		1,055
Operating Materials				
Working Capital Fund: Inventory, Held for Use		199		306
Airplane Parts and Fuel, Held for Use		851		529
Stockpile Materials				
Recoverable Below-Ground Crude Helium Held in Reserve		7,235		6,948
Recoverable Below-Ground Crude Helium Held for Sale		271,065		296,070
Total Inventory and Related Property		288,877		314,583
Allowance for Obsolescence		(8,018)		(8,888)
Inventory and Related Property, Net	$	280,859	$	305,695

NOTE 9. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

General Property, Plant, and Equipment, consists of that property which is used in operations and, with some exceptions, consumed over time. Property, Plant, and Equipment categories with corresponding accumulated depreciation as of September 30, 2006 and 2005, are shown in the following tables.

(dollars in thousands)	Acquisition Cost	Accumulated Depreciation	**FY 2006** Net Book Value
Land and Land Improvements	$ 2,073,341	$ 67,933	$ 2,005,408
Buildings	2,969,106	1,255,226	1,713,880
Structures and Facilities	19,916,130	9,186,962	10,729,168
Leasehold Improvements	38,296	11,925	26,371
Construction in Progress			
Construction in Progress - General	1,645,068	-	1,645,068
Construction in Progress in Abeyance	569,451	-	569,451
Equipment, Vehicles, and Aircraft	1,863,139	1,211,786	651,353
Assets Under Capital Lease	30,403	5,467	24,936
Internal Use Software:			
In Use	135,283	74,685	60,598
In Development	65,668	-	65,668
Total Property, Plant, and Equipment	$ 29,305,885	$ 11,813,984	$ 17,491,901

(dollars in thousands)	Acquisition Cost	Accumulated Depreciation	**FY 2005** Net Book Value
Land and Land Improvements	$ 2,044,787	$ 62,707	$ 1,982,080
Buildings	2,804,111	1,161,271	1,642,840
Structures and Facilities	19,746,770	8,967,840	10,778,930
Leasehold Improvements	37,015	7,587	29,428
Construction in Progress			
Construction in Progress - General	1,519,655	-	1,519,655
Construction in Progress in Abeyance	558,739	-	558,739
Equipment, Vehicles, and Aircraft	1,847,963	1,167,222	680,741
Assets Under Capital Lease	28,179	3,614	24,565
Internal Use Software:			
In Use	123,583	63,295	60,288
In Development	46,512	-	46,512
Total Property, Plant, and Equipment	$ 28,757,314	$ 11,433,536	$ 17,323,778

NOTE 10. STEWARDSHIP ASSETS

Effective October 1, 2005, Interior adopted SFFAS No. 29, *Heritage Assets and Stewardship Land*. This standard requires Federal agencies to reclassify all heritage asset and stewardship land information as basic except for condition information, which is considered required supplementary information. This reclassification will take place over a 4 year period beginning with FY 2006. The following is required basic information for this fiscal year.

Interior's mission is to protect and manage the Nation's natural resources and cultural heritage. To ensure that these resources are preserved and sustained for the benefit and enjoyment of future generations, Congress has enacted legislation to assist in asset management.

The predominant laws governing the Management of stewardship land are the Organic Act (16 U.S.C. 1-4) and the Federal Land Policy and Management Act (FLPMA) of 1976 (43 U.S.C. 1701 et seq., Public Law 94-579, Sec. 103 (e)). However, there are many other significant laws that provide additional guidance on various aspects of stewardship land. Combined, these laws direct the management of the land for the benefit of present and future generations.

One of the most significant laws, FLPMA, created the concept of multiple use. Management of public lands and their resources are used in a combination that best meets the present and future needs of the American people. Today this law stands as one of the greatest legislative accomplishments in land management.

The preservation and management of heritage assets located on Federal lands or preserved in Federal and Non-Federal facilities is guided chiefly by the Antiquities Act of 1906 (16 U.S.C. 431-433), the Archaeological Resources Protection Act of 1979, as amended (16 U.S.C. 470aa-mm), Curation of Federally-Owned and Administered Archeological Collections (36 C.F.R Part 79), the Native American Graves Protection and Repatriation Act of 1990 (NAGPRA), the National Historic Preservation Act (16 U.S.C. 468-468d), and Executive Order 13287 “Preserve America”. These laws, however, present only a fraction of the many laws and regulations put in place that govern the preservation and management of stewardship assets.

Through these laws and regulations, Interior strives to preserve and manage stewardship land and heritage assets so that their value is preserved intelligently and they are thoughtfully integrated into the needs of the surrounding communities. The sited legislation is implemented through Interior policy and guidance, whereby continuous program management evaluations and techical reviews ensure compliance.

The Required Supplementary Information (RSI) section of this report provides additional information concerning stewardship land and heritage assets.

NOTE 11. ASSETS ANALYSIS

Assets of Interior include entity assets (unrestricted and restricted) and non-entity assets. Unrestricted assets are those available for use by Interior. Restricted assets, as defined by Interior, are certain large unavailable receipt funds that are only available for Interior use when appropriated by Congress. Non-entity assets are currently held by, but not available to Interior, and will be forwarded to Treasury or other agencies at a future date.

Entity restricted assets consist of the Land and Water Conservation Fund, the Historic Preservation Fund, the portion of the Sport Fish Restoration and Boating Trust Fund not designated for other Federal agencies, the Environmental Improvement and Restoration Fund, the Reclamation Fund, and other unavailable receipt funds. See Note 24, Earmarked Funds, for additional information on some of these funds.

Non-entity assets, restricted by nature, consist of MMS’s custodial royalty activity, a portion of the Sport Fish Restoration and Boating Trust Fund that is held for others, amounts in deposit, miscellaneous receipts, special receipts, and budget clearing accounts held for others.

The Interior's assets as of September 30, 2006, are summarized into the following categories:

(dollars in thousands)	Entity Unrestricted	Entity Restricted	Non Entity Restricted	**FY 2006**
Intragovernmental Assets:				
Fund Balance with Treasury	$ 10,129,995	$ 23,039,999	$ 239,388	$ 33,409,382
Investments, Net	6,188,608	1,808,561	97,664	8,094,833
Accounts and Interest Receivable	156,853	16,065	267,592	440,510
Loans and Interest Receivable, Net	-	2,631,887	-	2,631,887
Other				
Advances and Prepayments	529	-	-	529
Total Intragovernmental Assets	16,475,985	27,496,512	604,644	44,577,141
Cash	825	-	-	825
Investments, Net	188,100	-	-	188,100
Accounts and Interest Receivable, Net	187,850	4,115	2,286,072	2,478,037
Loans and Interest Receivable, Net	181,137	-	-	181,137
Inventory and Related Property, Net	280,859	-	-	280,859
General Property, Plant, and Equipment, Net	17,491,901	-	-	17,491,901
Other				
Advances and Prepayments	112,955	-	-	112,955
Net Power Rights	122,032	-	-	122,032
Subtotal	234,987	-	-	234,987
Stewardship Assets				
TOTAL ASSETS	$ 35,041,644	$ 27,500,627	$ 2,890,716	$ 65,432,987

The Interior's assets as of September 30, 2005, are summarized into the following categories:

(dollars in thousands)	Entity Unrestricted	Entity Restricted	Non Entity Restricted	**FY 2005**
Intragovernmental Assets:				
Fund Balance with Treasury	$ 10,291,182	$ 21,500,893	$ 239,057	$ 32,031,132
Investments, Net	5,092,465	1,713,703	657,501	7,463,669
Accounts and Interest Receivable	151,958	12,614	344,105	508,677
Loans and Interest Receivable, Net	-	2,458,075	-	2,458,075
Other				
Advances and Prepayments	1,405	-	-	1,405
Total Intragovernmental Assets	15,537,010	25,685,285	1,240,663	42,462,958
Cash	1,270	-	-	1,270
Investments, Net	199,125	-	-	199,125
Accounts and Interest Receivable, Net	213,750	4,860	2,441,956	2,660,566
Loans and Interest Receivable, Net	130,256	33,901	19,698	183,855
Inventory and Related Property, Net	305,695	-	-	305,695
General Property, Plant, and Equipment, Net	17,323,778	-	-	17,323,778
Other				
Advances and Prepayments	136,074	-	-	136,074
Net Power Rights	160,579	-	-	160,579
Subtotal	296,653	-	-	296,653
Stewardship Assets				
TOTAL ASSETS	$ 34,007,537	$ 25,724,046	$ 3,702,317	$ 63,433,900

NOTE 12. INTRAGOVERNMENTAL DEBT

Interior's debt to Treasury consists of: (1) the helium production fund; (2) borrowings to finance the credit reform loan programs; and (3) borrowings to finance loans under the Federal Financing Bank.

Intragovernmental debt to Treasury activity as of September 30, 2006 and 2005, is summarized as follows:

(dollars in thousands)	FY 2005 Beginning Balance	Borrowing / (Repayments), Net	**FY 2005** Ending Balance	Borrowing / (Repayments), Net	**FY 2006** Ending Balance
Helium Fund	$ 1,139,204	$ (65,000)	$ 1,074,204	$ (160,000)	$ 914,204
Credit Reform Borrowings	158,034	(17,236)	140,798	(1,669)	139,129
Federal Financing Bank	7,641	(2,118)	5,523	(2,284)	3,239
Total Debt Due to Treasury	$ 1,304,879	$ (84,354)	$ 1,220,525	$ (163,953)	$ 1,056,572

A. Helium Fund - Bureau of Land Management

The Helium Fund was established in the late 1950s and early 1960s to ensure that the Federal Government had access to a dependable supply of helium, which at that time was considered to be a critical defense commodity. Start-up capital was loaned to the helium program, with the expectation that the capital would be repaid with the proceeds of sales to other Federal Government users of helium. However, subsequent changes in the market price of helium and the need of government users for the commodity made the repayment of the capital and subsequent accrued interest impractical. Given the intragovernmental nature of the loan, unless the loan is forgiven, the funds for repayment to Treasury must come from the Treasury, either in the form of appropriations to the helium fund to repay the loan or in the form of appropriations to other government users of helium to pay the higher prices necessary to permit loan repayment.

The principal reported in the following table reflects the amount recorded by Treasury for the net worth capital and retained earnings of the Helium Fund. It also includes any monies expended thereafter by Interior from funds provided in the Supplemental Appropriation Act of 1959 for construction of a helium plant at Keyes, Oklahoma. Furthermore, the principal balance, which includes borrowings from Treasury, represents funds borrowed for the acquisition and construction of helium plants and facilities and other related purposes including the purchase of helium. These amounts were due 25 years from the date the funds were borrowed. However, as funding has not been received to repay the amounts due, the amounts could not be repaid.

Interest on borrowing is compound interest on the debts described above, at rates determined by the Secretary of the Treasury, taking into consideration the current average market yields of outstanding marketable obligations of the United States having maturities comparable to investments authorized. The interest rate was determined at the time of each borrowing. With the passage of the Helium Privatization Act of 1996, no further interest is being accrued on this debt.

Until FY 2002, Interior had generally paid $10 million annually on its debt to Treasury. Due to the increased revenue in the helium fund, as a result of the sale of stockpile crude helium which began in March 2003 and will continue until January 1, 2015, Interior is planning to repay at least $50 million each year, with exact amounts depending on annual revenues collected. The repayments will continue until the debt is repaid or until the stockpile crude helium sales cease. At that time the repayment plan will be revised.

Debt related to the Helium Fund as of September 30, 2006 and 2005, is summarized as follows:

(dollars in thousands)	FY 2006	FY 2005
Principal	$ 251,651	$ 251,651
Interest		
Balance, Beginning of Year	822,553	887,553
Repayments	(160,000)	(65,000)
Balance, End of Year	662,553	822,553
Total Debt Due to Treasury	$ 914,204	$ 1,074,204

B. Intragovernmental Debt to Treasury under Credit Reform

BIA, Reclamation, and Departmental Offices (Office of Insular Affairs) have borrowed funds from Treasury in accordance with the Credit Reform Act of 1990 to fund loans under various loan programs.

Bureau of Indian Affairs. The Credit Reform Act authorizes the BIA to borrow from Treasury the amount of a direct loan disbursement, less the subsidy. The Act provides that the present value of the subsidy costs (i.e., interest rate differentials, interest subsidies, estimated delinquencies and defaults, fee offsets and other cash flows) associated with the direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed.

Interest is accrued daily on the outstanding principal balance of direct and assigned loans based on a 365-day year for credit reform loans. The interest rate charged on each loan is the Indian Financing Act Rate that was effective at the time the loan was made and ranges from 4.87% to 11.12%. These loans have various maturity dates from 2007 to 2028.

Bureau of Reclamation. As discussed in Note 7, Reclamation makes loans that are subject to the provisions of Credit Reform. Under the Credit Reform Act, loans consist of two components - the part borrowed from the Treasury and the appropriated part to cover the estimated subsidy. The maturity dates for these loans range from 2012 to 2047. The weighted average interest rate used to calculate interest owed to Treasury ranges from 6.01 to 6.82% for FY 2005 and 4.67 to 7.59% for FY 2006.

Departmental Offices. Interest is accrued annually based on the prevailing market yield on Treasury securities of comparable maturity. The weighted average interest rate used to calculate interest owed to Treasury is 5.4%. The loan has a final payment date of September 30, 2027.

C. Intragovernmental Debt to Treasury - Federal Financing Bank

Departmental Offices (Office of Insular Affairs) has borrowed funds from Treasury in accordance with the Federal Financing Bank Act of 1973 for the purpose of operating a direct loan and loan guarantee program. Interest is based on the amortization schedule for the loan with the Federal Financing Bank. Principal and interest payments are due in January and July of each year. Interest is accrued at year end based upon the July to September period. The interest rate charged on each loan ranges from 7.85% to 12.7%. The loan has a final payment due date of January 2, 2007.

NOTE 13. FEDERAL EMPLOYEE AND VETERAN BENEFITS PAYABLE

Federal Employee and Veteran Benefits Payable as of September 30, 2006 and 2005, consisted of the following:

(dollars in thousands)	FY 2006	FY 2005
Federal Employee and Veteran Benefits Payable		
U.S. Park Police Pension Actuarial Liability	$ 677,257	$ 648,751
U.S. Park Police Pension Current Liability	31,343	29,649
Federal Employees Compensation Actuarial Liability	678,823	689,305
Total Federal Employee and Veteran Benefits Payable	$ 1,387,423	$ 1,367,705

U.S. Park Police Pension Plan. In estimating the U.S. Park Police Pension Plan (USPP Pension Plan) liability and associated expense, the NPS's actuary applies economic assumption to historical cost information to estimate the government's future cost to provide benefits to current and future retirees. The estimate is adjusted by the time value of money and the probability of having to pay benefits due to assumed decrements for mortality, morbidity, and terminations. The following table presents the significant economic assumptions used to estimate the USPP Pension Plan liability and associated expenses and the change in the USPP Pension Plan Liability.

Economic Assumptions Used	FY 2006	FY 2005
Interest Rate	6.25	6.25
Inflationary Rate	3.50	3.25
Projected Salary Increase	4.25	4.00

(dollars in thousands)

USPP Pension Plan Expense	FY 2006	FY 2005
Normal Costs	$ 500	$ 1,700
Interest	41,300	42,300
Assumption Changes at Beginning of Year	19,743	24,549
Total Pension Expenses	$ 61,543	$ 68,549

(dollars in thousands)

USPP Pension Plan Liability	FY 2006	FY 2005
Beginning Balance	$ 678,400	$ 639,500
Total Pension Expense	61,543	68,549
Less Benefit Payments	(31,343)	(29,649)
Ending Balance	$ 708,600	$ 678,400

In FY 2005, Interior used OPM's assumptions for interest, inflation, and salary increases to calculate the actuarial USPP Pension Plan Liability and associated expense. However, OPM subsequently adjusted their assumptions which caused Interior's assumptions to differ slightly. The impact on the actuarial USPP Pension Plan liability and associated expense, because of the difference, is not significant.

NOTE 14. CONTINGENT LIABILITIES AND ENVIRONMENTAL AND DISPOSAL LIABILITIES

Interior is party to various administrative proceedings, legal actions, and tort claims which may result in settlements or decisions adverse to the Federal Government and has responsibility to remediate sites with environmental contamination. Interior has accrued liabilities where losses are determined to be probable and the amounts can be estimated. Interior has disclosed contingent liabilities where the conditions for liability recognition are not met but the likelihood of unfavorable outcome is more than remote.

The accrued and potential Contingent Liabilities and Environmental and Disposal Liabilities as of September 30, 2006 and 2005, are summarized in the categories below:

FY 2006 (dollars in thousands)	Accrued Liabilities	Estimated Range of Loss Lower End	Estimated Range of Loss Upper End
Contingent Liabilities			
Probable	$ 614,468	$ 614,468	$ 2,432,156
Reasonably Possible		371,877	1,651,958
Environmental and Disposal Liabilities			
Probable	$ 153,466	$ 153,466	$ 323,479
Reasonably Possible		126,869	302,895

FY 2005 (dollars in thousands)	Accrued Liabilities	Estimated Range of Loss Lower End	Estimated Range of Loss Upper End
Contingent Liabilities			
Probable	$ 631,174	$ 631,174	$ 1,627,889
Reasonably Possible		325,728	1,588,978
Environmental and Disposal Liabilities			
Probable	$ 120,808	$ 120,808	$ 171,077
Reasonably Possible		60,427	239,978

General Contingent Liabilities. General Contingent Liabilities consist of numerous lawsuits and claims filed against Interior which are awaiting adjudication. They typically relate to Federal Tort Claims Act administrative claims, tribal and Indian trust-related matters, personnel and employment-related matters, and various land and resource related claims and adjudications. Most of the cash settlements are expected to be paid out of the Judgment Fund, which is maintained by Treasury, rather than the operating resources of Interior. In suits brought through the Contract Disputes Act of 1978 and awards under federal anti-discrimination and whistleblower protection acts, Interior is required to reimburse the Judgment Fund from future agency appropriations.

No amounts have been accrued in the financial records for claims where the amount of potential loss cannot be estimated or the likelihood of an unfavorable outcome is less than probable.

Matters for which the likelihood of an unfavorable outcome is less than probable but more than remote involve a wide variety of allegations and claims. These matters arise in the course of carrying out Interior programs and operations, including interaction with tribes and individual Indians, law enforcement of Interior-managed land, general management activities on Interior land, and operations of reclamation projects. The ultimate outcomes in these matters cannot be predicted at this time. Sufficient information is not currently available to determine if the ultimate resolution of the proceedings, actions, and claims will materially affect Interior's financial position or results of operations.

Additional pending litigation relates to the Secretary of the Interior's management of the monies and lands held in trust by the Federal Government for Indian tribes and individuals. Tribal trust cases involve claims for trust fund and asset mismanagement, accounting, and other declaratory relief. A class action lawsuit brought on behalf of beneficiaries of the Individual Indian Money (IIM) trust accounts alleges breach of trust obligations in the management of IIM account funds. No estimate or range of loss can reasonably be made regarding financial liability that may result from judgment or settlement of the tribal trust cases or IIM trust fund litigation. Accounting efforts to date have not revealed evidence of material systemic errors.

Environmental and Disposal Liability. Interior is subject to environmental laws and regulations regarding air, water, and land use, the storage and disposal of hazardous materials, and the operations and closure of facilities at which environmental contamination may be present. The major Federal laws covering environmental response, cleanup and monitoring are the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), the Resource Conservation and Recovery Act (RCRA), Oil Pollution Act (OPA), Clean Water Act (CWA), Clean Air Act (CAA), Safe Drinking Water Act (SDWA), and Asbestos Hazard Emergency Response Act (AHERA). Responsible parties, which may include Federal agencies under certain circumstances, are required to remove releases of hazardous substances from facilities they own, operate, or at which they arranged for the disposal of such substances. There are no material changes in total estimated cleanup costs that are due to changes in law and technology. Estimated environmental and disposal liabilities include expected future cleanup costs, and for those sites where future liability is unknown, the cost of studies necessary to evaluate response requirements.

Certain Departmental facilities may have regulated materials, e.g., asbestos, used in the construction or later renovation of the facility. These materials, while in an undisturbed or encapsulated state (e.g., non-friable asbestos), are not subject to cleanup under applicable law. The current policy is, unless and until the materials become friable or otherwise capable of causing contamination, the costs for monitoring or other management of these materials are not to be accrued as environmental cleanup. Currently, any cost for remediation or abatement would only accrue if the material becomes friable or is otherwise released into the environment. Under normal circumstances, remediation or abatement is limited to situations such as the remodeling or demolition of a building containing such materials. Costs would then be reported in the same manner as any other environmental liability.

NOTE 15. LIABILITIES ANALYSIS

Liabilities covered by budgetary resources are funded liabilities to be paid with existing budgetary resources. Liabilities not covered by budgetary resources represent those unfunded liabilities for which congressional action is needed before budgetary resources can be provided.

Change in Unfunded Liabilities. The Consolidated Statement of Financing includes a section depicting the change in certain unfunded liabilities. The amounts in this section do not necessarily correlate to the change in liabilities not covered by budgetary resources as shown in this footnote. Differences are primarily the result of certain Treasury requirements related to changes in various liabilities which are reported on the Consolidating Statement of Financing. These requirements are dependent upon whether the change results in an increase or decrease to the liability account. Additionally, some liability accounts not covered by budgetary resources are not included in the Consolidated Statement of Financing.

The Interior's liabilities covered and not covered by budgetary resources as of September 30, 2006, are as follows:

	Covered by Budgetary Resources		Not Covered by Budgetary Resources		
(dollars in thousands)	Current	Non-Current	Current	Non-Current	**FY 2006**
Intragovernmental Liabilities:					
Accounts Payable	$ 44,946	$ -	$ -	$ -	$ 44,946
Debt	47,718	1,003,196	717	4,941	1,056,572
Other					
Resources Payable to Treasury	-	-	46,215	2,048,029	2,094,244
Advances and Deferred Revenue	1,305,721	-	3,083	994	1,309,798
Custodial Liability	-	-	747,131	314,748	1,061,879
Other Liabilities					
Accrued Employee Benefits	39,853	-	19,139	34,530	93,522
Judgment Fund	-	-	-	180,572	180,572
Unfunded FECA Liability	-	-	37,200	58,081	95,281
Other Miscellaneous Liabilities	27	-	97,979	33,694	131,700
Total Other Liabilities	39,880	-	154,318	306,877	501,075
Total Other Intragovernmental Liabilities	1,345,601	-	950,747	2,670,648	4,966,996
Total Intragovernmental Liabilities	1,438,265	1,003,196	951,464	2,675,589	6,068,514
Public Liabilities:					
Accounts Payable	1,034,621	75,028	-	6	1,109,655
Loan Guarantee Liability	-	92,380	-	-	92,380
Federal Employee and Veterans' Benefits					
U.S. Park Police Pension Actuarial Liability	-	-	-	677,257	677,257
U.S. Park Police Pension Current Liability	31,343	-	-	-	31,343
FECA Actuarial Liability	-	-	6,520	672,303	678,823
Total Federal Employee Veterans' Benefits	31,343	-	6,520	1,349,560	1,387,423
Environmental and Disposal Liabilities	-	60	-	153,406	153,466
Other					
Contingent Liabilities	-	-	-	614,468	614,468
Advances and Deferred Revenue	198,975	-	241,700	306,684	747,359
Payments Due to States	-	-	497,840	314,748	812,588
Other Liabilities					
Accrued Payroll and Benefits	195,405	-	-	-	195,405
Unfunded Annual Leave	-	-	9,278	343,806	353,084
Capital Leases	1,997	1,354	12	23,555	26,918
Custodial Liability	-	-	22,242	-	22,242
Secure Rural Schools Act Payable	-	-	106,719	-	106,719
Storm Damage	56,211	101,495	-	-	157,706
Other Miscellaneous Liabilities	19,789	1,363	6,127	62,769	90,048
Total Other Liabilities	273,402	104,212	144,378	430,130	952,122
Total Other Public Liabilities	472,377	104,212	883,918	1,666,030	3,126,537
Total Public Liabilities	1,538,341	271,680	890,438	3,169,002	5,869,461
Total Liabilities	$ 2,976,606	$ 1,274,876	$ 1,841,902	$ 5,844,591	$ 11,937,975

The Interior's liabilities covered and not covered by budgetary resources as of September 30, 2005, are as follows:

(dollars in thousands)	Covered by Budgetary Resources Current	Covered by Budgetary Resources Non-Current	Not Covered by Budgetary Resources Current	Not Covered by Budgetary Resources Non-Current	**FY 2005**
Intragovernmental Liabilities:					
Accounts Payable	$ 79,869	$ -	$ -	$ 439,930	$ 519,799
Debt	50,000	1,164,867	717	4,941	1,220,525
Other					
Resources Payable to Treasury	-	-	49,974	1,966,860	2,016,834
Advances and Deferred Revenue	1,624,228	-	1,146	1,150	1,626,524
Custodial Liability	-	-	996,371	-	996,371
Other Liabilities					
Accrued Employee Benefits	38,220	-	18,869	32,890	89,979
Judgment Fund	-	-	-	180,510	180,510
Unfunded FECA Liability	-	-	34,886	56,458	91,344
Other Miscellaneous Liabilities	13	-	88,555	47,009	135,577
Total Other Liabilities	38,233	-	142,310	316,867	497,410
Total Other Intragovernmental Liabilities	1,662,461	-	1,189,801	2,284,877	5,137,139
Total Intragovernmental Liabilities	1,792,330	1,164,867	1,190,518	2,729,748	6,877,463
Public Liabilities:					
Accounts Payable	1,005,716	77,172	-	-	1,082,888
Loan Guarantee Liability	-	81,670	-	-	81,670
Federal Employee and Veterans' Benefits					
U.S. Park Police Pension Actuarial Liability	-	-	-	648,751	648,751
U.S. Park Police Pension Current Liability	29,649	-	-	-	29,649
FECA Actuarial Liability	-	-	-	689,305	689,305
Total Federal Employee Veterans' Benefits	29,649	-	-	1,338,056	1,367,705
Environmental and Disposal Liabilities	-	1,540	-	119,268	120,808
Other					
Contingent Liabilities	-	-	3,190	627,984	631,174
Advances and Deferred Revenue	147,665	-	204,624	313,660	665,949
Payments Due to States	-	-	1,009,418	-	1,009,418
Other Liabilities					
Accrued Payroll and Benefits	195,305	-	-	-	195,305
Unfunded Annual Leave	-	-	2,986	345,466	348,452
Capital Leases	-	-	51	26,252	26,303
Custodial Liability	-	-	23,303	-	23,303
Secure Rural Schools Act Payable	-	-	106,810	-	106,810
Storm Damage	4,646	-	26,206	64,488	95,340
Other Miscellaneous Liabilities	28,629	-	1,449	34,312	64,390
Total Other Liabilities	228,580	-	160,805	470,518	859,903
Total Other Public Liabilities	376,245	-	1,378,037	1,412,162	3,166,444
Total Public Liabilities	1,411,610	160,382	1,378,037	2,869,486	5,819,515
Total Liabilities	$ 3,203,940	$ 1,325,249	$ 2,568,555	$ 5,599,234	$ 12,696,978

NOTE 16. ROYALTIES RETAINED

Royalties Retained include mineral receipts transferred to the Interior totaling $4,390 and $5,130 million for the fiscal years ended September 30, 2006 and 2005, respectively. These amounts include transfers to the Land and Water Conservation Fund, to MMS for distribution to States, and to offset costs incurred by MMS related to royalty collections and the Reclamation Fund. These amounts are presented on the Consolidated Statement of Changes in Net Position in accordance with Federal accounting standards and are considered other sources of budgetary financing.

MMS received $1,931 million and $2,229 million of revenue in FY 2006 and 2005 that they subsequently provided to the States.

NOTE 17. LEASES

Capital Leases

Capital leases as of September 30, 2006 and 2005, consist of the following:

(dollars in thousands)	FY 2006	FY 2005
Real Property	$ 28,000	$ 28,000
Personal Property	2,403	179
Accumulated Amortization	(5,467)	(3,614)

Interior's capital leases are with the public and consist of a 20-year lease for the Western Archeological and Conservation Center in Tucson, Arizona, and 3-year leases for copiers. The aggregate of Interior's future minimum lease payments for capital leases are presented in the table below:

(dollars in thousands) Fiscal Year	Real Property	Personal Property	Total
2007	$ 1,997	$ 630	$ 2,627
2008	2,085	533	2,618
2009	2,172	397	2,569
2010	2,172	-	2,172
2011	2,172	-	2,172
Thereafter	27,456	-	27,456
Total Future Capital Lease Payments	38,054	1,560	39,614
Less: Imputed Interest	12,513	183	12,696
Less: Executory Costs	-	-	-
FY 2006 Net Capital Lease Liability	$ 25,541	$ 1,377	$ 26,918
FY 2005 Net Capital Lease Liability	$ 26,251	$ 52	$ 26,303

Operating Leases

The aggregate of Interior's future minimum lease payments for operating leases are presented in the table below:

(dollars in thousands)	Real Property		Personal Property		
Fiscal Year	Federal	Public	Federal	Public	Total
2007	$ 254,747	$ 53,401	$ 48,300	$ 3,859	$ 360,307
2008	243,442	49,979	49,459	3,778	346,658
2009	221,357	49,618	50,643	3,522	325,140
2010	212,374	47,900	51,858	3,259	315,391
2011	204,330	43,087	53,103	3,317	303,837
Thereafter	335,655	409,484	12,562	-	757,701
Total Future Operating Lease Payments	$ 1,471,905	$ 653,469	$ 265,925	$ 17,735	$ 2,409,034

Most of Interior's facilities are rented from the General Services Administration (GSA), which charges rent that is intended to approximate commercial rental rates. The terms of Interior's rental agreements with GSA will vary according to whether the underlying assets are owned by GSA (or another Federal agency) or rented by GSA from the private sector. For federally-owned property, Interior either periodically executes an agreement with GSA or enters into cancelable agreements, some of which do not have a formal lease expiration date. Interior can vacate these properties after giving 120-to-180 days notice of the intent to vacate. However, Interior normally occupies these properties for an extended period of time with little variation from year to year. Interior also leases personal property from GSA and other entities. The terms for GSA personal property leases frequently exceed one year, although a definite lease period is not always specified.

For real and personal property, future operating lease payments are calculated based on the terms of the lease or if the lease is silent, an annual inflationary factor of 2.4% for FY 2007 and beyond. The inflationary factors are applied against the actual 2006 rental expense. For operating leases that have an indefinite period of performance, future lease payments are only calculated for 5 years.

NOTE 18. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE BY RESPONSIBILITY SEGMENT

The tables on the following pages present Interior's earned revenues for sales of goods and services to Federal agencies and the public, gross costs associated with Federal agencies and the public, and net cost of operations by program and by responsibility segment.

Responsibility Segment Presentation. OMB Circular No. A-136 "Financial Reporting Requirements" requires that the presentation of the Statement of Net Cost align directly with the goals and outcomes identified in the Strategic Plan. Accordingly, Interior presented the earned revenue and gross costs in FY 2006 and FY 2005 by the Mission Goals in the FY 2004 Strategic Plan. The primary Mission Goals are: Resource Protection, Resource Use, Recreation, and Serving Communities. Management Excellence costs are part of mission area goal costs. Reimbursable costs are comprised of services provided to other Federal agencies not part of Interior's core mission. These Mission Goals are supported by 17 Department-level end outcome goals identified in Interior's FY 2004 Strategic Plan.

NOTE 19. COSTS

By law, Interior, as an agency of the Federal Government, is dependent upon other government agencies for centralized services. Some of these services, such as tax collection and management of the public debt, are not directly identifiable to Interior and are not reflected in Interior's financial condition and results. However, in certain cases, other Federal agencies incur costs that are directly identifiable to Interior operations, including payment of claims and litigation by Treasury's Judgment Fund, and the partial funding of retirement benefits by the OPM. In accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 4, "Managerial Cost Accounting," Interior recognizes identified costs paid for Interior by other agencies as expenses of Interior. The funding for these costs is reflected as imputed financing sources on the Consolidated Statement of Changes in Net Position. Costs paid by other agencies on behalf of Interior were $473 million and $452 million during FY 2006 and FY 2005, respectively. Interior's imputed costs that were recongnized in the financial statements but eliminated for consolidation purposes were $65 million and $48 million during FY 2006 and FY 2005, respectively.

Interior also receives donated heritage assets such as stewardship land, cultural landscapes, and library and museum objects. These donations are received from the public or from non-profit conservation organizations and have an estimated value of $1 million and $184 million for FY 2006 and FY 2005, respectively. During FY 2006 and FY 2005, the costs associated with acquiring, constructing, and renovating heritage assets were $159 million and $175 million, respectively. The costs associated with acquiring and improving stewardship lands were $159 million and $240 million during FY 2006 and FY 2005, respectively.

NOTE 20. STRATEGIC PETROLEUM RESERVE

During FY 2005, MMS transferred to the Department of Energy (DOE) approximately 25.6 million barrels of oil, respectively, drawn from Federal leases within the Gulf of Mexico. The Interior transferred this petroleum to the DOE to increase the strategic petroleum reserve. This initiative was completed in July 2005. The estimated value of the petroleum transferred in FY 2005 was $1,195 million.

During FY 2006, subsequent revisions to the petroleum estimate were made based on revised pipeline statements, thus decreasing the reserve value by $18 million.

(dollars in thousands)	Bureau of Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other
Resource Protection				
Intragovernmental Costs	$ -	$ 83,653	$ 29,471	$ 22,700
Public Costs	-	265,639	38,954	29,331
Total Costs	-	349,292	68,425	52,031
Intragovernmental Earned Revenue	-	92,327	3,641	6,952
Public Earned Revenue	-	758,118	25,113	1,879
Total Earned Revenue	-	850,445	28,754	8,831
Net Costs	-	(501,153)	39,671	43,200
Resource Use				
Intragovernmental Costs	-	91,459	380,174	1,527
Public Costs	-	291,676	962,300	7,827
Total Costs	-	383,135	1,342,474	9,354
Intragovernmental Earned Revenue	-	1,437	219,330	-
Public Earned Revenue	-	298,081	656,403	21
Total Earned Revenue	-	299,518	875,733	21
Net Costs	-	83,617	466,741	9,333
Recreation				
Intragovernmental Costs	-	32,397	8,585	-
Public Costs	-	112,403	24,578	-
Total Costs	-	144,800	33,163	-
Intragovernmental Earned Revenue	-	6,211	4,538	-
Public Earned Revenue	-	21,537	23,368	-
Total Earned Revenue	-	27,748	27,906	-
Net Costs	-	117,052	5,257	-
Serving Communities				
Intragovernmental Costs	341,039	329,147	-	140,933
Public Costs	2,557,484	956,588	-	719,894
Total Costs	2,898,523	1,285,735	-	860,827
Intragovernmental Earned Revenue	273,212	95,216	-	18,075
Public Earned Revenue	137,778	131,029	-	14,037
Total Earned Revenue	410,990	226,245	-	32,112
Net Costs	2,487,533	1,059,490	-	828,715
Reimbursable Activity and Other				
Intragovernmental Costs	-	-	225,828	343,438
Public Costs	-	-	312,134	2,766,539
Total Costs	-	-	537,962	3,109,977
Intragovernmental Earned Revenue	-	-	408,082	2,870,228
Public Earned Revenue	-	-	42,792	14,938
Total Earned Revenue	-	-	450,874	2,885,166
Net Costs	-	-	87,088	224,811
Total				
Intragovernmental Costs	341,039	536,656	644,058	508,598
Public Costs	2,557,484	1,626,306	1,337,966	3,523,591
Total Costs	2,898,523	2,162,962	1,982,024	4,032,189
Intragovernmental Earned Revenue	273,212	195,191	635,591	2,895,255
Public Earned Revenue	137,778	1,208,765	747,676	30,875
Total Earned Revenue	410,990	1,403,956	1,383,267	2,926,130
Net Cost of Operations	$ 2,487,533	$ 759,006	$ 598,757	$ 1,106,059

Minerals Management Service	National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intra-Department Activity	**FY 2006**
$ -	$ 352,872	$ 746	$ 285,452	$ 60,997	$ (171,853)	$ 664,038
-	1,223,071	73,689	1,432,902	219,210	-	3,282,796
-	1,575,943	74,435	1,718,354	280,207	(171,853)	3,946,834
-	26,120	-	81,765	68,599	(75,418)	203,986
-	28,485	5	111,502	7,671	-	932,773
-	54,605	5	193,267	76,270	(75,418)	1,136,759
-	1,521,338	74,430	1,525,087	203,937	(96,435)	2,810,075
73,268	-	17,300	2,785	26,907	(295,686)	297,734
2,208,488	-	97,958	6,784	69,872	-	3,644,905
2,281,756	-	115,258	9,569	96,779	(295,686)	3,942,639
-	-	1,410	46	6,153	(16,842)	211,534
160,380	-	164	31	553	-	1,115,633
160,380	-	1,574	77	6,706	(16,842)	1,327,167
2,121,376	-	113,684	9,492	90,073	(278,844)	2,615,472
-	235,353	-	39,728	-	(41,713)	274,350
-	892,860	-	476,503	-	-	1,506,344
-	1,128,213	-	516,231	-	(41,713)	1,780,694
-	53,885	-	9,576	-	(22,506)	51,704
-	269,520	-	4,516	-	-	318,941
-	323,405	-	14,092	-	(22,506)	370,645
-	804,808	-	502,139	-	(19,207)	1,410,049
5,529	91,961	8,030	34,964	314,835	(425,421)	841,017
22,738	277,585	127,152	185,658	830,445	-	5,677,544
28,267	369,546	135,182	220,622	1,145,280	(425,421)	6,518,561
-	4,894	325	6,557	201,624	(180,239)	419,664
10,827	1,296	5	5,810	183,949	-	484,731
10,827	6,190	330	12,367	385,573	(180,239)	904,395
17,440	363,356	134,852	208,255	759,707	(245,182)	5,614,166
3,400	-	-	-	-	(436,778)	135,888
11,329	-	69,824	-	-	-	3,159,826
14,729	-	69,824	-	-	(436,778)	3,295,714
14,422	-	-	-	-	(1,010,974)	2,281,758
1,446	-	-	-	-	-	59,176
15,868	-	-	-	-	(1,010,974)	2,340,934
(1,139)	-	69,824	-	-	574,196	954,780
82,197	680,186	26,076	362,929	402,739	(1,371,451)	2,213,027
2,242,555	2,393,516	368,623	2,101,847	1,119,527	-	17,271,415
2,324,752	3,073,702	394,699	2,464,776	1,522,266	(1,371,451)	19,484,442
14,422	84,899	1,735	97,944	276,376	(1,305,979)	3,168,646
172,653	299,301	174	121,859	192,173	-	2,911,254
187,075	384,200	1,909	219,803	468,549	(1,305,979)	6,079,900
$ 2,137,677	$ 2,689,502	$ 392,790	$ 2,244,973	$ 1,053,717	$ (65,472)	$ 13,404,542

(dollars in thousands)	Bureau of Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other
Resource Protection				
Intragovernmental Costs	$ -	$ 86,741	$ 16,031	$ 12,989
Public Costs	-	277,431	25,459	14,722
Total Costs	-	364,172	41,490	27,711
Intragovernmental Earned Revenue	-	40,518	7,456	3,613
Public Earned Revenue	-	1,186,084	1,035	-
Total Earned Revenue	-	1,226,602	8,491	3,613
Net Costs	-	(862,430)	32,999	24,098
Resource Use				
Intragovernmental Costs	-	83,043	426,180	1,339
Public Costs	-	263,143	896,358	4,489
Total Costs	-	346,186	1,322,538	5,828
Intragovernmental Earned Revenue	-	2,468	262,414	102
Public Earned Revenue	-	217,766	605,780	-
Total Earned Revenue	-	220,234	868,194	102
Net Costs	-	125,952	454,344	5,726
Recreation				
Intragovernmental Costs	-	30,327	8,548	-
Public Costs	-	157,457	19,173	-
Total Costs	-	187,784	27,721	-
Intragovernmental Earned Revenue	-	5,512	1,118	-
Public Earned Revenue	-	15,181	12,537	-
Total Earned Revenue	-	20,693	13,655	-
Net Costs	-	167,091	14,066	-
Serving Communities				
Intragovernmental Costs	377,576	308,550	-	135,938
Public Costs	2,858,199	1,049,182	-	760,161
Total Costs	3,235,775	1,357,732	-	896,099
Intragovernmental Earned Revenue	332,594	102,535	-	16,905
Public Earned Revenue	118,979	227,815	-	15,004
Total Earned Revenue	451,573	330,350	-	31,909
Net Costs	2,784,202	1,027,382	-	864,190
Reimbursable Activity and Other				
Intragovernmental Costs	-	-	198,893	339,688
Public Costs	-	-	298,076	2,725,141
Total Costs	-	-	496,969	3,064,829
Intragovernmental Earned Revenue	-	-	373,164	2,858,559
Public Earned Revenue	-	-	38,969	24,942
Total Earned Revenue	-	-	412,133	2,883,501
Net Costs	-	-	84,836	181,328
Total				
Intragovernmental Costs	377,576	508,661	649,652	489,954
Public Costs	2,858,199	1,747,213	1,239,066	3,504,513
Total Costs	3,235,775	2,255,874	1,888,718	3,994,467
Intragovernmental Earned Revenue	332,594	151,033	644,152	2,879,179
Public Earned Revenue	118,979	1,646,846	658,321	39,946
Total Earned Revenue	451,573	1,797,879	1,302,473	2,919,125
Net Cost of Operations	$ 2,784,202	$ 457,995	$ 586,245	$ 1,075,342

Minerals Management Service	National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intra-Department Activity	FY 2005
$ -	$ 357,709	$ 930	$ 246,292	$ 59,798	$ (137,437)	$ 643,053
-	1,173,611	59,182	1,317,434	216,569	-	3,084,408
-	1,531,320	60,112	1,563,726	276,367	(137,437)	3,727,461
-	7,248	-	80,446	61,207	(70,414)	130,074
-	27,979	1	74,560	8,964	-	1,298,623
-	35,227	1	155,006	70,171	(70,414)	1,428,697
-	1,496,093	60,111	1,408,720	206,196	(67,023)	2,298,764
71,533	-	17,250	8,225	26,720	(279,917)	354,373
2,460,628	-	50,398	20,517	70,713	-	3,766,246
2,532,161	-	67,648	28,742	97,433	(279,917)	4,120,619
-	-	1,462	169	5,503	(5,512)	266,606
126,657	-	59	72	818	-	951,152
126,657	-	1,521	241	6,321	(5,512)	1,217,758
2,405,504	-	66,127	28,501	91,112	(274,405)	2,902,861
-	223,560	-	60,182	-	(49,485)	273,132
-	896,208	-	501,564	-	-	1,574,402
-	1,119,768	-	561,746	-	(49,485)	1,847,534
-	44,599	-	10,383	-	(17,171)	44,441
-	258,433	-	9,517	-	-	295,668
-	303,032	-	19,900	-	(17,171)	340,109
-	816,736	-	541,846	-	(32,314)	1,507,425
9,822	88,826	7,755	34,391	292,300	(400,952)	854,206
21,341	260,621	110,989	129,139	815,991	-	6,005,623
31,163	349,447	118,744	163,530	1,108,291	(400,952)	6,859,829
-	1,013	86	5,349	194,064	(182,013)	470,533
9,700	1,304	1	7,878	174,795	-	555,476
9,700	2,317	87	13,227	368,859	(182,013)	1,026,009
21,463	347,130	118,657	150,303	739,432	(218,939)	5,833,820
5,472	4	-	(3,621)	-	(441,430)	99,006
7,650	-	61,684	3,645	-	-	3,096,196
13,122	4	61,684	24	-	(441,430)	3,195,202
13,630	-	-	496	-	(985,661)	2,260,188
668	-	-	279	-	-	64,858
14,298	-	-	775	-	(985,661)	2,325,046
(1,176)	4	61,684	(751)	-	544,231	870,156
86,827	670,099	25,935	345,469	378,818	(1,309,221)	2,223,770
2,489,619	2,330,440	282,253	1,972,299	1,103,273	-	17,526,875
2,576,446	3,000,539	308,188	2,317,768	1,482,091	(1,309,221)	19,750,645
13,630	52,860	1,548	96,843	260,774	(1,260,771)	3,171,842
137,025	287,716	61	92,306	184,577	-	3,165,777
150,655	340,576	1,609	189,149	445,351	(1,260,771)	6,337,619
$ 2,425,791	$ 2,659,963	$ 306,579	$ 2,128,619	$ 1,036,740	$ (48,450)	$ 13,413,026

NOTE 21. STATEMENT OF BUDGETARY RESOURCES

The Statement of Budgetary Resources provides information about how budgetary resources were made available, as well as their status at the end of the period. It is the only financial statement exclusively derived from the entity's budgetary general ledger in accordance with budgetary accounting rules that are incorporated into generally accepted accounting principles for the Federal Government. The total Budgetary Resources of $27,741 million and $26,927 million as of September 30, 2006 and 2005, respectively, include new budget authority, unobligated balances at the beginning of the year and transferred in/out during the year, spending authority from offsetting collections, recoveries of prior year obligations and any adjustment to these resources. Interior's unobligated balance available as of September 30, 2006 and 2005, was $6,154 million and $5,685 million, respectively. In addition, Interior's undelivered orders as of September 30, 2006 and 2005 was $7,373 million and $7,272 million, respectively.

Apportionment of Obligations Incurred. The following table contains only Category B apportionments since Interior does not receive Category A. Interior's obligations incurred as of September 30, 2006 and 2005 are as follows:

(dollars in thousands) **FY 2006**		Apportioned		Exempt from Apportionment		Total
Obligations Incurred:						
Direct	$	16,294,427	$	99,292	$	16,393,719
Reimbursable		5,052,958		-		5,052,958
Total Obligations Incurred	$	21,347,385	$	99,292	$	21,446,677

(dollars in thousands) **FY 2005**		Apportioned		Exempt from Apportionment		Total
Obligations Incurred:						
Direct	$	15,963,959	$	74,480	$	16,038,439
Reimbursable		5,094,194		-		5,094,194
Total Obligations Incurred	$	21,058,153	$	74,480	$	21,132,633

Reclamation Trust Funds and Colorado River Dam Fund - Boulder Canyon Project are the only funds classified as not subject to apportionment.

Repayment Requirements, Financing Sources for Repayment, and other Terms of Borrowing Authority Used. Reclamation's borrowing authority is provided under the Credit Reform Act of 1990 (see Note 7, Loans and Interest Receivable, Net for additional information on Credit Reform loans). The repayment terms and provisions of these loans are not more than 40 years from the date when the principal benefits of the projects first became available. Interest on the debt is determined by the Treasury as of the beginning of the fiscal year in which the contract is executed, on the basis of the average market yields on outstanding marketable obligations of the United States. Collections in excess of the interest due to the Treasury is applied to the outstanding principal owed to the Treasury.

BIA receives borrowing authority from Treasury for its loan programs in accordance with the Federal Credit Reform Act of 1990 and related legislation. The guaranteed loan financing fund can borrow funds when the cash balance in a financing fund cohort is insufficient to pay default claims, interest subsidy payments, downward subsidy reestimates, or the interest on prior Treasury borrowings. In FY 2005, BIA exercised its statutory authority and borrowed $100,000 from Treasury. No new authority was granted or exercised in FY 2006. The balance in this account as of September 30, 2006 and 2005, was $6.8 million.

BIA's direct loan program ended in 1995. However, borrowings arising from direct loans made between 1992 and 1995 are still outstanding. These borrowings are being repaid as scheduled and as of September 30, 2006 and 2005, were $22.9 million.

In 2001, the Bureau of the Public Debt extended a loan to the Departmental Offices for the purpose of operating a direct loan to the American Samoa Government. Interest is accrued annually based on the prevailing market yield on Treasury securities of comparable maturity. The loan has a final payment due date of September 30, 2027.

Permanent Indefinite Appropriations. Permanent indefinite appropriations are appropriations given to Interior through public laws, which authorize the retention of certain receipts. These appropriations do not specify amounts, but are dependent upon the amount of receipts collected. All Interior bureaus use one or more permanent no-year appropriations to finance operating costs and purchase property, plant, and equipment. Interior has approximately 70 permanent indefinite appropriations. Most of these appropriations are used for special environmental programs and to carry out obligations of the Secretary of the Interior.

Appropriations Received. Appropriations received on the Consolidated Statement of Changes in Net Position differs from that reported on the Combined Statement of Budgetary Resources because Appropriations Received on the Consolidated Statement of Changes in Net Position does not include appropriated dedicated and earmarked receipts. Dedicated and earmarked receipts are accounted for as either exchange or non-exchange revenue.

Legal Arrangements Affecting Use of Unobligated Balances. Interior's unobligated unavailable balances as of September 30, 2006 and 2005, are disclosed in the table below:

(dollars in thousands)		FY 2006		FY 2005
Unapportioned amounts unavailable for future apportionments	$	2,741	$	6,533
Expired Authority		137,739		102,739
Total Budgetary Accounts		140,480		109,272
Non-Budgetary Credit Program Financing Accounts		(2)		-
Unobligated Balance Unavailable	$	140,478	$	109,272

Unobligated balances, whose period of availability has expired are not available to fund new obligations, but are available to pay for adjustments to obligations incurred prior to expiration. For a fixed appropriation account, the balance can be carried forward for 5 fiscal years after the period of availability ends. At the end of the fifth fiscal year, the account is closed and any remaining balance is canceled. For a no-year account, the unobligated balance is carried forward indefinitely until: (1) specifically rescinded by law; or (2) the head of the agency concerned or the President determines that the purposes for which the appropriation was made have been carried out and disbursements have not been made against the appropriation for 2 consecutive years.

The appropriation law, Public Law 109-54, is the major source of funding for the BLM's operating programs and directs that a definite sum of the BLM's wildland firefighting authority be applied to the construction of fire facilities. These authorizations also direct how BLM must treat other assets it may acquire as a result of executing its operating programs. Also, BIA receives contract authority from DOT's Highway Trust Fund for the maintenance and construction of roads and bridges on BIA and Trust property.

All appropriation language contains specific and/or general authorizations. These authorizations may be defined as legislative parameters that frame the funding and Federal agency policy for executing programs. These authorizations also direct how Interior must treat other assets it may acquire as a result of executing operating programs. Since both specific and general authorizations are integral components of all legislation, Interior does not view them as restrictions or legal encumbrances on available funding.

Explanation of Differences between the Combined Statement of Budgetary Resources (SBR) and the Budget of the United States Government. The Combined Statement of Budgetary Resources has been prepared to coincide with the amounts shown in the President's Budget (Budget of the United States Government). The President's Budget with the actual FY 2005 amounts was released in February 2006, and the President's Budget with the FY 2006 amounts is estimated to be released in February 2007, and both can be located at the OMB Web site (*http://www.whitehouse.gov/omb*). As such, the actual amounts for FY 2006 in the President's Budget have not been published at the time these financial statements were prepared.

Budgetary resources and the status of those resources presented in the Combined SBR for the period ended September 30, 2005, differ from the amounts presented as 2005 Actuals in the President's FY 2007 Budget. Differences are presented and labeled on the following table:

(dollars in millions)	FY 2005 Amount per President's Budget *	FY 2005 Amount per Statement of Budgetary Resources	Difference	Explanation
Budgetary Resources:				
Unobligated Balance, Beginning of Fiscal Year	$ 5,238	$ 5,286	$ (48)	A,C,D,F
Recoveries of Prior Year Unpaid Obligations	360	411	(51)	D,E,F
Appropriations Received	16,218	16,086	132	C,D
Contract Authority	30	-	30	D
Spending Authority From Offsetting Collections	5,777	5,635	142	F
Nonexpenditure Transfers, net	(100)	(115)	15	D,F
Temporarily Not Available Pursuant to Public Law	(42)	(12)	(30)	D,F
Permanently Not Available	(372)	(366)	(6)	D
Total Budgetary Resources	24,921	26,927	(2,006)	A,C,D,E, F
Status of Budgetary Resources:				
Obligations Incurred	21,330	21,133	197	A,C,E,F
Unobligated Balance - Available/Not Available	5,663	5,794	(131)	C,D,F
Total Status of Budgetary Resources	24,921	26,927	(2,006)	A,C,D,E, F
Change in Obligated Balance:				
Obligated Balance, Net, Beginning of Fiscal Year	6,773	6,778	(5)	A,B,F
Change in Uncollected Customer Payments from Fed Sources	(354)	(346)	(8)	C,E
Obligated Balance, Net, End of Fiscal Year	(7,418)	(7,336)	(82)	A, B, C, E, F
Net Outlays:				
Gross Outlays	19,947	19,817	130	A,B,C,D,E
Less: Offsetting Collections	(5,124)	(5,289)	165	F
Less: Offsetting Receipts	(5,504)	(5,904)	400	G

* Source: Fiscal Year 2005 Actual amounts as published in the Appendix to the Budget of the United States Government, Fiscal Year 2007

A. Bureau of Indian Affairs. Differences are primarily due to $22 million that relates to a FY 2004 beginning balance adjustment with the Fund Balance with Treasury for funds 14X2301 and 14X2303 included in the SBR, but not in the President's Budget. Additional differences relate to Credit Reform Financing funds that are included in the SBR, but not in the President's Budget.

B. Bureau of Land Management. The difference relates to timing. An adjustment was made to the Wildland Fire Management appropriation that was included in the President's Budget, but did not appear in the BLM's FY 2005 Annual Report because the report was published prior to the adjustment being made.

C. Departmental Offices. Differences are primarily due to Interior including pass through appropriations and payments to Tribal Trust and Special Trust Fund Accounts [14215265 and 14218030] in the SBR that were not included in the President's Budget. Additional differences relate to transfer of funds from the Land and Water Conservation Fund to the Departmental Management for appraisal services and Take Pride in America activities.

D. National Park Service. Differences are primarily due to the Concession Improvement Account that is included in the President's Budget, but not in the SBR. Other differences relate to contract authority that is included in the annual appropriations act, but is recinded before the act was passed. It is, however, included in the President's Budget.

E. Minerals Management Service. The President's Budget did not include a "total budgetary resources available for obligations" line for the following funds: Mineral Leasing; National Forest Fund; Leases of Lands Acquired for Flood Control, Navigation, and Allied Purpose; and Oil Spill Research which were included in the SBR. Additional differences relate to the reclassification of Reimbursement and Other Income Earned/ Collected to Delivered Orders, Paid in FY 2006 for the transfer of the Interior Franchise Fund from MMS to the National Business Center.

F. Expired Accounts. Differences relate to expired accounts being included in the SBR, but not in the President's Budget.

G. Offsetting Receipts. Differences relate to receipts reported in the SBR, but not in the President's Budget.

NOTE 22. ALLOCATION TRANSFERS RECONCILING ITEMS

Interior provides and receives budget resources from other Federal entities in the form of "allocation transfers." The recipient agency (Child) reports the proprietary activity in their Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position. However, the budgetary activity for these allocation transfers is reported by the providing agency (Parent) in their Statement of Budgetary Resources. This treatment creates a reconciling difference between the proprietary statements and the Statement of Budgetary Resources, which is shown in the Statement of Financing.

The following table summarizes the allocation transfers and related amounts that are reported as reconciling differences in the Statement of Financing:

(dollars in thousands)

Trading Partner	Nature and Purpose of Transfer	FY 2006	FY 2005
Interior as the Recipient Agency (Child):			
Department of Transportation - Highway Trust	Maintenance of Highways on Interior Land	$ -	$ 295,302
Department of Labor - Job Corps	Employee and Training services	61,631	64,229
Health and Human Services	Child Development and Employment	57,290	44,442
U. S. Department of Agriculture	Forest Protection and Utilization	4,653	3,889
Environmental Protection Agency	Hazard Sub Resp Trust Fund	877	989
General Services Administration	Electronic Government	(142)	202
Other		91	2,559
Subtotal		124,400	411,612
Interior as the Providing Agency (Parent):			
Department of Transportation	Highway Construction	19	792
U.S. Corps of Engineers	Land Acquisition and State Assistance	13,044	32,721
Department of Agriculture	To fund Soil Conservation Programs	-	100
Other		19,278	-
Subtotal		32,341	33,613
Net Allocation Transfer Reconciling Items		$ 92,059	$ 377,999

NOTE 23. INDIAN TRUST FUNDS

Interior, through the Office of the Special Trustee for American Indians (OST), maintains approximately 1,450 accounts for Tribal and Other Trust Funds (including the Alaska Native Escrow Fund) with combined monetary assets of approximately $2,921 million and $2,882 million as of September 30, 2006 and 2005, respectively.

The balances that have accumulated in the Tribal and Other Trust Funds have resulted from judgment awards, settlement of claims, land use agreements, royalties on natural resource depletion, other proceeds derived directly from trust resources, and investment income.

The trust fund balances for Tribal and Other Trust Funds contain two categories:

1. Trust funds held for Indian Tribes (considered non-Federal funds); and
2. Trust funds held by Interior, for future transfer to a tribe upon satisfaction of certain conditions or where the corpus of the fund is non-expendable (considered Federal funds).

The non-Federal and Federal funds are reflected as separate components of the fund balance in the Tribal and Other Trust Funds financial statements. The trust funds considered Federal funds are reflected in Interior's financial statements.

OST also maintains about 323,000 open Individual Indian Monies (IIM) accounts with a fund balance of approximately $418 million and $420 million as of September 30, 2006 and 2005, respectively.

The IIM Trust Funds are primarily funds on deposit for individual Indians with a beneficial interest in those funds. IIM account holders realize receipts primarily from settlement of claims, land-use agreements; royalties on natural resource depletion; other proceeds derived directly from trust resources, receipt of judgment and tribal per capita distributions; and investment income.

Summaries of the financial statements of the Tribal and Other Trust Funds and the IIM Trust Funds are at the end of this note. The amounts in the summaries do not include the values related to trust lands or other trust resources managed by Interior.

Financial Statements and Basis of Accounting. The Tribal and Other Trust Fund Statement of Assets and Trust Fund Balances and Statement of Changes in Trust Fund Balances were prepared using a cash basis of accounting, which is a comprehensive basis of accounting other than GAAP. The cash basis of accounting differs from GAAP in that receivables and payables are not accrued and investment premiums and discounts are not amortized or accreted. Receipts are recorded when received, disbursements are recorded when paid, and investments are stated at historical cost.

The IIM Trust Funds Statement of Assets and Trust Fund Balances and Statement of Changes in Trust Fund Balances were prepared using a modified cash basis of accounting, which is a comprehensive basis of accounting other than GAAP. The modified cash basis of accounting differs from GAAP in that receivables and payables are not accrued with the exception of interest earned on invested funds (including discount accretion and premium amortization). Receipts are recorded when received with the exception of interest, and disbursements are recorded when paid. Interest is recorded when earned, including accretion/amortization of investment discounts and premiums. Investments are stated at amortized cost.

Audit Results. With Office of Inspector General oversight, independent auditors audited the Tribal and Other Trust Funds and the IIM Trust Funds financial statements as of September 30, 2006, and 2005. The independent auditors indicated that the financial statements were prepared on the cash or modified cash basis of accounting, which is a comprehensive basis of accounting other than GAAP. In addition, the independent auditors' reports were qualified as a result of the following:

- It was not practicable for the independent auditors to extend audit procedures sufficiently to satisfy themselves as to the fairness of the trust fund balances reflected in the financial statements due to issues with certain Interior trust-related systems and processes, which provide required trust financial information to OST;

- Regarding the Tribal and Other Trust Funds, certain parties for whom OST holds monetary assets in trust do not agree with the trust fund balances reflected by OST and have requested an accounting of their funds. Some of these parties have filed lawsuits against the U.S. Government; and

- Regarding the IIM Trust Funds, certain parties for whom OST holds monetary assets in trust have filed a class action lawsuit for an accounting of the individuals' trust funds, which may or may not lead to claims against the U.S. Government.

For more information, see Note 14, Contingent Liabilities.

Individual Indian Monies Trust Funds statements of assets and trust fund balances and statements of changes in trust fund balances prepared using a modified cash basis of accounting as of September 30, 2006 and 2005, are as follows:

Individual Indian Monies Trust Funds
Statement of Assets and Trust Fund Balances - Modified Cash Basis
As of September 30, 2006 and 2005

(dollars in thousands)		FY 2006		FY 2005
ASSETS				
Cash and cash equivalents	$	61,938	$	28,333
Investments		353,886		388,586
Accrued interest receivable		2,450		2,950
TOTAL ASSETS	$	418,274	$	419,869
TRUST FUND BALANCES, held for Individual Indians	$	418,274	$	419,869

Individual Indian Monies Trust Funds
Statement of Changes in Trust Fund Balances - Modified Cash Basis
For the Fiscal Years Ended September 30, 2006 and 2005

(dollars in thousands)		FY 2006		FY 2005
Receipts	$	355,094	$	275,569
Interest earned on invested funds		20,582		18,197
Gain (Loss) on disposition of investments, Net		(2,729)		7,813
Disbursements		(374,542)		(278,407)
Increase (decrease) in trust fund balances, net		(1,595)		23,172
Trust Fund Balances - Beginning of Year		419,869		396,697
Trust Fund Balances - End of Year	$	418,274	$	419,869

Note: The independent auditors expressed a qualified opinion on these financial statements.
See " Audit Results" section above.

Tribal and Other Trust Funds statements of assets and trust fund balances and statements of changes in trust fund balances prepared using a cash basis of accounting as of September 30, 2006 and 2005, are as follows:

Tribal and Other Trust Funds
Statement of Assets and Trust Fund Balances - Cash Basis
as of September 30, 2006 and 2005

(dollars in thousands)		FY 2006		FY 2005
ASSETS				
Cash and cash equivalents	$	503,399	$	501,596
Investments		2,417,827		2,380,222
TOTAL ASSETS	$	2,921,226	$	2,881,818
TRUST FUND BALANCES				
Held for Indian tribes	$	2,637,066	$	2,604,516
Held by Department of the Interior and considered to be U.S. Government funds		284,160		277,302
TOTAL TRUST FUND BALANCES	$	2,921,226	$	2,881,818

Tribal and Other Trust Funds
Statement of Changes in Trust Fund Balances - Cash Basis
For the Fiscal Years Ended September 30, 2006 and 2005

(dollars in thousands)		FY 2006		FY 2005
Receipts	$	338,896	$	352,920
Interest Received		121,566		146,330
Gain (Loss) on disposition of investments, Net		24		18,487
Disbursements		(421,078)		(611,151)
Increase (Decrease) in trust fund balances, net		39,408		(93,414)
Trust Fund Balances - Beginning of Year		2,881,818		2,975,232
Trust Fund Balances - End of Year	$	2,921,226	$	2,881,818

Note: The independent auditors expressed a qualified opinion on these financial statements.
See " Audit Results" section above.

NOTE 24. EARMARKED FUNDS

Earmarked funds are specifically identified revenues and other financing sources required by statute to be used for designated activities, benefits or purposes that must be accounted for separately from the government's general revenues.

Effective October 1, 2005, Interior adopted SFFAS No. 27, *Identifying and Reporting Earmarked Funds*. This statement requires a disclosure that separately lists earmarked funds by official title in a condensed financial format. Since this statement does not allow prior year restatement of financial information, FY 2005 is not presented in this note. Accordingly, Interior's earmarked funds as of September 30, 2006, consist of the following:

(dollars in thousands)	Land and Water Conservation Fund	Historical Preservation Fund	Reclamation Fund
ASSETS			
Fund Balance with Treasury	$ 14,836,220	$ 2,597,465	$ 5,699,905
Investments, Net	-	-	-
Accounts Receivable, Net	-	-	661,373
Loans Receivable, Net	-	-	2,631,887
General Property, Plant, and Equipment, Net	-	-	-
Other Assets	-	373	-
TOTAL ASSETS	$ 14,836,220	$ 2,597,838	$ 8,993,165
LIABILITIES			
Accounts Payable	-	3	1
Debt	-	-	-
Other Liabilities	-	12	31
TOTAL LIABILITIES	-	15	32
NET POSITION			
Unexpended Appropriations	-	-	-
Cumulative Results of Operations	14,836,220	2,597,823	8,993,133
TOTAL NET POSITION	14,836,220	2,597,823	8,993,133
TOTAL LIABILITIES AND NET POSITION	$ 14,836,220	$ 2,597,838	$ 8,993,165
COST/REVENUE			
Gross Costs	-	65,543	(6,305)
Earned Revenue	-	-	(389,861)
NET COST OF OPERATIONS	$ -	$ 65,543	$ (396,166)
NET POSITION			
Net Position, Beginning Balance	14,303,499	2,663,580	7,952,124
Change in Accounting Principle	-	-	-
Net Position, Beginning Balance as Adjusted	14,303,499	2,663,580	7,952,124
Appropriations Received/Transferred	-	-	-
Royalties Retained	894,587	1,904	1,487,424
Non-Exchange Revenue and Donations	-	-	5
Other Financing sources			
Transfers In/(Out) without Reimbursement	(361,866)	(394)	(842,626)
Imputed Financing from Costs Absorbed by Others	-	-	40
Other	-	(1,724)	-
Net Cost of Operations	-	(65,543)	396,166
Change in Net Position	532,721	(65,757)	1,041,009
NET POSITION, ENDING BALANCE	$ 14,836,220	$ 2,597,823	$ 8,993,133

Water and Related Resources	Lower Colorado River Basin Fund	Upper Colorado River Basin Fund	Abandoned Mine Land Fund	Southern Nevada Public Land Mgmt Fund	Environmental Improvement and Restoration Fund	Other Earmarked Funds	**FY 2006**
$ 730,744	$ 38,647	$ 153,375	$ 1,005	$ 673	$ -	$ 2,487,036	$ 26,545,070
-	305,043	-	2,272,961	2,277,571	1,062,796	1,979,243	7,897,614
15,522	8,759	1,488	1,886	-	-	1,391,764	2,080,792
-	-	-	-	-	-	-	2,631,887
7,329,633	2,988,498	2,343,420	-	9,386	-	515,339	13,186,276
21,314	120,377	-	570	-	-	284,509	427,143
$ 8,097,213	$ 3,461,324	$ 2,498,283	$ 2,276,422	$ 2,287,630	$ 1,062,796	$ 6,657,891	$ 52,768,782
124,000	11,119	90,546	5,577	24,630	-	580,513	836,389
-	-	-	-	-	-	914,204	914,204
2,025,645	1,522	218,964	969	1,888	-	1,198,123	3,447,154
2,149,645	12,641	309,510	6,546	26,518	-	2,692,840	5,197,747
210,820	8,077	11,609	-	-	-	106,185	336,691
5,736,748	3,440,606	2,177,164	2,269,876	2,261,112	1,062,796	3,858,866	47,234,344
5,947,568	3,448,683	2,188,773	2,269,876	2,261,112	1,062,796	3,965,051	47,571,035
$ 8,097,213	$ 3,461,324	$ 2,498,283	$ 2,276,422	$ 2,287,630	$ 1,062,796	$ 6,657,891	$ 52,768,782
1,124,451	163,008	115,626	278,226	42,233	-	3,928,028	5,710,810
(201,701)	(189,236)	(84,832)	(331)	(745,529)	-	(886,350)	(2,497,840)
$ 922,750	$ (26,228)	$ 30,794	$ 277,895	$ (703,296)	$ -	$ 3,041,678	$ 3,212,970
5,961,232	3,402,052	2,124,633	2,148,891	1,657,538	1,030,929	3,856,168	45,100,646
-	-	-	-	-	-	(282,732)	(282,732)
5,961,232	3,402,052	2,124,633	2,148,891	1,657,538	1,030,929	3,573,436	44,817,914
92,250	24,808	62,274	-	-	-	191,064	370,396
-	-	-	-	-	-	2,002,686	4,386,601
9	497	-	399,274	-	31,867	834,609	1,266,261
746,123	(4,902)	(4,101)	-	(100,096)	-	391,232	(176,630)
70,704	-	36,761	-	374	-	12,200	120,079
-	-	-	(394)	-	-	1,502	(616)
(922,750)	26,228	(30,794)	(277,895)	703,296	-	(3,041,678)	(3,212,970)
(13,664)	46,631	64,140	120,985	603,574	31,867	391,615	2,753,121
$ 5,947,568	$ 3,448,683	$ 2,188,773	$ 2,269,876	$ 2,261,112	$ 1,062,796	$ 3,965,051	$ 47,571,035

Investments in Treasury Securities. Interior invests funds in securities on behalf of various Interior programs. The Federal Government does not set aside assets to pay future expenditures associated with earmarked funds. The cash generated from earmarked funds is used by the U.S. Treasury for general government purposes. Treasury securities are issued to the earmarked fund as evidence of earmarked receipts. These securities are an asset to the earmarked fund and are presented as Investments in the following tables. Treasury securities are a liability of the U.S. Treasury and are eliminated in the consolidation of the U.S. Government-wide financial statements. Treasury will finance any future redemption of the securities by an earmarked fund in the same manner that all other government expenditures are financed.

The Land and Water Conservation Fund. The Land and Water Conservation Fund (LWCF) was enacted in 1964 (Public Law 88-578) to create and maintain a nationwide legacy of high quality recreation areas and facilities. The LWCF Act established a funding source for both Federal acquisition of authorized national park, conservation, and recreation areas, as well as grants to State and local governments to help them acquire, develop, and improve outdoor recreation areas. The fund is accounted for by the information provided by MMS and is reported as a restricted asset.

Annually, amounts for the LWCF under Public Law 89-665 are transferred from MMS to the NPS, the majority of which are from royalties from Outer Continental Shelf oil deposits. Each year, amounts from the LWCF are warranted to some of the bureaus within Interior and the rest to the Department of Agriculture's Forest Service.

The Historic Preservation Fund (HPF). The HPF provides matching grants to encourage private and non-Federal investment in historic preservation efforts nationwide, and assists State and local governments, and Indian Tribes with expanding and accelerating their historic preservation activities nationwide. HPF grants serve as a catalyst and "seed money" to preserve and protect our Nation's irreplaceable heritage for current and future generations. The fund is accounted for by the information provided by MMS and is reported as a restricted asset.

Annually, amounts for the HPF under Public Law 89-665 are transferred from MMS to the NPS, the majority of which are from royalties from Outer Continental Shelf oil deposits. Each year, amounts from the HPF are warranted to some of the bureaus within Interior and the rest to the Department of Agriculture's Forest Service.

Reclamation Fund. The Reclamation Fund was established by the Reclamation Act of 1902 (32 Statute [Stat.] 388). It is a restricted, unavailable receipt fund into which a substantial portion of Reclamation's revenues (mostly repayment of capital investment costs, associated interest, and operating and material reimbursements from water and power users) and receipts from other Federal agencies (primarily revenues from certain Federal mineral royalties and hydropower transmission) are deposited. No expenditures are made directly from the Reclamation Fund, however, funds are transferred from the Reclamation Fund into Reclamation's appropriated expenditure funds or to other Federal agencies pursuant to congressional appropriation acts to invest and reinvest in the reclamation of arid lands in the Western United States. Costs associated with multipurpose plants are allocated to the various purposes, principally; power, irrigation, M&I water, fish and wildlife enhancement, recreation, and flood control. Generally, only those costs associated with power, irrigation, and M&I water are reimbursable. Costs associated with purposes such as fish and wildlife enhancement, recreation, and flood control can be non-reimbursable. Capital investment costs are recovered over a 40-year period, but may extend to 50 years or more if authorized by the Congress.

Water and Related Resources Fund. The Water and Related Resources Fund receives most of its funding from appropriations derived from the Reclamation Fund. These funds are used for Reclamation's central mission of delivering water and generating hydropower in the Western United States. Costs associated with multipurpose structures and facilities are allocated to various purposes. Generally, only those costs associated with power, irrigation, and M&I water are reimbursable. Costs associated with purposes such as fish and wildlife enhancement, recreation, and flood control can be non-reimbursable. Capital investment costs are recovered over a 40-year period but may extend to 50 years or more if authorized by Congress. Recovery of capital investment costs and revenue generated from these activities are returned to the Reclamation Fund.

Lower Colorado River Basin Fund. The Lower Colorado River Basin Fund receives funding from multiple sources for specific purposes as provided under Public Law 90-537 and amended by Public Law 108-451. Funding sources include appropriations, Federal revenue from Central Arizona Project, Federal revenues from the Boulder Canyon and Parker-Davis Project, the Western Area Power Administration, Federal revenue from the Northwest-Pacific Southwest intertie in the States of Nevada and Arizona, and revenues earned from investing in Treasury securities. Funding sources may be retained and are available without further appropriation. The fund provides for irrigation development and management activities within the Lower Colorado River Basin including operation, maintenance, replacements, and emergency expenditures for facilities of the Colorado River storage project and participating projects.

Upper Colorado River Basin Fund. The Upper Colorado River Basin Fund receives funding from appropriations, water users, and the Western Area Power Administration. Funding sources may be retained and are available without further appropriation. Public Law 90-537 provides that appropriations and revenues collected in connection with the operation of the Colorado River storage project shall be available for operations, maintenance, replacements, and emercency expenditures for facilities of the Colorado River storage project and participating projects.

Abandoned Mine Land Fund. Public Law 95-87 authorizes the collection of a Coal Mine Operators fee. Fees of 35 cents per ton of surface mined coal, 15 cents per ton of coal mined underground, and 10 cents per ton of lignite are collected from active mining operations. The fees are deposited in the Abandoned Mine Land (AML) Reclamation Fund, which is used to fund abandoned mine land reclamation projects.

Expenditures from the AML Fund may only be made as a consequence of appropriations or other laws. AML reclamation is accomplished primarily by States and Tribes and is funded by grants. Grant funding levels are determined by Interior's annual appropriation and consider the individual State or Tribe's needs, the State and Federal shares, as well as emergency and special funding requirements.

Under authority of Public Law 101-509, Interior began investing AML funds in U.S. Treasury Securities. Beginning in 1996, under a requirement of the Energy Policy Act of 1992 (Public Law 102-486), Interior began an annual transfer from the investment interest earned to the United Mine Workers of America Combined Benefit Fund (UMWA CBF). This transfer is used to defray anticipated health care costs for eligible union coal mine workers who retired on or before July 20, 1992, and their dependents.

Southern Nevada Public Land Management Fund. The Southern Nevada Public Land Management Act (SNPLMA), enacted in October 1998, authorizes BLM to sell public land tracts that are interspersed with or adjacent to private land in the Las Vegas Valley. BLM is authorized to invest 85% of the sales in interest-bearing Treasury securities, while 10% of the proceeds go to the Southern Nevada Water Authority and 5% goes to the State of Nevada's Education Fund. The revenues generated from the land sales and investments enable BLM and other government entities to acquire environmentally sensitive lands and build or maintain trails, day-use areas, campgrounds, etc., to benefit public land visitors.

Environmental Improvement and Restoration Fund. The Environmental Improvement and Restoration Fund (EIRF) was a distribution of the Alaska Escrow Fund in which half of the principal was invested in Treasury Securities. The purpose of EIRF is to invest the monies and earn interest until there is further congressional action. Congress has permanently appropriated 20% of the prior fiscal year interest earned by the EIRF to the Department of Commerce each year for marine research activities. The remaining 80% remains in the fund to earn interest and may be appropriated by Congress to certain other agencies, as provided by the law. No assets are available to Interior unless appropriated by Congress.

Other Earmarked Funds. Interior is responsible for the management of numerous earmarked funds with a variety of purposes. Funds presented on an individual basis represent the majority of Interior's net position attributable to earmarked funds. All other earmarked funds have been aggregated in accordance with SFFAS No. 27.

NOTE 25. DEDICATED COLLECTIONS

Dedicated Collections as of September 30, 2006 and 2005 consist of the following:

(dollars in thousands)		FY 2006		FY 2005
ASSETS				
Fund Balance with Treasury	$	(34)	$	(34)
Investments		287,655		280,034
TOTAL ASSETS	$	287,621	$	280,000
TOTAL LIABILITIES		-		-
NET POSITION		287,621		280,000
TOTAL LIABILITIES AND NET POSITION	$	287,621	$	280,000
CHANGE IN NET POSITION				
Net Position, Beginning Balance		280,000		268,447
Cumulative Results of Operations:				
Non-exchange Revenue		14,165		11,870
Transfers In/(Out) without Reimbursement		8,111		7,889
Program Costs		(14,665)		(8,752)
Exchange Revenue		10		546
NET POSITION, ENDING BALANCE	$	287,621	$	280,000

Office of the Special Trustee for American Indians. Established by the American Indian Trust Fund Management Reform Act of 1994 (Public Law 103-412), the Office of the Special Trustee for American Indians (OST) was created to improve the accountability and management of Indian funds held in trust by the Federal Government. OST manages and is accountable for Tribal Trust and Special Funds that are reported in these financial statements. Financing sources for these funds are from judgment/award monies from Federal sources and other lease and rental income from the public.

NOTE 26. CHANGES IN ACCOUNTING PRINCIPLE

In July 2006, an updated OMB Circular No. A-136 was issued to the Federal community delineating Federal financial reporting requirements. In prior versions of this guidance, Federal agencies (child) who received allocated budget authority through another Federal agency (parent) were allowed to report proprietary activity in their financial statements, if material to them. However, beginning in FY 2007, child agencies will be required to provide parent agencies all of their financial activity. Only parent agencies will report this financial activity in their financial statements. Early implementation is allowed if both parent and child agency agree.

In FY 2006, Interior and the Department of Transportation agreed to use the Highway Trust Fund as a pilot for this new reporting requirement. The cumulative effect of this change in accounting principle resulted in a decrease of $111 million to assets and $21 million to liabilities on the Balance Sheet. This resulted in a corresponding decrease of $90 million to the beginning balance of cumulative results of operations on the Statement of Changes in Net Position.

Effective October 1, 2005, Interior adopted SFFAS No. 27, *Identifying and Reporting Earmarked Funds*. This standard requires Federal agencies who are responsible for carrying out the program financed by a trust fund to report the assets, liabilities, revenue, and expenses of the trust. In the case of multiple responsible agencies, each component agency is required to report their portion of the trust, if clearly identifiable. Prior to this guidance, Federal agencies who had the preponderance of activity reported this information.

In accordance with this standard, Interior is no longer reporting the Corps of Engineers' and the U.S. Coast Guard's share of the Sport Fish Restoration and Boating Trust Fund. The cumulative effect of this change in accounting principle resulted in a decrease of $633 million to assets and $440 million to liabilities on the Balance Sheet. This also resulted in a corresponding decrease of $193 million to the beginning balance of cumulative results of operations on the Statement of Changes in Net Position.

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Required Supplementary Information (Unaudited, See Auditors' Report)

This section includes the Combining Statement of Budgetary Resources (Budgetary Accounts), deferred maintenance information, and heritage asset and stewardship land information.

Combining Statement of Budgetary Resources
for the fiscal year ended September 30, 2006
(dollars in thousands)

	Interior Franchise Fund	Working Capital Fund	Water and Related Resources	National Park Service Operations	Management of Land and Resources
Budgetay Resources:					
Unobligated balance, beginning of Fiscal Year:	$ 788,609	$ 187,814	$ 276,153	$ 30,609	$ 33,190
Recoveries of prior year unpaid obligations	-	6,574	27,091	10,020	24,327
Budget Authority					
Appropriation	-	-	892,556	1,744,599	860,791
Spending authority from offsetting collections					
Earned					
Collected	1,379,994	1,458,881	236,740	22,263	89,295
Change in receivables from Federal sources	(1,130)	16,956	(4,315)	86	1,674
Change in unfilled customer orders					
Advance received	(86,525)	(214,473)	12,642	-	-
Without advance from Federal sources	(71,777)	(43,764)	(6,761)	-	7,209
Total Budget Authority	1,220,562	1,217,600	1,130,862	1,766,948	958,969
Nonexpenditure transfers, net, anticipated and actual	-	-	(103,962)	164	-
Temporarily not available pursuant to Public Law	-	-	(7,017)	-	-
Permanently not available	-	-	(1,818)	(35,411)	(13,193)
Total Budgetary Resources	$ 2,009,171	$ 1,411,988	$ 1,321,309	$ 1,772,330	$ 1,003,293
Status of Budgetary Resources:					
Obligations incurred:					
Direct	-	1,062	899,338	1,685,273	899,949
Reimbursable	1,505,207	1,283,318	236,569	21,730	62,168
Total Obligations incurred	1,505,207	1,284,380	1,135,907	1,707,003	962,117
Unobligated balance available:					
Apportioned	503,964	127,608	185,354	52,282	41,176
Exempt from apportionment	-	-	48	-	-
Total Unobligated balance available	503,964	127,608	185,402	52,282	41,176
Unobligated balance not available	-	-	-	13,045	-
Total Status of Budgetary Resources	$ 2,009,171	$ 1,411,988	$ 1,321,309	$ 1,772,330	$ 1,003,293
Obligated Balance:					
Obligated balance, net					
Unpaid obligations, brought forward, beginning of Fiscal Year	703,246	780,667	441,970	417,869	237,296
Less: Uncollected customer payments from Federal sources, brought forward, beginning of Fiscal Year	(158,943)	(372,493)	(53,870)	(264)	(22,978)
Total unpaid obligated balances, net, beginning of Fiscal Year	544,303	408,174	388,100	417,605	214,318
Obligations incurred, net	1,505,207	1,284,380	1,135,907	1,707,003	962,117
Less: Gross outlays	(1,395,633)	(1,459,881)	(962,567)	(1,745,476)	(937,226)
Less: Recoveries of prior year unpaid obligations, actual	-	(6,574)	(27,091)	(10,020)	(24,327)
Change in uncollected customer payments from Federal sources	72,907	26,808	11,076	(86)	(8,883)
Total unpaid obligated balance, net, end of period	$ 726,784	$ 252,907	$ 545,425	$ 369,026	$ 205,999
Obligated balance, net, end of period - by component:					
Unpaid obligations	812,820	598,592	588,221	369,376	237,860
Less: Uncollected customer payments from Federal sources,	(86,036)	(345,685)	(42,796)	(350)	(31,861)
Total unpaid obligated balance, net, end of period	$ 726,784	$ 252,907	$ 545,425	$ 369,026	$ 205,999
Net Outlays:					
Net Outlays					
Gross outlays	1,395,633	1,459,881	962,567	1,745,476	937,226
Less: Offsetting collections	(1,293,469)	(1,244,408)	(249,382)	(22,263)	(89,296)
Less: Distributed Offsetting receipts	-	-	(368)	-	-
Net Outlays(Receipts)	$ 102,164	$ 215,473	$ 712,817	$ 1,723,213	$ 847,930

Combining Statement of Budgetary Resources for the fiscal year ended September 30, 2006
(dollars in thousands)

Wildland Fire Management	Bureau of Land Mangement Operations	Fish and Wildlife Resource Management	Minerals Leasing and Associated Payments	Operation of Indian Programs	Survey, Investigation and Research	Other Budgetary Accounts	FY 2006 Total Budgetary Accounts
$ 128,311	$ 892,763	$ 70,377	$ -	$ 362,233	$ 52,864	$ 2,888,006	$ 5,710,929
24,927	71,721	17,399	-	40,835	7,277	254,772	484,943
866,564	862,343	1,016,278	2,110,432	1,991,490	995,205	4,784,195	16,124,453
27,813	-	203,249	-	274,175	435,933	1,350,781	5,479,124
(104)	-	(3,955)	-	1,355	(8,603)	(4,961)	(2,997)
(2,400)	-	2,090	-	(1,489)	(1,268)	(15,397)	(306,820)
(2,450)	-	(54,418)	-	45,559	8,739	13,123	(104,540)
889,423	862,343	1,163,244	2,110,432	2,311,090	1,430,006	6,127,741	21,189,220
97,366	116	10,590	-	535	1,500	431,898	438,207
-	-	-	-	-	-	(9,600)	(16,617)
(11,279)	-	(14,946)	-	(29,300)	(19,479)	(61,362)	(186,788)
$ 1,128,748	$ 1,826,943	$ 1,246,664	$ 2,110,432	$ 2,685,393	$ 1,472,168	$ 9,631,455	$ 27,619,894
951,287	266,547	1,044,070	2,110,432	1,957,502	983,362	5,582,129	16,380,951
24,184	-	126,586	-	281,978	438,493	1,072,725	5,052,958
975,471	266,547	1,170,656	2,110,432	2,239,480	1,421,855	6,654,854	21,433,909
153,277	1,560,396	74,371	-	372,507	27,033	2,889,214	5,987,182
-	-	-	-	-	-	58,277	58,325
153,277	1,560,396	74,371	-	372,507	27,033	2,947,491	6,045,507
-	-	1,637	-	73,406	23,280	29,110	140,478
$ 1,128,748	$ 1,826,943	$ 1,246,664	$ 2,110,432	$ 2,685,393	$ 1,472,168	$ 9,631,455	$ 27,619,894
298,213	877,886	386,568	-	262,403	278,270	3,872,828	8,557,216
(11,705)	-	(133,230)	-	(30,200)	(181,240)	(259,839)	(1,224,762)
286,508	877,886	253,338	-	232,203	97,030	3,612,989	7,332,454
975,471	266,547	1,170,656	2,110,432	2,239,480	1,421,855	6,654,854	21,433,909
(973,525)	(131,888)	(1,200,078)	(2,110,432)	(2,201,358)	(1,402,471)	(6,145,724)	(20,666,259)
(24,927)	(71,721)	(17,399)	-	(40,835)	(7,277)	(254,772)	(484,943)
2,554	-	58,373	-	(46,914)	(136)	(8,162)	107,537
$ 266,081	$ 940,824	$ 264,890	$ -	$ 182,576	$ 109,001	$ 3,859,185	$ 7,722,698
275,233	940,824	339,747	-	259,690	290,376	4,127,186	8,839,925
(9,152)	-	(74,857)	-	(77,114)	(181,375)	(268,001)	(1,117,227)
$ 266,081	$ 940,824	$ 264,890	$ -	$ 182,576	$ 109,001	$ 3,859,185	$ 7,722,698
973,525	131,888	1,200,078	2,110,432	2,201,358	1,402,471	6,145,724	20,666,259
(25,413)	-	(205,339)	-	(272,686)	(434,664)	(1,335,384)	(5,172,304)
-	(753,009)	-	(2,110,432)	-	-	(4,076,646)	(6,940,455)
$ 948,112	$ (621,121)	$ 994,739	$ -	$ 1,928,672	$ 967,807	$ 733,694	$ 8,553,500

Combining Statement of Budgetary Resources for the fiscal year ended September 30, 2005
(dollars in thousands)

	Interior Franchise Fund	Working Capital Fund	Water and Related Resources	National Park Service Operations	Management of Land and Resources
Budgetay Resources:					
Unobligated balance, beginning of Fiscal Year:	$ 734,962	$ 12,552	$ 268,834	$ 87,256	$ 34,750
Recoveries of prior year unpaid obligations	-	5,404	22,558	8,300	21,979
Budget Authority					
Appropriation	-	-	864,637	1,707,336	848,939
Spending authority from offsetting collections					
Earned					
Collected	1,565,624	1,266,947	195,254	21,178	97,434
Change in receivables from Federal sources	(1,338)	62,840	(1,945)	(75)	6,916
Change in unfilled customer orders					
Advance received	(58,036)	8,559	7,578	-	4
Without advance from Federal sources	(12,932)	217,613	6,279	-	1,614
Total Budget Authority	1,493,318	1,555,959	1,071,803	1,728,439	954,907
Nonexpenditure transfers, net, anticipated and actual	-	-	(83,480)	5,459	7,500
Temporarily not available pursuant to Public Law	-	-	(5,534)	-	-
Permanently not available	-	-	(1,342)	(35,474)	(12,113)
Total Budgetary Resources	$ 2,228,280	$ 1,573,915	$ 1,272,839	$ 1,793,980	$ 1,007,023
Status of Budgetary Resources:					
Obligations incurred:					
Direct	-	1,228	797,128	1,743,014	903,436
Reimbursable	1,439,671	1,384,872	199,557	20,357	70,396
Total Obligations incurred	1,439,671	1,386,100	996,685	1,763,371	973,832
Unobligated balance available:					
Apportioned	788,609	187,815	276,110	17,333	33,171
Exempt from apportionment	-	-	44	-	-
Total Unobligated balance available	788,609	187,815	276,154	17,333	33,171
Unobligated balance not available	-	-	-	13,276	20
Total Status of Budgetary Resources	$ 2,228,280	$ 1,573,915	$ 1,272,839	$ 1,793,980	$ 1,007,023
Obligated Balance:					
Obligated balance, net					
Unpaid obligations, brought forward, beginning of Fiscal Year	832,475	676,125	415,791	338,917	239,303
Less: Uncollected customer payments from Federal sources, brought forward, beginning of Fiscal Year	(173,212)	(92,040)	(49,536)	(339)	(14,449)
Total unpaid obligated balances, net, beginning of Fiscal Year	659,263	584,085	366,255	338,578	224,854
Obligations incurred, net	1,439,671	1,386,100	996,685	1,763,371	973,832
Less: Gross outlays	(1,568,900)	(1,276,154)	(947,946)	(1,676,119)	(953,860)
Less: Recoveries of prior year unpaid obligations, actual	-	(5,404)	(22,558)	(8,300)	(21,979)
Change in uncollected customer payments from Federal sources	14,270	(280,453)	(4,334)	75	(8,530)
Total unpaid obligated balance, net, end of period	$ 544,304	$ 408,174	$ 388,102	$ 417,605	$ 214,317
Obligated balance, net, end of period - by component:					
Unpaid obligations	703,246	780,667	441,972	417,869	237,296
Less: Uncollected customer payments from Federal sources,	(158,942)	(372,493)	(53,870)	(264)	(22,979)
Total unpaid obligated balance, net, end of period	$ 544,304	$ 408,174	$ 388,102	$ 417,605	$ 214,317
Net Outlays:					
Net Outlays					
Gross outlays	1,568,900	1,276,154	947,946	1,676,119	953,860
Less: Offsetting collections	(1,507,588)	(1,275,506)	(202,832)	(21,178)	(97,438)
Less: Distributed Offsetting receipts	-	-	(354)	-	-
Net Outlays(Receipts)	$ 61,312	$ 648	$ 744,760	$ 1,654,941	$ 856,422

Combining Statement of Budgetary Resources
for the fiscal year ended September 30, 2005
(dollars in thousands)

Wildland Fire Management	Bureau of Land Mangement Operations	Fish and Wildlife Resource Management	Minerals Leasing and Associated Payments	Operation of Indian Programs	Survey, Investigation and Research	Other Budgetary Accounts	**FY 2005 Total Budgetary Accounts**
$ 89,402	$ 565,892	$ 63,428	$ -	$ 375,187	$ 46,299	$ 2,930,894	$ 5,209,456
27,984	15,840	16,886	-	44,815	8,158	239,302	411,226
843,099	1,068,874	977,205	1,620,107	1,958,347	958,021	5,239,382	16,085,947
42,320	-	152,797	-	327,727	411,119	1,114,226	5,194,626
(3,642)	-	12,579	-	3,072	(7,334)	3,955	75,028
(8,599)	-	1,328	-	(54,287)	3,600	151,675	51,822
(6,727)	-	(19,766)	-	17,898	3,066	63,809	270,854
866,451	1,068,874	1,124,143	1,620,107	2,252,757	1,368,472	6,573,047	21,678,277
-	36	11,083	-	4,563	5,436	(65,310)	(114,713)
-	-	-	-	-	-	(6,319)	(11,853)
(11,804)	-	(14,312)	-	(31,065)	(20,716)	(220,638)	(347,464)
$ 972,033	$ 1,650,642	$ 1,201,228	$ 1,620,107	$ 2,646,257	$ 1,407,649	$ 9,450,976	$ 26,824,929
831,011	757,879	985,550	1,620,107	1,947,344	943,813	5,489,296	16,019,806
12,711	-	145,301	-	336,680	410,973	1,073,676	5,094,194
843,722	757,879	1,130,851	1,620,107	2,284,024	1,354,786	6,562,972	21,114,000
128,311	892,763	68,081	-	321,674	22,241	2,820,629	5,556,737
-	-	-	-	-	-	44,876	44,920
128,311	892,763	68,081	-	321,674	22,241	2,865,505	5,601,657
-	-	2,296	-	40,559	30,622	22,499	109,272
$ 972,033	$ 1,650,642	$ 1,201,228	$ 1,620,107	$ 2,646,257	$ 1,407,649	$ 9,450,976	$ 26,824,929
294,088	277,759	399,346	-	290,338	275,978	3,608,576	7,648,696
(22,074)	-	(140,417)	-	(9,230)	(185,507)	(192,076)	(878,880)
272,014	277,759	258,929	-	281,108	90,471	3,416,500	6,769,816
843,722	757,879	1,130,851	1,620,107	2,284,024	1,354,786	6,562,972	21,114,000
(811,614)	(141,912)	(1,126,743)	(1,620,107)	(2,267,146)	(1,344,336)	(6,059,417)	(19,794,254)
(27,984)	(15,840)	(16,886)	-	(44,815)	(8,158)	(239,302)	(411,226)
10,369	-	7,187	-	(20,970)	4,268	(67,764)	(345,882)
$ 286,507	$ 877,886	$ 253,338	$ -	$ 232,201	$ 97,031	$ 3,612,989	$ 7,332,454
298,212	877,886	386,568	-	262,401	278,271	3,872,828	8,557,216
(11,705)	-	(133,230)	-	(30,200)	(181,240)	(259,839)	(1,224,762)
$ 286,507	$ 877,886	$ 253,338	$ -	$ 232,201	$ 97,031	$ 3,612,989	$ 7,332,454
811,614	141,912	1,126,743	1,620,107	2,267,146	1,344,336	6,059,417	19,794,254
(33,722)	-	(154,125)	-	(273,442)	(414,720)	(1,265,899)	(5,246,450)
-	(1,043,478)	-	(1,620,107)	-	-	(3,240,556)	(5,904,495)
$ 777,892	$ (901,566)	$ 972,618	$ -	$ 1,993,704	$ 929,616	$ 1,552,962	$ 8,643,309

Deferred Maintenance

The Department of the Interior owns, builds, purchases, and contracts services for assets such as schools, office buildings, roads, bridges, dams, irrigation systems, and reservoirs. These assets are used to support the Department's mission. Interior's assets include some deteriorating facilities for which repair and maintenance have not been adequately funded. Current and prior budgetary restraints require that repair and maintenance on the assets be postponed for future years. Interior refers to this unfunded repair and maintenance as deferred maintenance.

Inadequately funded maintenance may result from reduced budgets, reallocation of maintenance funds for emergency requirements, insufficient management systems or practices, and competition for resources from other program needs. Deterioration of facilities can adversely impact public health and safety, reduce employees' morale and productivity, and increase the need for costly major repair or early replacement of structures and equipment. Undue wear on facilities may not be immediately noticeable to users, but inadequate maintenance can require that a facility be replaced or undergo major reconstruction before reaching the end of its expected useful life.

The SFFAS No. 6, "Accounting for Property, Plant, and Equipment," requires annual disclosure of the estimated cost to remedy accumulated deferred maintenance on Interior property, plant, and equipment (PP&E). Both General PP&E and Stewardship PP&E are included, if applicable.

Deferred maintenance information is accumulated when maintenance was not performed when it should have been or when it was scheduled and was put off or delayed for a future period.

The Department has developed a 5-Year Plan that provides a framework for improved planning and management of maintenance and construction programs and better defines accumulated deferred maintenance funding needs. In developing the 5-Year Plan, the Department established uniform criteria for critical health and safety and resource protection projects. This criteria also facilitates a thorough review and provides consistent information to management for prioritization decisions. The standard requires that all deferred maintenance be reported regardless of when it might be performed, not just that which is included in the 5-Year Plan. The long-term goal is to have a single source of deferred maintenance backlog information based upon condition assessments recorded in a facilities maintenance management information system. This information does not include annual maintenance or capital improvements as defined in the Department's Budget Formulation Guidance.

Critical Deferred Maintenance

Categories of deferred maintenance for analytic purposes include:

(a) Critical Health and Safety Deferred Maintenance -- poses a serious threat to public or employee safety or health;

(b) Critical Resource Protection Deferred Maintenance -- poses a serious threat to natural or cultural resources;

(c) Critical Mission Deferred Maintenance -- poses a serious threat to a bureau's ability to carry out its assigned mission; and

(d) Compliance and Other Deferred Maintenance -- improves public or employee safety, health, or accessibility; compliance with codes, standards, laws, completes unmet programmatic needs and mandated programs; protection of natural or cultural resources related to a bureau's ability to carry out its assigned mission.

Critical Deferred Maintenance is the work prioritized for FY 2008-2012 in the Deferred Maintenance and Capital Improvement Plans for BLM, USGS, FWS, NPS, and BIA. The Department prioritizes deferred maintenance through these 5-year plans that identify the most critical needs.

Estimated Deferred Maintenance

Generally, deferred maintenance is not estimated on equipment. If, however, the nature of operations is such that deferred maintenance on equipment is considered significant and meaningful, the Department may report this information.

Due to the scope, nature, and variety of the assets entrusted to the Department, as well as the nature of deferred maintenance itself, exact estimates of deferred maintenance are very difficult to determine. Interior has calculated estimates of deferred maintenance based on data from a variety of systems, procedures, and data sources. The accumulation of deferred maintenance cost estimates, however, is not the primary purpose of many of these sources. The Department acknowledges that the reliability of these sources as a basis for deferred maintenance estimates may vary from bureau to bureau. The Department has implemented a cyclic/recurring condition assessment process to monitor, at least once every 5 years, the condition of buildings and other facilities. The 2006 process is similar to the process in place for FY 2005.

Condition Assessment Surveys

The Department uses Condition Assessment Surveys to determine deferred maintenance for each class of assets. A condition assessment survey is the periodic inspection of real property to determine its current condition and to provide a cost estimate for necessary repairs. Annual condition assessments are performed on all constructed assets with a current replacement value (CRV) of $5,000 or more and are performed by field operating unit staff. Comprehensive condition assessments are performed on all constructed assets with a current replacement value of $50,000 or more once every 5 years. Comprehensive assessments are usually performed under contract; the contract includes an inspection of the facility and all component systems, a summary of deficiencies found, and a recalculation of the current replacement value.

The Department's assessment of deferred maintenance is dependent upon the bureaus having accurate and complete facilities information. The accumulation of facility data provides the necessary information for compliance with the Statement of Federal Financial Accounting Standard that requires annual reporting of deferred maintenance of fixed assets. In previous years, the Department based condition on Good, Fair, and Poor; the Department's Asset Management Plan has changed these condition assessments to acceptable or unacceptable.

An acceptable level of condition for an asset is when all of an asset's critical deferred maintenance deficiencies have no deferred maintenance; non-critical systems of deferred maintenance may exist. Acceptable condition may vary by asset type. An unacceptable level of condition for an asset is when an asset's critical deferred maintenance deficiencies have been identified. The threshold used to determine acceptable and unacceptable will vary based on the mission and types of assets.

Interior's current estimate for deferred maintenance includes the following property categories: Roads, Bridges, and Trails; Irrigation, Dams and Other Water Structures; Buildings (e.g., Administration, Education, Housing, Historic Buildings); and, Other Structures (e.g., Recreation Sites, Hatcheries, etc.).

The estimate generally excludes vehicles and most other categories of operating equipment since ongoing maintenance is performed on these assets and such assets would be disposed of before they resulted in a critical deferred maintenance condition.

Deferred Maintenance Estimate

Deferred maintenance information from the Feasibility software system represents the full inventory of all the identified deficiencies, but does not represent a backlog of specific repairs to be undertaken. Bureaus are developing performance measures to improve assets to an acceptable condition. Once these measures are in place and costs associated with achieving acceptable condition determined, this will become the deferred maintenance backlog amounts. As such, the Department's current approach for estimating the amount needed to correct deferred maintenance for property, plant, and equipment ranges from approximately $9.6 billion to $17.3 billion as summarized in Figure 3-1

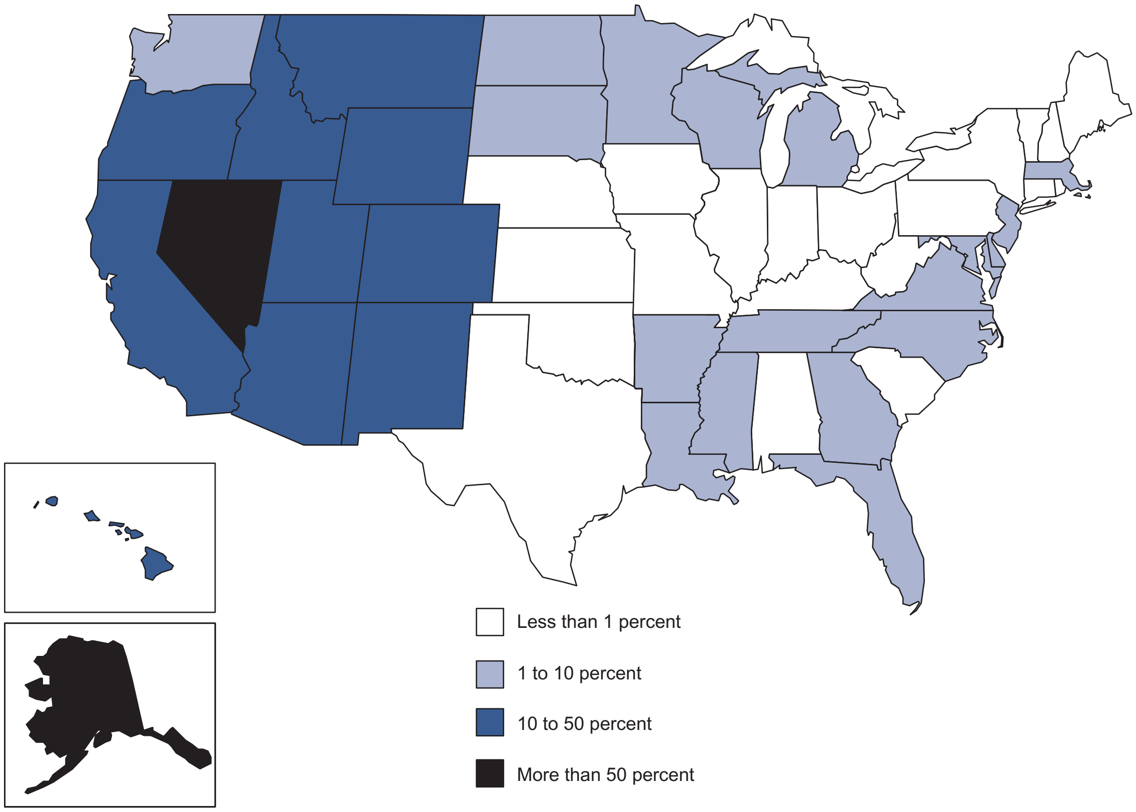
FIGURE 3-1

FY 2006 Deferred Maintenance

Type of Deferred Maintenance	Estimated Range of Deferred Maintenance for 2006 General PP&E Low	General PP&E High	Stewardship PP&E Low	Stewardship PP&E High	Total Low	Total High
Financial Statement Estimated Deferred Maintenance						
Roads Bridges and Trails	$4,197,645	$8,339,960	$601,043	$844,588	$4,798,688	$9,184,548
Irrigation, Dams, and Other Water Structures	1,192,836	1,563,062	198,526	283,643	1,391,362	1,846,705
Buildings (e.g Administration, Education, Housing, Historic Buildings	1,518,622	2,425,048	598,747	1,278,996	2,117,369	3,704,044
Other Structures (eg Recreation sites, Hatcheries, etc.)	1,136,388	2,225,272	158,545	339,447	1,294,933	2,564,719
Total	**8,045,491**	**14,553,342**	**1,556,861**	**2,746,674**	9,602,352	**17,300,016**

FIGURE 3-2

State Acreage Managed by Interior as of September 30, 2006



Stewardship Lands

Most of the public lands managed by Interior were once a part of the 1.8 billion acres of public domain lands acquired by the Nation between 1781 and 1867. Each of America's 50 States, the District of Columbia, the Pacific Islands, the Virgin Islands, Guam, and Puerto Rico, contain lands that are managed by the Department of the Interior (Figure 3-2).

Interior-administered stewardship lands are vast and encompass a wide range of activities, including recreation, conservation, and functions vital to the health of the economy and the American people. These include national parks, national wildlife refuges, public lands, and many other lands of national and historical significance.

Land is defined as the solid part of the surface of the earth and excludes natural resources (that is, depletable and renewable resources) related to the land. Based on this definition, stewardship land is considered to be in acceptable condition unless an environmental contamination or liability is identified and the land cannot be used for its intended purpose(s). Information regarding the financial liabilities identified as probable or reasonably possible and that affect the condition of Stewardship Land are located in Note 14, "Contingent Liabilities and Environmental and Disposal Liabilities."

The Department of the Interior is in the process of implementing the various requirements of SFFAS No. 29, "Stewardship Land and Heritage Assets." During this implementation process, Interior has exercised the flexibility intended by this standard and modified its units of measure to more accurately reflect the major categories of use. Depending on the individual bureau, these units may be reported based on the number of national wildlife refuges, national parks, geographic management areas, water projects, etc.

Each bureau within Interior that administers stewardship lands serves to preserve, conserve, protect, and interpret how best to manage the Nation's natural, cultural, and recreational resources. Some of these stewardship lands have been designated as multiple use, which Congress defines as management of both the land and the use of the land in a combination that will best meet the present and future needs of the American people. The resources and uses embraced by the multiple use concept include mineral development; natural, scenic, scientific, and historical values; outdoor recreation; livestock grazing; timber management; watersheds; and wildlife and fish habitat.

In general, units are added through Presidential/Congressional action; an authorization by Congress is required to remove units from Interior stewardship lands. However, boundaries of individual units may be expanded or altered by fee title purchase, transfer of jurisdiction, gift, or withdrawal from the public domain. The change in boundaries of individual units occurs to enhance the purpose for which the unit exists.

Bureau Stewardship Lands

Bureau of Land Management. The BLM has stewardship responsibility for the multiple-use management of natural resources on and beneath millions of acres of the Nation's "public lands." The Federal Land Policy and Management Act of 1976 defines public lands as ". . . any land and interest in land owned by the United States within the several States and administered by the Secretary of the Interior through the Bureau of Land Management, without regard to how the United States acquired ownership, except: (1) lands located on the Outer Continental Shelf, and (2) lands held for the benefit of Indians, Aleuts, and Eskimos." Lands managed by the BLM represent about one-eighth of the Nation's land surface, or approximately 42% of the lands under Federal ownership. The BLM manages lands in 30 States; most of the public lands are located in Alaska and the 11 Western States (Arizona, California, Colorado, Idaho, Montana, New Mexico, Nevada, Oregon, Utah, Washington, and Wyoming).

The BLM is guided by principles of multiple use and sustained yield in managing the public lands. All of the public lands are managed for multiple use and are used for multiple resource values. The multiple uses of BLM lands may include: domestic livestock grazing, fish and wildlife development and utilization, mineral exploration and production, rights-of-way, outdoor recreation, or timber production.

Fish and Wildlife Service. Stewardship lands managed by FWS include the National Wildlife Refuges, National Fish Hatcheries, and Wetland Management Areas. Lands are acquired through a variety of methods, including withdrawal from the public domain, fee title purchase, transfer of jurisdiction, donation, or gift. The FWS purchases land through two primary sources of funding: the Migratory Bird Conservation Fund and the Land and Water Conservation Fund. The FWS lands are managed and used in accordance with the explicit purpose of the statutes that authorize their acquisition or designation and that direct their use and management.

National Park Service. NPS stewardship lands are used and managed in accordance with the statutes authorizing their acquisition or directing their use and management. At the end of FY 2005, the National Park System encompassed 388 park units. During FY 2006, two additional units were added. The African Burial Ground National Monument was established to protect the remaining portion of a burial ground in New York City. The Carter G. Woodson Home National Historic Site was designated to preserve and protect Dr. Woodson's residence which was the headquarters and center of operations for the Association for the Study of Negro Life and History (established in 1915).

Bureau of Reclamation. Reclamation operates largely as a business-type entity whose primary stated mission is to manage, develop, and protect water and related resources in an environmentally and economically sound manner in the interest of the American people. Reclamation provides water and power throughout the 17 Western States. Reclamation lands are integral to project purposes, such as constructing and operating dams, reservoirs, water conveyance systems, and power facilities. The land is reported based on the projects managed by Reclamation.

Additions or withdrawals would represent: (a) new water projects being authorized and funded by Congress; (b) revocations by the Bureau of Land Management or Forest Service of all Stewardship Lands in a particular project; or (c) projects that have successfully completed the process of title transfers to a non-Federal entity. All the Stewardship Lands from the Upper Snake River, Lynn Crandall Project were disposed in August 2006 in Reclamation's land inventory system due to a completed withdrawal revocation by the Bureau of Land Management.

Bureau of Indian Affairs. Lands owned by the BIA are generally lands located within the boundaries of Indian Reservations (which are managed and owned by the individual Tribes) which have been withdrawn for administrative uses and are not directly related to general Property, Plant, and Equipment. These stewardship lands are generally used for schools, housing, recreation, and irrigation areas.

FIGURE 3-3

FY 2006 Stewardship Lands

					Condition	
Primary Land Management Categories	As of Oct 05	Increase	Decrease	As of Sep 06	Acceptable	Needs Intervention
BIA - Other Recreation Land	15	-	-	15	100.0%	-
BIA - Cultural, Schools, and Housing	79	-	-	79	100.0%	-
BIA - Reclamation & Irrigation Areas	75	1	-	76	100.0%	-
BIA - Other Stewardship Lands	51	-	-	51	100.0%	-
BLM - Geographic Management Areas	126	-	-	126	100.0%	-
BOR - Federal Water and Related Projects	146	-	1	145	100.0%	-
FWS - National Wildlife Refuges	545	2	-	547	99.3%	0.7%
FWS - National Fish Hatcheries	86	-	-	86	100.0%	-
FWS - Wetland Management Districts	37	-	-	37	100.0%	-
NPS - Park Units	388	2	-	390	100.0%	-
OS - Commission Land	1	-	-	1	100.0%	-
Total Number of Units	1,549	5	1	1,553	99.7%	0.3%

Office of the Secretary/Departmental Offices - Utah Reclamation Mitigation and Conservation Commission. The Utah Reclamation Mitigation and Conservation Commission (Commission) was established by Congress in 1992 under the Central Utah Project Completion Act. The Commission's mission is to replace or offset the loss in Utah of fish and wildlife resources and related recreational opportunities caused by the acquisition, construction, and operation of Central Utah Project assets such as dams, power plants, roads, pipelines, aqueducts, operation and maintenance buildings, and visitor centers. Land acquired and investments made in order to mitigate the loss of fish and wildlife resources caused by Central Utah Project construction are not essential or integral parts of the dam, pipeline, etc., and are not "acquired for/in connection with the construction" of the project assets, even if the fish and wildlife mitigation is achieved in the immediate vicinity of the project asset.

Major Categories of Stewardship Lands

Interior's stewardship lands include a number of assets that are of special value to the Nation. The major categories of stewardship land (Figure 3-3) administered by the Department are:

Bureau of Indian Affairs: Other Recreation Lands. Primarily fishing sites where only tribal members are provided with access to rivers for fishing.

Bureau of Indian Affairs: Cultural, Schools, and Housing Lands. Consists of American Indian home sites, both Tribal and non-Tribal, and are administered by the Bureau of Indian Affairs (BIA). Also included is land associated with numerous Indian schools. These lands are used for a wide range of activities, including recreation, conservation, and functions vital to the culture and livelihood of American Indians and Alaska Natives.

Bureau of Indian Affairs: Reclamation and Irrigation Areas. This category includes lands used for various irrigation projects and agricultural lands which are used primarily for farming and grazing. These lands are administered by the BIA and the Bureau of Reclamation.

Bureau of Indian Affairs: Other Stewardship Lands. Used primarily for farming and grazing, but includes forest and wildlife areas in Montana and Wisconsin. This category also includes office space.

Bureau of Land Management: Geographic Management Areas. The BLM reports its stewardship land by 12 “administrative” States whose boundaries largely follow one or more political State lines; the administrative States are further divided into 126 administrative management areas. Specific land use plans are developed and implemented for each of these administrative management areas to manage the land’s resources for both present and future periods.

Bureau of Reclamation: Federal Water and Related Projects. Federal water and related projects are water projects that have been authorized and funded by Congress. These projects include dams, reservoirs, canals, laterals, and various other types of water related properties. The lands for these projects were acquired or withdrawn from the public domain to construct, operate, and maintain the projects. Recreational activities such as fishing, boating, camping, etc., are authorized on these withdrawn lands.

Fish and Wildlife Service: National Wildlife Refuges (NWR). NWRs are managed so that the fish, wildlife, and plants that depend on these lands for habitat are sustained for the short and long term. These lands are protected in perpetuity for as long as they remain in the NWR System.

Fish and Wildlife Service: National Fish Hatcheries. National Fish Hatcheries are involved in the conservation, restoration, and management of fish and wildlife resources and their habitats. In addition to ensuring that the fishery and aquatic resources are protected, additional recreational opportunities such as fishing, hiking, and bird watching are offerred to the public.

Fish and Wildlife Service: Wetland Management Districts. Wetland Management Districts are important components of the National Wildlife Refuge System. They differ from refuges, which frequently consist of a single contiguous parcel of land, in that they consist of scattered small parcels of land. Their primary purpose is to conserve waterfowl nesting and rearing habitats. They consist of Waterfowl Production Areas (owned in fee title) and Wetland or Grassland Easements (privately-owned lands with a government easement overlaying them).

Office of the Secretary/Departmental Offices -- Commission Land: The Utah Reclamation Mitigation and Conservation Commission. The Commission was created to replace or offset the loss in Utah of fish and wildlife resources and related recreational opportunities caused by the acquisition, construction, and operation of Central Utah Project assets. The Commission acquires land for fish and wildlife habitat (wetland, riparian and/or upland) for both aquatic and terrestrial species and land or easements to provide public access to fish and wildlife resources that, once acquired, are also managed to maintain habitat values.

Condition of Stewardship Lands

The Department is required to report on the condition of stewardship land. Land is defined as the solid part of the surface of the earth and excludes natural resources (that is, depletable resources and renewable resources) related to the land. Based on this definition, stewardship land is considered to be in acceptable condition unless an environmental contamination or liability is identified and the land cannot be used for its intended purpose(s). Information regarding the financial liabilities identified as probable or reasonably possible and that potentially affect the condition of Stewardship Land are located in Note 14, "Contingent Liabilities and Environmental and Disposal Liabilities. "

Heritage Assets

Interior is steward for a large, varied, and scientifically important body of heritage assets, both non-collectible and collectible in nature. Some are National Historic Landmarks that are exceptional in illustrating the heritage of the United States. Cultural landscapes are complex resources that range in size from large rural tracts to small formal gardens. Collectible heritage assets include library and museum collections.

Heritage assets administered by the Department are unique in that many assets are interrelated and often overlap various categories of heritage assets, including stewardship lands. Some stewardship land assets are also considered to be non-collectible heritage assets, such as national parks and fish and wildlife refuges. Also, subsets of lands within the National Park System may have additional stewardship asset designations such as wilderness areas, wild and scenic rivers, trails, national battlefields, and national recreation areas. The Department is reporting on assets that are Presidentially, Congressionally, or Secretarially designated.

The Condition of Non-Collectible Heritage assets is dependent on whether it is land-based, in which case the condition of the asset would be based on the condition of the land; or structural, in which case the Asset Management Plan definitions would be incorporated. Overall, the condition of Interior Heritage Assets, both collectible and non-collectible, is acceptable

Non-Collectible Heritage Assets

Interior's heritage assets come from public domain or acquired lands, historic properties under Interior's management, and donations. Interior has a responsibility to inventory, preserve, and interpret these resources for the benefit of the American people and does not normally dispose of such property. Withdrawals of non-collectible heritage assets are due primarily to redesignations by Congress, natural destruction or deterioration of the asset, or transfer to another Federal agency. Descriptions of the 31 types of non-collectible heritage assets are detailed below (see Figure 3-4).

Cooperative Management and Protection Area: The BLM manages one congressionally designated Cooperative Management and Protection Area, the Steens Mountain Cooperative Management and Protection Area, located in southeastern Oregon. Cooperative and innovative management projects will be maintained and enhanced by the BLM, private landowners, tribes, and other public interest groups.

Headwaters Forest Reserve: The Headwaters Forest Reserve, located in central Humboldt County, California, was acquired from private owners by the BLM and the State of California. While title is held by BLM, this area is co-managed by the BLM and the State of California to protect the stands of old-growth redwoods that provide habitat for a threatened seabird, the Marbled Murrelet, as well as the headwaters that serve as a habitat for the threatened Coho Salmon and other fisheries.

Lake Todatonten Special Management Area: The U.S. Congress authorized the creation of the Lake Todatonten Special Management Area located in the interior of Alaska. Lake Todatonten, the central feature of this special management area, is particularly important to waterfowl, which use the area for migration, staging, molting, and nesting. The lake and its surrounding hills are also home to moose, bear, and furbearers.

National Battlefield: A National Battlefield is an area of land on which a single historic battle or multiple historic battles took place during varying lengths of time. This general title includes national battlefields, national battlefield parks, national battlefield sites, and national military parks. In 1958, a NPS committee recommended national battlefield as the single title for all such park lands. Congress names the park units and the NPS uses the official names. No further descriptions or distinctions are maintained by the NPS.

National Conservation Areas: Congress designates National Conservation Areas so that present and future generations of Americans can benefit from the conservation, protection, enhancement, use, and management of these areas and enjoy their natural, recreational, cultural, wildlife, aquatic, archeological, paleontological, historical, educational, and/or scientific resources and values. National Conservation Areas are managed by BLM.

National Historic Landmarks: The Historic Sites Act of 1935 authorizes the Secretary of the Interior to designate National Historic Landmarks as the Federal Government's official recognition of the national significance of historic properties. These landmarks possess exceptional value or quality in illustrating or interpreting the heritage of the United States in history, architecture, archeology, technology, and culture. They also possess a high degree of integrity of location, design, setting, materials, workmanship, feeling, and association. National Historic Landmarks are managed by BIA, Reclamation, FWS, BLM, and NPS.

National Historic Sites: Usually, a National Historic Site contains a single historical feature that was directly associated with its subject. Derived from the Historic Sites Act of 1935, some historic sites were established by Secretaries of the Interior; but most have been authorized by acts of Congress.

National Historical Parks: This designation generally applies to Historic Parks that extend beyond single properties or buildings.

National Lakeshores: National Lakeshores, all on the Great Lakes, closely parallel the seashores in character and use.

National Memorials: A National Memorial is commemorative of an historic person or episode; it need not occupy a site historically connected with its subject.

National Monuments: National Monuments are normally designated by Congress to protect historic landmarks, historic and prehistoric structures, or other objects of historic or scientific interest on the public lands. The Antiquities Act of 1906 authorized the President to declare by public proclamation landmarks, structures, and other objects of historic or scientific interest situated on lands owned or controlled by the government to be national monuments. National Monuments are managed by BLM, FWS, and NPS.

National Natural Landmarks: National Natural Landmarks are designated by the Secretary of the Interior. To qualify as a national natural landmark, the area must contain an outstanding representative example(s) of the Nation's natural heritage, including terrestrial communities, aquatic communities, landforms, geological features, habitats of native plant and animal species, or fossil evidence of the development of life on earth and must be located within the boundaries of the United States or on the Continental Shelf. National Natural Landmarks are managed by Reclamation, FWS, NPS, and BLM.

National Parks: Generally, National Parks are large natural places that encompass a wide variety of attributes, sometimes including significant historic assets. Hunting, mining, and consumption activities are not authorized on these properties.

National Parkways: The title National Parkway refers to a roadway and the parkland paralleling the roadway. All were intended for scenic motoring along a protected corridor and often connect cultural sites.

National Preserves: National Preserves are areas having characteristics associated with national parks, but in which Congress has permitted continued public hunting, trapping, oil/gas exploration, and extraction.

National Recreation Areas: A National Recreation Area is an area designated by Congress to assure the conservation and protection of natural, scenic, historic, pastoral, and fish and wildlife values and to provide for the enhancement of recreational values. National Recreation Areas are generally centered on large reservoirs and emphasize water-based recreation with some located near major population centers. BLM manages one such area, the White Mountains National Recreation Area in Alaska, which is named for its unusual, jagged, white limestone ridgeline. NPS manages these urban parks to combine scarce open spaces with the preservation of significant historic resources and important natural areas in locations that can provide outdoor recreation for large numbers of people.

National Reserves: National Reserves are similar to National Preserves; it is possible that management may be transferred to local or State authorities. The first reserve, City of Rocks, was established in 1988.

National Rivers: There are several variations to this category: National River and Recreation Area, National Scenic River, Wild River, etc. The first was authorized in 1964 and others were established following passage of the Wild and Scenic Rivers Act of 1968.

National Seashores: National Seashores have been established on the Atlantic, Gulf, and Pacific coasts; some are developed and some relatively primitive. Hunting is allowed at many of these sites.

National Trails System: Since the passage of the National Trails System Act in 1968, BLM and NPS have assumed responsibility over several National Historic or Scenic Trails designated by Congress. BLM manages over 85 % of all of the Federal miles along national historic trails. These trails are designated by the Departmental Secretary (Interior or Agriculture) having jurisdiction over the particular trail area. Designations include National Historic Trails, National Scenic Trails, and National Recreation Trails.

National Wild and Scenic Rivers: The National Wild and Scenic Rivers System includes a total of 38 rivers in five States. These nationally recognized rivers encompass some of the Nation's greatest diversity and concentrations of recreational, natural, and cultural resources. Included among the BLM-managed wild and scenic rivers is the Fortymile River in Alaska, which is the longest designated river in the National Wild and Scenic Rivers System.

Rivers designated in the National Wild and Scenic Rivers System are classified in one of three categories (wild, scenic, and recreational), depending on the extent of development and accessibility along each section. In addition to being free flowing, these rivers and their immediate environments must possess at least one outstanding remarkable value—scenic, recreational, geologic, fish and wildlife, historic, cultural, or other similar values. When evaluating rivers for possible designation, the Department also considers whether the river meets suitability factors such as: the amount of public land acreage in the immediate environment of the river; funds required for acquisition, facility development and management; local or State interest in helping to manage the river; support for designation; and competing uses for the river. Studies to determine eligibility may be the responsibility of either the Department of the Interior (NPS, FWS, and BLM), the Department of Agriculture (the U.S. Forest Service), or the shared responsibility of both agencies. Only an Act of Congress may remove a river from the System.

National Wildlife Refuges (NWR)**:** NWRs are managed so that the fish, wildlife, and plants that depend on these lands for habitat are sustained for both the short and long term. These lands are protected in perpetuity for as long as they remain in the NWR System.

FIGURE 3-4

FY 2006 Non-Collectible Heritage Assets

					Condition Expressed as a Percentage						
					Land Based			Structurally Based			
Primary Non-Collectible Heritage Asset Categories	As of Oct 05	Increase	Decrease	As of Se 06	Acceptable	Needs Intervention	Total	Acceptable	Unacceptable	Unknown	Total
Cooperative Management and Protection Areas	1	-	-	1	100%	-	100%	-	-	-	-
Headwaters Forest Reserve	1	-	-	1	100%	-	100%	-	-	-	-
Lake Todatonten Special Management Area	1	-	-	1	100%	-	100%	-	-	-	-
National Battlefield Parks	3	-	-	3	-	-	-	100%	-	-	100%
National Battlefield Sites	1	-	-	1	100%	-	100%	-	-	-	-
National Battlefields	11	-	-	11	100%	-	100%	100%	-	-	100%
National Conservation Areas	13	-	-	13	100%	-	100%	-	-	-	-
National Historic Landmarks (NHL)	214	9	17	206	50%	50%	100%	85%	10%	5%	100%
National Historic Sites	77	1	-	78	100%	-	100%	99%	1%	-	100%
National Historic Trails	10	-	-	10	100%	-	100%	-	-	-	-
National Historical Parks	42	-	-	42	100%	-	100%	97%	3%	-	100%
National Lakeshores	4	-	-	4	-	-	-	100%	-	-	100%
National Memorials	28	-	-	28	100%	-	100%	94%	6%	-	100%
National Military Parks	9	-	-	9	100%	-	100%	100%	-	-	100%
National Monuments	89	2	-	91	100%	-	100%	94%	6%	-	100%
National Natural Landmarks (NNL)	105	4	-	109	100%	-	100%	-	-	-	-
National Parks	58	-	-	58	100%	-	100%	98%	2%	-	100%
National Parkways	4	-	-	4	100%	-	100%	100%	-	-	100%
National Preserves	18	-	-	18	100%	-	100%	94%	6%	-	100%
National Recreation Areas	19	-	-	19	100%	-	100%	100%	-	-	100%
National Recreation Trails	70	8	-	78	100%	-	100%	100%	-	-	100%
National Reserves	2	-	-	2	100%	-	100%	-	-	-	-
National Rivers	5	-	-	5	100%	-	100%	100%	-	-	100%
National Scenic Trails	5	1	-	6	100%	-	100%	-	-	-	-
National Seashores	10	-	-	10	-	-	-	100%	-	-	100%
National Wild and Scenic Rivers	56	-	-	56	100%	-	100%	100%	-	-	100%
National Wildlife Refuges	545	2	-	547	100%	-	100%	-	-	-	-
Outstanding Natural Area	1	-	-	1	100%	-	100%	-	-	-	-
International Historic Sites	1	-	-	1	-	-	-	100%	-	-	100%
Wilderness Areas	297	2	-	299	100%	-	100%	-	-	-	-
Other	11	-	-	11	100%	-	100%	100%	-	-	100%
Total	1,711	29	17	1,723	99.7%	0.3%	100%	93%	5%	2%	100%

Outstanding Natural Area: An Outstanding Natural Area consists of protected lands designated either by Congress or administratively by an agency to preserve exceptional, rare, or unusual natural characteristics and to provide for the protection or enhancement of natural, educational, or scientific values. These areas are protected by allowing physical and biological processes to operate, usually without direct human intervention. BLM manages one such area, the Yaquina Head Outstanding Natural Area, located in Newport, Oregon. Yaquina Head also has been designated as a Globally Important Bird Area by the American Bird Conservancy and the National Audubon Society.

I***nternational Historic Site***: These are relevant to the respective countries' histories. The lone International Historic Site, Saint Croix International Historic Sites, is relevant to both U.S. and Canadian history and is managed by the NPS.

Wilderness Areas: Wilderness Areas are Federal lands that have been designated by Congress, are defined by the Wilderness Act of 1964, as a place where the earth and its community of life are untrammaled by man, where man himself is a visitor and does not remain and are devoted to the public for purposes of recreational, scenic, scientific, educational, conservatorial, and historical use. These areas, which are generally greater than 5,000 acres, appear to have been affected primarily by the forces of nature, with human development substantially unnoticeable. Wilderness areas provide outstanding opportunities for solitude or primitive and unconfined types of recreation. The Act further defined wilderness as "an area of undeveloped Federal land retaining its primeval character and influence without permanent improvements or human habitation, which is protected and managed so as to preserve its natural condition."

BLM administers 177 wilderness areas and FWS administers 75 wilderness areas in 26 States. The locations of these wilderness areas ensure that these lands represent the wide diversity of resources found on the public lands. Protective management helps ensure the protection and integrity of natural and biological processes on all public lands. Wilderness areas exist within 47 NPS units.

Other: Other includes those park units that cannot be readily included in any of the standard categories. Examples include: Catoctin Mountain Park, Maryland; Constitution Gardens, District of Columbia; National Capital Parks located in the District of Columbia, Maryland, and Virginia; the White House; the National Mall; and Wolf Trap National Park for the Performing Arts.

Interior's non-collectible heritage assets are shown in Figure 3-4.

Collectible Heritage Assets

The Department is steward of a large, unique, and diversified collection of library holdings and museum collections (Figures 3-5 and 3-6, respectively). These assets are held in both Federal and non-Federal facilities.

Library Collections

The Departmental Library collection represents a national resource in the disciplines vital to the mission of the Department. The collection covers Native American culture and history, American history, National Parks, geology, nature, wildlife management, public lands management, and law. In addition, the Library's collection of online databases and access to other electronic information sources enable Departmental personnel and other researchers to access needed information from their computers. Departmental policy dictates that copies of all publications produced by or for its bureaus and offices will be deposited in the Library collection. The Library serves Interior employees in the Washington, D.C., area and field offices throughout the Nation, and enhances its ability to fulfill its responsibilities by providing an informative Web site at http://library.doi.gov, online access to the catalog of holdings over the Web site, and training sessions to familiarize Departmental staff with the treasures of the collection.

U.S. Geological Survey library holdings, collected during more than a century of providing library services, are an invaluable legacy to the Nation. The legislation that founded the USGS decreed that copies of reports published by the USGS should be given to the library in exchange for publications of State and national geological surveys

FIGURE 3-5

FY 2006 Library Collections

Interior Library Collections	As of Oct 05	Increase	Decrease	As of Sep 06	Condition of Library Collections: Good	Fair	Poor	Unknown
Departmental Library	1	-	-	1	100%	-	-	-
U.S. Geological Survey Library	4	-	-	4	100%	-	-	-
Total	5	-	-	5	100%	-	-	-

and societies. The USGS four library collections provide scientific information needed by Interior researchers, as well as researchers of other government agencies, universities, and professional communities. Besides providing resources for USGS scientific investigations, the library collections provide access to geographical, technical, and historical literature in paper and electronic formats for the general public and the industry. These libraries are housed in Reston, Virginia; Menlo Park, California; Denver, Colorado; and, Flagstaff, Arizona.

Museum Collections

Department of the Interior museum collections are intimately associated with the lands and cultural and natural resources for which Interior bureaus share stewardship responsibilities. Disciplines represented include art, ethnography, archeology, documents, history, biology, paleontology, and geology.

Bureaus and offices may add (accession) items to the museum collections by donation, purchase, transfer, or field collection and, depending on bureau-specific authority, by exchange. Bureaus and offices may remove items from the museum collections in response to involuntary loss, theft, or destruction. Departmental offices and the NPS also have congressional authority to remove (deaccession) items selectively by adhering to strict procedures and the highest ethical standards and to make every effort to retain the items for public ownership.

Museum collections are housed in both Federal and non-Federal institutions in an effort to maximize accessibility to the public while reducing costs to bureaus. Museum collections managed by Interior bureaus are important both for their intrinsic value and for their usefulness that supports Interior's mission of managing Federal land, cultural resources, and natural resources. Cataloging the collections continues to be a priority within Interior bureaus and has improved each year.

FIGURE 3-6

FY 2006 Museum Collections

Interior Museum Collections	As of Oct-05	Incr	Dec	As of Sep-06	Condition of Museum Collections			
					Good	Fair	Poor	Unkn
Held at Interior Bureau Facilities	592	12	15	589	35%	21%	18%	26%
Held at Non-Interior Bureau Facilities	520	1	94	427	35%	21%	1%	43%
Total	1,112	13	109	1,016				

Facilities housing Department museum collections must meet specific environmental, security, fire protection, housekeeping, physical examination and conservation treatment, storage, and exhibit space standards as described in Departmental Manual Section 411, Chapter 3. These standards require facilities that house collections to maintain their stewardship responsibilities by adhering to best practices as defined by industry standards and interpretations.

Bureau Highlights

National Park Service. The NPS museum collections support the NPS mission to foster understanding, appreciation, and enjoyment of natural and cultural heritage. They are tangible and accessible evidence of the resources, significant events, and peoples associated with NPS lands. The collections include items ranging from historic furnishings in the home of John Adams, flags that flew over Fort Sumter, Thomas Edison's handwritten notes on inventions, the tools and furnishings of a working ranch in Montana, botanical specimens from Yosemite, and archeological items from Mesa Verde. These museum collections, from 360 NPS units and managed at 321 NPS locations, are important not only individually, but also because of their direct association with the nationally significant sites in the National Park System.

Notable acquisitions in FY 2006 include a chair that was in the presidential box the night Abraham Lincoln was shot at Ford's Theatre National Historic Site and six Bird Cage Windsor chairs, originally owned and used by Clara Barton in her Glen Echo home at the Clara Barton National Historic Site.

Hurricanes Katrina, Wilma, and Rita impacted NPS collections in Florida, Louisiana, Mississippi, and Texas. The NPS worked diligently to remove the damaged items/facilities to locations for repair and/or restoration. A great deal of progress has been made to return the damaged items to their previous condition and return them to their original locations.

Bureau of Land Management. Museum collections under BLM's stewardship consist principally of archeological, historical, and paleontological materials that are managed to professional standards and in compliance with applicable laws, and are accessible to the public. Most collections originating from BLM-managed land are housed in non-Federal facilities throughout the country. Collections are used to teach museum visitors about life in the past. Researchers value the collections from public lands as a source of material for scientific data that becomes a permanent part of study and display collections. Scientific publications, textbooks, and articles for the general public are based on information taken from these collections.

In addition to the more than 100 non-Federal facilities that house BLM objects, BLM curates objects in three BLM facilities. These facilities are located in Dolores, Colorado; Billings, Montana; and Flagstaff Hill, Oregon.

Bureau of Reclamation. Reclamation collects information on the size, location, and condition of its museum property collections. Beginning in FY 2006, Reclamation reported collectible heritage assets that have been accessioned as museum property as defined and required by 411 DM 3.4.A. Each facility contains one Reclamation collection; therefore, the number of collections reported is the same as the number of Interior and non-Interior facilities housing Reclamation collections. FY 2006 additions were from authorized archaeological projects or from collections that were moved between facilities.

The withdrawals from fiscal year 2005 are primarily the result of the strict application of museum property as defined by 411 DM and of updating collection records. Museum property is defined as items or collections formally accessioned into a property management system. Because most of Reclamation's previously reported collections have not been accessioned, they cannot be classified as museum property. Reclamation expects to report significant additions in the number of collections as they are accessioned over the next 2 years. Actual management of these collections will not change.

Other withdrawals occurred because one non-Interior facility no longer holds Reclamation museum property; and two facilities previously reported as non-Reclamation have been removed from that category and are now reported as Interior facilities.

Bureau of Indian Affairs. BIA museum property collections are collected and preserved to further the mission of the bureau by documenting bureau activities, such as the history of Indian schools and celebrating government-to-government relations between the Federal Government and Tribal governments. Collections are exhibited in Indian schools and displayed in BIA administrative offices, illustrating the history, mission, and activities of the bureau, as well as highlighting traditional and contemporary American Indian culture. Collections are managed in museums, universities, and other repositories and are made available to Tribes, and the public through research, exhibitions, and publications that document and highlight Tribal histories and Indian traditions.

BIA museum collections are housed at 108 BIA facilities and 65 non-Federal facilities.

Fish and Wildlife Service. The FWS museum collections are used for educational and interpretive programs; research on changes to habitat and wildlife; and, maintaining the history and traditions of FWS Programs and employees. These collections are maintained in 137 offices or on loan to 217 non-Federal repositories for study and long-term care. In an effort to assist field stations in managing their collections, FWS released a new museum property software package for tracking essential information and preparing annual reports.

Also in FY 2006, the FWS became the chair of the newly formed Heritage Asset Partnership, a committee recommending improvements on how to better maintain the materials and use them for education and interpretation, while providing expertise to the Department in its heritage asset management functions.

U.S. Geological Survey. The USGS manages a widespread collection of natural history specimens and cultural objects that support the mission of the bureau in many science and administrative centers throughout the United States. These unique collections serve to illustrate important achievements and challenges to the earth sciences, to document the history of the USGS, and to enlighten those who use the collections. The museum collections are divided into two major categories: historical (including art, history, ethnography, and documents) and zoology.

Minerals Management Service. The MMS maintains a cultural museum collection that consists of art, ethnography, history, documents, and geology items. The assets within the collection are fully documented and are in good condition.

Office of the Secretary/Departmental Offices. Components of Departmental Offices museum collections include The Indian Arts and Crafts Board (IACB) which manages three regional museums, the National Business Center, which manages the Departmental Museum in the Main Interior Building in Washington, D.C., and one museum collection managed by the Office of the Special Trustee (OST) for American Indians.

The Departmental Museum hosted an exhibition on Lewis and Clark Revisited and was named in the top photography exhibitions in Washington, D.C., by critic Louis Jacobson. An exhibition on Eleanor Roosevelt and Val-Kill Industries was featured in articles in the *New York Times*, *Chicago Tribune*, and *Town and Country* Magazine.

The Indian Arts and Crafts Board manages three museums in Rapid City, South Dakota; Browning, Montana; and Anadarko, Oklahoma. These museums play a vital role in promoting authentic Indian arts and crafts through their permanent exhibitions, changing promotional sales exhibitions, and public educational activities. The museums serve as major economic, cultural, and educational attractions in their respective regions.

Required Supplementary Stewardship Information (Unaudited, See Auditors' Report)

Stewardship Investments

Investment in Research and Development provides reliable, credible, objective, and unbiased scientific results to improve the basic understanding of natural resources and to assist in enhancing land and resource management decisions across the Nation, within and outside of the Department. These research and development activities encompass examinations of geological structures, mineral resources, and products within and outside the national domain. Earth science research and information is used to save lives and property, safeguard human health, enhance the economic vitality of the Nation and its people, assess resources, characterize environments, and predict the impact of contamination. This information aids in solving critical societal problems through research, investigation, and the application of State-of-the-Art geographic and cartographic methods.

Interior's research and development activities are presented in Figure 3-7 in three major categories:

Basic research. A study to gain knowledge or understanding of the fundamental aspects of specific phenomena or observable facts without specific applications and products in mind;

Appl*ied* research. A systematic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met; and

Developmental Research. The systematic use of 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.

Highlights of Research and Development at Interior Bureaus

U.S. Geological Survey. The USGS is the earth and natural science research bureau of the Department and the only integrated natural science bureau in the Federal Government. By combining biology, geology, hydrology, and geography in one agency, the USGS is uniquely positioned to provide science information and conduct scientific research that ensures an integrated approach to advance

FIGURE 3-7

FY 2006 Investment in Research and Development
(in millions)

Category	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	TOTAL
Basic Research	$87	$77	$71	$79	$72	$386
Applied Research	893	768	842	763	696	3,962
Developmental	92	107	78	76	89	442
TOTAL	$1,072	$952	$991	$918	$857	$4,790

scientific knowledge and inform decisions. USGS research and data products support the Department's resource and land management needs and provide the science needed by other Federal, State, Tribal, and local governmental agencies to guide planning, management, and regulatory programs.

USGS has implemented several monitoring and analysis tools for natural-hazard events that provide decisionmakers access to real-time information to better understand, plan for, and respond to the environmental and ecological impact of natural-hazard events. Among these tools are the Geospatial Multi-Agency Coordination (GeoMAC) system, which provides the public and fire responders with up-to-date information about the locations of wildfires (http://geomac.gov) and the Natural Hazards Support System (NHSS), which integrates near-real-time data for multiple types of natural-hazard events (http://nhss.cr.usgs.gov). These tools allow users to easily monitor a single natural-hazard event and to see the geospatial relationships between the event and other activities that may have an impact on that event, such as the progress of a wildland fire and/or heavy rain, both of which are tracked by other types of data systems.

Collaborative studies by the City of Austin, Texas, and the USGS have identified coal-tar-based sealcoat—the black, shiny emulsion painted or sprayed on asphalt pavement, such as parking lots—as a major and previously unrecognized source of polycyclic aromatic hydrocarbon (PAH) contamination. Several PAHs are suspected human carcinogens and toxic to aquatic life. Studies in Austin, Texas, showed that particles in runoff from coal-tar based sealcoated parking lots had concentrations of PAHs that were about 65 times higher than concentrations in particles washed off parking lots that had not been sealcoated. Studies by USGS scientists demonstrated possible connections between PAHs in particles washed off sealed parking lots and PAHs in suspended sediment in four streams in Austin and Fort Worth, Texas. Currently, the use of coal-tar-based sealcoat is not federally regulated; however, as a result of the work conducted by the USGS and the City of Austin, Texas, to address PAH contamination in streams, the City of Austin, Texas, Council banned the use of coal-tar-based sealcoat, effective in January 2006.

The USGS Landsat 5 Flight Operations Anomaly Team was selected by the American Institute of Aeronautics and Astronautics (AIAA) to receive the International Space Operations Award for Outstanding Achievement for 2006. The team received the award at the 9th International Conference on Space Operations in Rome, Italy, on June 19 to 23, 2006. Quoting the citation, the USGS team received the award, "for dedicated efforts in recovering Landsat 5 from two potentially mission-ending hardware anomalies and restoring the mission to full operations." In November 2005, the solar array that generates power for Landsat 5 stopped working properly; in March 2006, the downlink transmitter that sends image data to ground stations tripped a circuit breaker and stopped transmitting data. In each case, the Flight Operations Anomaly Team was able to devise corrective procedures and restore the 22-year-old Landsat 5 spacecraft to full operations. As a result of the team's efforts, image data from Landsat 5 continues to be available to scientists around the world.

National Park Service. Through appropriations for natural resource stewardship (encompassing natural resource research support and natural resource management, including the Natural Resource Preservation Program [NRPP], and the Cultural Resource Preservation Program [CRPP]), the NPS performs a wide range of mission-oriented research in support of its natural and cultural resource stewardship responsibilities. This work constitutes applied research focusing on park-based needs for scientific and scholarly information related to park management.

The NRPP provides funding for park natural resource management-related projects that are beyond the funding capabilities of the parks themselves. These funds are relied on by parks for the highest priority individual projects. The CRPP provides funding for cultural resource research and resource management projects in the fields of archeology, ethnography, historic architecture, historic landscape architecture, history, and museum collections. The outlays and expenditure levels for research vary each year in response to the needs and priorities identified by the parks.

A variety of research projects are underway, including:

- a multi-agency collaborative study among U.S. Geological Survey, National Oceanographic and Atmospheric Administration, Alaska Department of Fish and Game, and NPS addressing hypotheses on harbor seal declines in Glacier Bay National Park Reserve;

- mapping and categorizing the geology and aquifers of the Tomahawk Creek Basin in Buffalo National River, Arkansas, which will provide the park with the science-based information needed to develop management actions to protect karst aquifers, their recharge basins, and the streams that feed the Buffalo River;

- Acadia National Park, Maine, has drafted a Cultural Landscape Report for the historic motor road system; and

- Shenandoah National Park, Virginia, began a special history study of the Lewis Mountain Development, built in 1938-1941 to serve African-American Park visitors. With its development, Shenandoah National Park became racially segregated.

Minerals Management Service. The MMS manages the mineral resources on 1.76 billion acres of the Outer Continental Shelf (OCS) to ensure that exploration, development, and production activities are conducted in a manner that conserves natural resources, provides for the safety of offshore workers, provides for a fair return to the public for the mineral rights conveyed, and assures protection of the environment.

MMS research supports the prediction of potential environmental impacts and aids in the development of mitigating measures to ensure safe, pollution-free operations. The Environmental Studies Program provides environmental and socioeconomic information to support decisionmaking for all phases of the OCS minerals management program. The Technology Assessment and Research program pursues engineering studies focusing on operational safety, pollution prevention, and effective spill response.

Bureau of Reclamation. Reclamation invests in applied research programs to aid in the water and energy management challenges facing the arid Western States. Programs focus on the improvement of water management, the development of solutions pertaining to flood hydrology, water quality, irrigation return flows, and the delivery of hydropower to the West. The information obtained through these programs provides water management solutions and techniques that yield future benefits to the Nation. Research and Development activities support Reclamation's outcome goal to deliver water consistent with applicable State and Federal law, in an environmentally responsible and cost-efficient manner.

Office of the Secretary/Departmental Offices - Central Utah Project Completion Act. In order to provide for the completion of the Central Utah Project, Public Law 102-575 was enacted on October 30, 1992. Funds authorized pursuant to this Act are appropriated annually to the Secretary of the Interior and made available to the Central Utah Water Conservancy District. Examples are:

- Provo River Studies is a hydrologic study of the Provo River Basin and a feasibility study of direct delivery of Colorado River Basin water from the

Strawberry Reservoir or elsewhere in the Strawberry Collection system to the Provo River Basin; and

- Studies conducted by the Central Utah Water Conservancy District include evaluations to determine: the feasibility of reducing salinity in Utah Lake and the effects of demands on the Provo River, including historical diversion, decrees, and water rights.

Office of the Secretary/Departmental Offices - Utah Reclamation Mitigation and Conservation Commission. The Commission invests in research calculated to determine the means by which mitigation measures or programs could be achieved (applied) or to determine the best method or design for an identified mitigation measure (developmental). In FY 2006, the Commission's research focused primarily on the Sage Grouse (a Northern American bird threatened by loss and deterioration of sage-steppe grassland habitat and predation) and the June Sucker (a fish occurring naturally only in Utah Lake and the Provo River and is federally listed as endangered).

Bureau of Land Management. The primary objective of the BLM's research and development program is to make better use of new data, information, and knowledge to improve the management of the Nation's lands and resources. The BLM's research and development program focuses on working with partners to identify scientific information needs and then communicating those needs to research agencies, universities, and other non-governmental organizations. In FY 2006, the BLM began new and continued past research and developmental efforts, including:

- Initiating a study to develop and test new options for young stand management to meet Northwest Forest Plan objectives in western Oregon;

- Analyzing Mancos shale landscapes in the Gunnison Gorge Conservation Area, Colorado, for salt and sediment contributions in relation to plant populations, soil chemistry, and erosion properties and how salinity and selenium affect surface and ground water; and

- Studying the effects of fragmented habitats and energy development on sage grouse ecology and behavior in the Great Basin and adjacent areas.

Investment in Human Capital

Investment in human capital refers to education and training programs financed by the Federal Government for the benefit of the public; investment in human capital does not include education and training expenses for Federal employees. The Department plays a vital role in providing quality educational opportunities from early childhood throughout life, with consideration given to the mental, physical, emotional, spiritual, and cultural aspects of the people served.

The Department's investments in human capital are shown in *Figure 3-8*.

Job Corps Program

Interior provides residential education and job training to disadvantaged youth through participation in the Job Corps Program. The Job Corps, established in 1964, is the Nation's largest national job training and education program and offers job training, basic education, social skills training, and support services to young people ages 16-24 that face multiple barriers to employment. Job Corps Civilian Conservation Centers are operated by the Departments of the Interior and Agriculture and are located on National Wildlife Refuges, in National Parks, and in National Forests. Job Corps students perform valuable work to improve these public lands. In FY 2006, a total of approximately $52 million was expended by the Department for the Job Corps Program.

FIGURE 3-8

FY 2006 Investment in Human Capital (in millions)

Category	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	TOTAL
Educational Programs	$607	$560	$570	$549	$542	$2,828
Job Corps Program	56	60	57	53	52	278
Other	15	12	12	12	11	62
TOTAL	$678	$632	$639	$614	$605	$3,168

Bureau Job Corps Program Highlights

Bureau of Reclamation. Reclamation operates six Job Corps Centers, based on an interagency agreement with the Department of Labor, to educate and train disadvantaged youth. In FY 2006, Reclamation expended approximately $31.6 million in residential education and job training, including courses in computer technology, painting, woodworking, welding, culinary arts, and social and leadership development.

Job Corps is a self-paced, open entry/exit program. This means it takes some students longer than others to graduate. Depending on incoming educational levels, it can take a student between 8 months and 2 years to complete the program and graduate. Therefore, the number of graduates does not always equal the number of enrollees. In fact, the number of graduates can exceed the number of enrollees if the average length of stay is less than 1 year. The following chart shows the number of Reclamation Center graduates as a percentage of the total Center enrollment and the number of graduates placed into jobs within 1 year of graduation as a percentage of the graduates in the placement pool.

FY 2006 Reclamation Center Graduates

Center	Graduates	Enrollment	Percent	Graduates Placed	Graduate Placement Pool	Percent
Centennial Nampa, Idaho	255	261	98	311	343	91
Columbia Basin, Moses Lake, WA	190	232	82	236	268	88
Ft. Simcoe, White Swan, WA	165	229	72	211	238	89
Weber Basin, Ogden, Utah	176	212	83	153	177	86
Collbran, Collbran, CO	152	203	75	176	191	92
Treasure Lake, Indianahoma, OK	128	156	82	110	131	84

National Park Service. The NPS operates three Job Corps Civilian Conservation Centers: the Oconaluftee Center in North Carolina; the Great Onyx Center in Mammoth Cave, Kentucky; and the Harpers Ferry Center in Harpers Ferry, West Virginia. Student capacity is approximately 200 students for each of the Centers.

Job Corps centers are rated on the attainment of goals for graduates and student placements in jobs once students leave the program. Students graduate from the program with a high school diploma or general equivalency diploma (GED). Graduates obtain jobs in various industries, including business technology, transportation (trucking), plumbing, and building and construction. FY 2006 graduates and placements for the three NPS centers are:

FY 2006 General Education Diploma/High School Diploma

Center	GED/HSD Graduates	Total Students	Percent of Students	Percent of Targeted Goal	Percent of Goal Met
Great Onyx	97	263	37	47	78
Harpers Ferry	82	192	43	50	86
Oconaluftee	105	240	44	46	96

FY 2006 Placements

Center	Placements	Total Students	Percent of Students	Percent of Targeted Goal	Percent of Goal Met
Great Onyx	204	238	86	95	90
Harpers Ferry	152	174	87	95	92
Oconaluftee	145	176	82	95	87

FY 2006 Career Technical Graduates

Center	Graduates	Total Students	Percent of Students	Percent of Targeted Goal	Percent of Goal Met
Great Onyx	186	354	53	65	81
Harpers Ferry	141	232	61	65	94
Oconaluftee	149	293	51	65	78

The Centers offer a variety of career technical training programs (carpentry, landscaping, plumbing, brick and masonry, health occupations, and urban forestry). Members of the team at Mammoth Cave participate as part of the firefighting component of Interior and were deployed on several occasions for firefighting and camp crew duty.

U.S. Fish and Wildlife Service. FWS began FY 2006 operating one Job Corps Civilian Conservation Center: Treasure Lake, located at the Wichita Mountains Wildlife Refuge in Indiahoma, Oklahoma. Effective for FY 2006, the statistics for students served, graduates, and placements are:

FY 2006 FWS Ratings

Center	Students Served	Graduates	Percent	Placements	Percent of Graduate Placements
Treasure Lake	390	122	31	104	85

Effective July 2006, operation of the Treasure Lake Job Corps Center was transferred from FWS to Reclamation.

Bureau of Indian Affairs Education Programs
Within the BIA, the Bureau of Indian Education (BIE) takes the lead in the area of education. The BIE vision and long-range goal is to unite and promote healthy Indian communities through lifelong learning. This goal is implemented through the commitment to provide quality educational opportunities from early childhood throughout life.

Adult Education
The adult education program provides opportunities for adult Indians and Alaska Natives to obtain a GED and provides educational opportunities for American Indians and Alaskan Natives to improve their employment skills and abilities.

Post-Secondary Education Programs
Post-secondary programs consist of operating grants and supplemental funds for Tribal Colleges and Universities. Funds also support the Undergraduate and Graduate Scholarship Programs, Haskell Indian Nations University, and Southwestern Indian Polytechnic Institute. The Undergraduate and Graduate Scholarship Program is administered by the BIA and by Tribes under self-determination contracts, grants, or self-governance compacts. The Undergraduate Scholarship program provides financial assistance for eligible American Indian and Alaska Native students attending accredited post-secondary institutions. Each scholarship award is based on the student's certified financial aid requirements for Title IV Federal Assistance, such as the Pell Grant.

477 Program
The Indian Employment, Training and Related Services Act (P.L. 102-477) allows federally-recognized Tribes to consolidate funding from the Department of Labor, Health and Human Services, and Interior to provide employment, education, training, childcare, welfare reform, and related services. The Tribal governments are allowed to integrate the employment, training, and related services in order to improve services. These services reduce joblessness in Indian communities and foster economic development on Indian lands, while serving tribally determined goals that are consistent with policies of self-determination and self-governance.

Other Education Programs
The Johnson O'Malley (JOM) Program provides supplemental financial assistance to meet the unique and specialized education needs of eligible Indian (age 3 through grade 12) students attending public schools. JOM is the only BIA program that provides for the culturally-related and supplementary academic needs of Indian children attending public schools. The Tribal Design Program allows Tribes to design services to meet the needs of their local communities. Several Tribes utilize these programs to upgrade and improve Tribal employee skills in the use of computer technology.

School Operations
The Indian School Equalization Program (ISEP) provides formula-based funding for BIE-operated grant, contract elementary, and secondary schools. Funds are distributed using the ISEP formula which considers Weighted Student Units in order to provide basic educational programs for Indian children grades K through 12. This funding is for the operation of Bureau-funded schools, i.e., funding for school staff, school programs, textbooks and general supplies that are used by the school to educate Indian children. The School Operations Program consists of ISEP, Transportation, Family and Child Education, and Administrative Cost Funds.

The total number of schools and students for school year 2004-2005 and 2005-2006 are summarized as follows:

	School Year 2004-2005		School Year 2006-2006	
School Operations	Schools	Students	Schools	Students
Contract/Grant Schools	122	29,403	123	29,826
Bureau-Operated Schools	62	18,218	61	17,866
Totals	184	47,621	184	47,692

Investment in Non-Federal Physical Property

The Department of the Interior provides a long-term benefit to the public by maintaining its commitment to investing in non-Federal physical property. Non-Federal physical property refers to expenses incurred by the Federal Government for the purchase, construction, or major renovation of physical property owned by State and local governments and insular

FIGURE 3-9
FY 2006 Investment in Non-Federal Physical Property (in millions)

Category	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	TOTAL
Dams and Other Water Structures	$161.6	$244.7	$213.2	$244.8	$340.2	$1,204.5
Land	8.7	65.0	120.0	90.4	79.9	364.0
Roads and Bridges	259.2	240.8	217.0	112.5	121.9	951.4
Schools and Public Buildings	149.6	89.1	99.7	93.8	100.1	532.3
Not Classified	169.0	1.0	1.0	15.0	22.4	208.4
Total	$748.1	$640.6	$650.9	$556.5	$664.5	$3,260.6

areas, including major additions, alterations, and replacements; the purchase of major equipment; and the purchase or improvement of other physical assets.

Interior's investment in non-Federal physical property is shown in *Figure 3-9*.

Bureau of Indian Affairs. BIA's investment in non-Federal physical property includes schools, dormitories and other infrastructures, Indian Reservation and Roads (IRR) program, and the Indian Reservation Roads Bridge Program (IRRBP).

The Office of Facility Management and Construction, in conjunction with the BIA, owns or provides funds for a considerable number and variety of buildings and other associated facilities across the Nation, including buildings with historic and architectural significance. The BIA's construction program is a multifaceted, intricate operation that encompasses the areas of Education, Public Safety and Justice, Resource Management, and General Administration.

Education facilities serve a number of schools that provide educational opportunities for approximately 48,000 students. The BIA also provides funding for administrative buildings at a number of Tribal locations. Facilities benefitting from this program include dormitories, detention centers, numerous irrigation facilities, and dams requiring repair to alleviate hazardous conditions. Additionally, program sub-activities include minor improvements, repair and replacement, portable classrooms, emergency repairs, demolition and reduction of excess space, environmental projects, telecommunication improvements and repair, seismic safety, and emergency management systems. Finally, the BIA is continually striving to correct code and standard deficiencies when identified.

The BIA Division of Transportation jointly administers the IRR Program and the IRRBP with the Federal Highway Administration. The purpose of the IRR Program is to provide safe and adequate transportation and public road access to and within Indian reservations, Indian lands, and communities for Indians and Alaska Natives, visitors, recreational users, resource users, and others, while contributing to economic development, self-determination, and employment of Indians and Alaska Natives.

As of October 2005, the IRR system consisted of approximately 28,589 miles of BIA and tribally-owned public roads and 33,990 miles of State, county, and local government public roads, as well as an inventory of over 824 BIA-owned bridges.

Bureau of Reclamation. Reclamation's investments in non-Federal physical property provide assistance through a variety of measures, all related to water and related resources management. Reclamation incurs expenses for specific programs to provide for the construction or improvement of structures and facilities used in State and local irrigation projects and water quality improvement projects. Reclamation-wide programs improve State and local fish and wildlife habitats through activities such as the construction or betterment of structures or facilities.

Fish and Wildlife Service. FWS's investments in non-Federal physical property include major additions, alterations, or replacements; the purchase of major equipment; and the purchase of improvements of other physical assets for purposes of enhancing fish and wildlife management in States and for land restoration, species protection, recreational hunting and boating improvements, and habitat loss prevention.

National Park Service. Congress may annually appropriate funds to the NPS for work on non-NPS facilities that is done by individuals who are not NPS employees. These funds are referred to as "Pass Through" appropriations because the role of the NPS is limited primarily to preparing an agreement that allows the funds to be obligated and certifying and processing subsequent payments for the work when completed. More than 90% of the funds are obligated within the year they are appropriated. Once obligated, fund expenditure is entirely dependent on the party receiving the funds. Only cash assets are associated with these projects. During FY 2006, $17.1 million was expended for these pass through projects.

Departmental Offices - The Office of Insular Affairs. The Office of Insular Affairs (OIA) carries out the Secretary of the Interior's responsibilities for U.S. affiliated insular areas. These include the territories of American Samoa, Guam, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands, as well as the three freely associated States of the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau. The OIA achieves its mission by improving the financial management practices of insular governments, increasing economic development, and increasing Federal responsiveness to the unique needs of island communities. The OIA hopes to increase the resources available to the insular area governments while promoting economic self-sufficiency.

The OIA provides capital improvement grants to the insular areas. The capital investment in Non-Federal physical property in the territories was approximately $34 million in FY 2006. The monies were distributed with 21% to American Samoa, 10% to the Virgin Islands, 5% to Guam, and 64% to the Commonwealth of the Northern Mariana Islands.

Office of the Secretary/Departmental Offices - Central Utah Project Completion Act. The Central Utah Project Completion Act (CUPCA) authorized the Utah Reclamation Mitigation and Conservation Commission to invest in fish and wildlife habitat improvements on non-Federal properties because the Federal reclamation projects in Utah affected fish and wildlife resources beyond the boundaries of the Reclamation projects and opportunities to mitigate on Federal lands are often limited. FY 2006 activities include the continuation of activities on the Duchesne Strawberry Diversion Structures, Wetlands around Great Salt Lake, and Fish Hatchery Production.

Other Supplementary Information (See Auditors' Report)

Other Supplementary Information includes the Consolidating Balance Sheet and the Consolidating Statement of Changes in Net Position.

Special Account Funds. NPS has concession agreements which contain provisions that provided for the establishment of escrow type accounts to be used to develop, improve, and maintain visitor facilities. The concessioner periodically deposits a percentage of gross revenue in the account as provided in the concessioner agreement. These "special account" funds are maintained in separate interest-bearing bank accounts for the concessioners, and are not assets of the NPS and may not be used in NPS operations. Therefore, the balances, inflows, and outflows of these concessioner special accounts are not recognized in the consolidated financial statements of the NPS. The concessioners reported that these special accounts balances totaled approximately $43.9 million and $40.5 million (unaudited), as of September 30, 2006 and 2005, respectively.

Consolidating Balance Sheet
as of September 30, 2006
(dollars in thousands)

	Bureau of Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other
ASSETS				
Intragovernmental Assets:				
Fund Balance with Treasury	$ 1,527,303	$ 1,200,472	$ 7,030,401	$ 2,042,376
Investments, Net	69,525	2,361,521	322,046	490,372
Accounts and Interest Receivable	6,939	16,081	663,573	121,759
Loans and Interest Receivable, Net	-	-	2,631,887	-
Other	2,351	718	1,007	2,331
Total Intragovernmental Assets	1,606,118	3,578,792	10,648,914	2,656,838
Cash	190	54	117	-
Investments, Net	1,052	-	-	187,048
Accounts and Interest Receivable, Net	31,541	10,570	29,752	40,747
Loans and Interest Receivable, Net	17,238	-	157,286	3,375
Inventory and Related Property, Net	-	279,425	-	852
General Property, Plant, and Equipment, Net	1,338,650	410,097	13,071,874	387,528
Other	77,481	108	141,235	2,180
Stewardship Assets				
TOTAL ASSETS	$ 3,072,270	$ 4,279,046	$ 24,049,178	$ 3,278,568
LIABILITIES				
Intragovernmental Liabilities:				
Accounts Payable	$ 10,471	$ 48,387	$ 29,142	$ 8,411
Debt	29,715	914,204	95,141	17,512
Other				
Resources Payable to Treasury	14,216	-	1,844,710	235,221
Advances and Deferred Revenue	91,514	7,530	5,285	1,218,018
Custodial Liability	-	280	-	-
Other Liabilities	170,398	147,629	70,057	6,715
Total Intragovernmental Liabilities	316,314	1,118,030	2,044,335	1,485,877
Accounts Payable	32,136	36,353	213,734	411,326
Loan Guarantee Liability	92,380	-	-	-
Federal Employee and Veteran Benefits	116,092	94,915	88,353	16,300
Environmental and Disposal Liabilities	55,096	1,721	46,871	1,300
Other				
Contingent Liabilities	57,790	2,465	962	-
Advances and Deferred Revenue	14,810	133,203	497,050	13,205
Payments Due to States	-	-	-	-
Other Liabilities	50,679	193,883	50,860	55,440
TOTAL LIABILITIES	735,297	1,580,570	2,942,165	1,983,448
Commitments and Contingencies				
Net Position				
Unexpended Appropriations - Earmarked Funds	13	6,268	249,501	3,728
Unexpended Appropriations - Other Funds	1,334,894	498,309	96,590	415,458
Cumulative Results of Operations - Earmarked Funds	281,173	1,848,762	20,550,111	453,744
Cumulative Results of Operations - Other Funds	720,893	345,137	210,811	422,190
Total Net Position	2,336,973	2,698,476	21,107,013	1,295,120
TOTAL LIABILITIES AND NET POSITION	$ 3,072,270	$ 4,279,046	$ 24,049,178	$ 3,278,568

Consolidating Balance Sheet
as of September 30, 2006
(dollars in thousands)

Minerals Management Service	National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intra Department Activity	**FY 2006 Total**
$ 148,541	$ 19,517,770	$ 46,487	$ 1,638,372	$ 257,660	$ -	$ 33,409,382
1,121,188	1,464	2,272,960	1,455,757	-	-	8,094,833
268,185	23,196	19	35,668	52,291	(747,201)	440,510
-	-	-	-	-	-	2,631,887
18	8,213	130	697	3,149	(18,085)	529
1,537,932	19,550,643	2,319,596	3,130,494	313,100	(765,286)	44,577,141
-	427	-	37	-	-	825
-	-	-	-	-	-	188,100
2,265,045	7,381	1,970	16,142	74,889	-	2,478,037
-	3,238	-	-	-	-	181,137
-	-	-	-	582	-	280,859
24,451	1,148,971	2,537	974,702	133,091	-	17,491,901
-	12,839	840	282	22	-	234,987
$ 3,827,428	$ 20,723,499	$ 2,324,943	$ 4,121,657	$ 521,684	$ (765,286)	$ 65,432,987
$ 3,838	$ 25,354	$ 88	$ 5,236	$ 5,448	$ (91,429)	$ 44,946
-	-	-	-	-	-	1,056,572
-	-	-	-	97	-	2,094,244
-	2,745	4	1,094	2,537	(18,929)	1,309,798
1,701,399	-	-	-	-	(639,800)	1,061,879
3,702	62,095	1,589	21,744	32,274	(15,128)	501,075
1,708,939	90,194	1,681	28,074	40,356	(765,286)	6,068,514
18,223	253,331	7,849	78,349	58,354	-	1,109,655
-	-	-	-	-	-	92,380
9,038	957,500	3,543	62,809	38,873	-	1,387,423
-	26,300	-	22,112	66	-	153,466
550,000	1,631	99	242	1,279	-	614,468
55,112	10,784	930	10,847	11,418	-	747,359
812,588	-	-	-	-	-	812,588
83,620	175,163	6,829	229,288	106,360	-	952,122
3,237,520	1,514,903	20,931	431,721	256,706	(765,286)	11,937,975
-	(3,796)	-	80,977	-	-	336,691
24,768	859,470	39,828	428,310	193,230	-	3,890,857
1,067,265	18,436,205	2,270,955	2,323,050	3,079	-	47,234,344
(502,125)	(83,283)	(6,771)	857,599	68,669	-	2,033,120
589,908	19,208,596	2,304,012	3,689,936	264,978	-	53,495,012
$ 3,827,428	$ 20,723,499	$ 2,324,943	$ 4,121,657	$ 521,684	$ (765,286)	$ 65,432,987

Consolidating Balance Sheet
as of September 30, 2005
(dollars in thousands)

	Bureau of Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other
ASSETS				
Intragovernmental Assets:				
Fund Balance with Treasury	$ 1,508,092	$ 1,064,535	$ 6,090,731	$ 2,356,864
Investments, Net	66,541	1,749,802	-	416,998
Accounts and Interest Receivable	7,231	15,389	825,974	106,594
Loans and Interest Receivable, Net	-	-	2,458,075	-
Other	2,556	1,278	1,423	2,278
Total Intragovernmental Assets	1,584,420	2,831,004	9,376,203	2,882,734
Cash	638	56	100	-
Investments, Net	1,065	-	-	198,060
Accounts and Interest Receivable, Net	26,330	10,367	31,459	48,017
Loans and Interest Receivable, Net	28,131	-	146,468	5,658
Inventory and Related Property, Net	-	304,378	-	528
General Property, Plant, and Equipment, Net	1,372,343	388,934	13,015,525	337,671
Other	82,632	77	198,315	3,613
Stewardship Assets				
TOTAL ASSETS	$ 3,095,559	$ 3,534,816	$ 22,768,070	$ 3,476,281
LIABILITIES				
Intragovernmental Liabilities:				
Accounts Payable	$ 55,408	$ 38,982	$ 24,651	$ 8,907
Debt	29,715	1,074,204	96,811	19,795
Other				
Resources Payable to Treasury	21,041	-	1,780,970	214,742
Advances and Deferred Revenue	94,756	9,950	8,780	1,526,044
Custodial Liability	-	57,518	-	-
Other Liabilities	158,477	131,393	88,996	5,375
Total Intragovernmental Liabilities	359,397	1,312,047	2,000,208	1,774,863
Accounts Payable	89,795	37,364	201,542	388,731
Loan Guarantee Liability	81,670	-	-	-
Federal Employee and Veteran Benefits	121,283	94,971	88,702	17,437
Environmental and Disposal Liabilities	51,576	3,491	35,360	1,300
Other				
Contingent Liabilities	62,487	1,465	9,515	-
Advances and Deferred Revenue	11,757	102,889	455,289	12,048
Payments Due to States	-	-	-	-
Other Liabilities	59,993	193,808	52,427	59,533
TOTAL LIABILITIES	837,958	1,746,035	2,843,043	2,253,912
Commitments and Contingencies				
Net Position				
Unexpended Appropriations	1,242,504	471,557	350,519	402,540
Cumulative Results of Operations	1,015,097	1,317,224	19,574,508	819,829
Total Net Position	2,257,601	1,788,781	19,925,027	1,222,369
TOTAL LIABILITIES AND NET POSITION	$ 3,095,559	$ 3,534,816	$ 22,768,070	$ 3,476,281

Consolidating Balance Sheet
as of September 30, 2005
(dollars in thousands)

Minerals Management Service	National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intra Department Activity	**FY 2005 Total**
$ 111,724	$ 19,152,506	$ 49,332	$ 1,457,266	$ 240,082	$ -	$ 32,031,132
1,088,246	1,370	2,141,599	1,999,113	-	-	7,463,669
401,539	23,253	34	28,913	58,048	(958,298)	508,677
-	-	-	-	-	-	2,458,075
107	6,910	43	1,368	2,519	(17,077)	1,405
1,601,616	19,184,039	2,191,008	3,486,660	300,649	(975,375)	42,462,958
-	425	-	50	1	-	1,270
-	-	-	-	-	-	199,125
2,426,051	8,971	11,439	22,004	75,928	-	2,660,566
-	3,598	-	-	-	-	183,855
-	-	-	-	789	-	305,695
28,543	1,098,686	2,417	917,489	162,170	-	17,323,778
2	11,746	-	210	58	-	296,653
$ 4,056,212	$ 20,307,465	$ 2,204,864	$ 4,426,413	$ 539,595	$ (975,375)	$ 63,433,900
$ 2,825	$ 18,013	$ 52	$ 446,923	$ 8,670	$ (84,632)	$ 519,799
-	-	-	-	-	-	1,220,525
-	-	-	-	81	-	2,016,834
536	2,575	208	976	2,229	(19,530)	1,626,524
1,799,017	-	-	-	-	(860,164)	996,371
3,759	61,238	1,576	23,034	34,611	(11,049)	497,410
1,806,137	81,826	1,836	470,933	45,591	(975,375)	6,877,463
21,510	211,874	7,098	59,301	65,673	-	1,082,888
-	-	-	-	-	-	81,670
9,837	928,328	3,867	62,270	41,010	-	1,367,705
-	14,966	-	14,033	82	-	120,808
550,690	2,139	2,570	100	2,208	-	631,174
52,503	11,457	907	8,561	10,538	-	665,949
1,009,418	-	-	-	-	-	1,009,418
40,783	187,358	6,243	151,240	108,518	-	859,903
3,490,878	1,437,948	22,521	766,438	273,620	(975,375)	12,696,978
8,574	944,005	41,544	536,093	181,906	-	4,179,242
556,760	17,925,512	2,140,799	3,123,882	84,069	-	46,557,680
565,334	18,869,517	2,182,343	3,659,975	265,975	-	50,736,922
$ 4,056,212	$ 20,307,465	$ 2,204,864	$ 4,426,413	$ 539,595	$ (975,375)	$ 63,433,900

Consolidating Statement of Changes in Net Position
for the fiscal year ended September 30, 2006
(dollars in thousands)

	Bureau of Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other
UNEXPENDED APPROPRIATIONS				
Beginning Balance				
Earmarked Funds	$ 13	$ 7,414	$ 286,742	$ 18,604
All Other Funds	1,242,490	464,143	63,777	383,936
Budgetary Financing Sources				
Appropriations Received				
Earmarked Funds	-	105,974	198,030	-
All Other Funds	2,331,607	1,854,351	39,058	1,144,516
Appropriations Transferred In/(Out)				
Earmarked Funds	-	-	(6,980)	937
All Other Funds	241,420	(268,872)	48,342	(41,652)
Appropriations-Used				
Earmarked Funds	-	(107,120)	(226,473)	(15,772)
All Other Funds	(2,446,663)	(1,523,257)	(54,217)	(1,061,606)
Other Adjustments				
Earmarked Funds	-	-	(1,818)	(40)
All Other Funds	(33,960)	(28,056)	(370)	(9,737)
Net Change				
Earmarked Funds	-	(1,146)	(37,241)	(14,875)
All Other Funds	92,404	34,166	32,813	31,521
Ending Balance				
Earmarked Funds	13	6,268	249,501	3,729
All Other Funds	1,334,894	498,309	96,590	415,457
Ending Balance All Funds - Unexpended Appropriations	$ 1,334,907	$ 504,577	$ 346,091	$ 419,186

Consolidating Statement of Changes in Net Position for the fiscal year ended September 30, 2006

(dollars in thousands)

Minerals Management Service	National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intra Department Activity	**FY 2006 Total**
$ -	$ (3,811)	$ -	$ 87,681	$ -	$ -	$ 396,643
8,574	947,817	41,544	448,412	181,906	-	3,782,599
-	-	-	74,867	-	-	378,871
184,651	2,334,357	110,435	1,249,483	995,205	-	10,243,663
-	-	-	-	-	-	(6,043)
(3,343)	54,328	-	89,184	2,023	-	121,430
-	-	-	(80,983)	-	-	(430,348)
(162,523)	(2,434,252)	(109,298)	(1,342,780)	(966,425)	-	(10,101,021)
-	14	-	(588)	-	-	(2,432)
(2,591)	(42,779)	(2,854)	(15,989)	(19,478)	-	(155,814)
-	14	-	(6,704)	-	-	(59,952)
16,194	(88,346)	(1,717)	(20,102)	11,325	-	108,258
-	(3,797)	-	80,977	-	-	336,691
24,768	859,471	39,827	428,310	193,231	-	3,890,857
$ 24,768	$ 855,674	$ 39,827	$ 509,287	$ 193,231	$ -	$ 4,227,548

Consolidating Statement of Changes in Net Position - Continued
for the fiscal year ended September 30, 2006
(dollars in thousands)

	Bureau of Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other
CUMULATIVE RESULTS OF OPERATIONS				
Beginning Balance				
Earmarked Funds	$ 263,984	$ 1,013,264	$ 19,350,254	$ 423,159
All Other Funds	751,113	303,959	224,253	396,669
Adjustments				
Change in Acounting Principle				
Earmarked Funds	(3,060)	(2,765)	(1)	-
All Other Funds	-	-	-	-
Beginning Balance, as adjusted				
Earmarked Funds	260,924	1,010,499	19,350,253	423,159
All Other Funds	751,113	303,959	224,253	396,669
Budgetary Financing Sources				
Appropriations-Used				
Earmarked Funds	-	107,120	226,473	15,772
All Other Funds	2,446,663	1,523,257	54,217	1,061,606
Royalties Retained				
Earmarked Funds	-	68,609	1,487,423	-
All Other Funds	-	3,212	-	-
Non-Exchange Revenue				
Earmarked Funds	12	(14)	4	60,477
All Other Funds	50	33	-	14,594
Transfers In/(Out) without Reimbursement				
Earmarked Funds	-	(16,285)	50,816	(7,947)
All Other Funds	(6,065)	(121,434)	(54,357)	(16,704)
Donations and Forfeitures of Cash and Cash Equivalents				
Earmarked Funds	-	-	-	193
All Other Funds	-	-	-	-
Other Budgetary Financing Sources				
Earmarked Funds	-	3	-	420
All Other Funds	-	-	-	(2,343)
Other Adjustments				
Earmarked Funds	(74)	-	-	74
All Other Funds	-	(4,401)	-	4,370
Other Financing Sources				
Donations and Forfeitures of Property				
Earmarked Funds	-	-	505	-
All Other Funds	54	-	-	4,124
Transfers In/(Out) without Reimbursement				
Earmarked Funds	(118)	19,046	(100,742)	-
All Other Funds	(20,915)	(20,366)	13,257	1,848
Imputed Financing from Costs Absorbed by Others				
Earmarked Funds	805	5,916	107,556	614
All Other Funds	57,149	73,750	20	25,064
Total Financing Sources	2,477,561	1,638,446	1,785,172	1,162,162
Net Cost of Operations				
Earmarked Funds	19,624	653,867	(572,178)	(39,018)
All Other Funds	(2,507,157)	(1,412,873)	(26,580)	(1,067,039)
Net Change				
Earmarked Funds	20,249	838,262	1,199,857	30,585
All Other Funds	(30,221)	41,178	(13,443)	25,520
Ending Balance				
Earmarked Funds	281,173	1,848,761	20,550,110	453,744
All Other Funds	720,892	345,137	210,810	422,189
Ending Balance All Funds - Cumulative Results of Operations	$ 1,002,065	$ 2,193,898	$ 20,760,920	$ 875,933

Consolidating Statement of Changes in Net Position - Continued
for the fiscal year ended September 30, 2006
(dollars in thousands)

Minerals Management Service	National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intra Department Activity	FY 2006 Total
$ 1,036,226	$ 18,072,936	$ 2,149,987	$ 2,390,472	$ 3,721	$ -	$ 44,704,003
(479,466)	(147,423)	(9,187)	733,411	80,348	-	1,853,677
-	(69,565)	-	(207,341)	-	-	(282,732)
-	-	-	-	-	-	-
1,036,226	18,003,371	2,149,987	2,183,131	3,721	-	44,421,271
(479,466)	(147,423)	(9,187)	733,411	80,348	-	1,853,677
-	-	-	80,983	-	-	430,348
162,523	2,434,252	109,298	1,342,780	966,425	-	10,101,021
1,931,073	897,888	-	1,608	-	-	4,386,601
-	-	-	-	-	-	3,212
31,869	-	399,467	741,239	-	-	1,233,054
-	83	26	2,288	18	-	17,092
6,903	(315,961)	-	237,930	878	-	(43,666)
-	25,340	-	22,451	150	-	(150,619)
-	27,017	-	3,093	2,399	-	32,702
-	-	-	-	-	-	-
-	(646)	-	-	-	-	(223)
-	1,436	-	8,671	-	-	7,764
-	-	(393)	-	-	-	(393)
-	-	393	2	-	-	364
-	-	-	-	-	-	505
-	265	-	-	1,597	-	6,040
-	6,688	-	(57,838)	-	-	(132,964)
(1,253)	(5,140)	(379)	64,321	2,000	-	33,373
-	-	-	5,188	-	-	120,079
14,941	115,256	7,762	56,366	67,931	(65,471)	352,768
2,146,056	3,186,478	516,174	2,509,082	1,041,398	(65,471)	16,397,058
(1,938,806)	(182,151)	(278,106)	(872,282)	(3,920)	-	(3,212,970)
(198,870)	(2,507,352)	(114,684)	(1,372,690)	(1,049,798)	65,471	(10,191,572)
31,039	432,835	120,968	139,921	(643)	-	2,813,073
(22,659)	64,140	2,416	124,189	(11,677)	-	179,443
1,067,265	18,436,206	2,270,955	2,323,052	3,078	-	47,234,344
(502,125)	(83,283)	(6,771)	857,600	68,671	-	2,033,120
$ 565,140	$ 18,352,923	$ 2,264,184	$ 3,180,652	$ 71,749	$ -	$ 49,267,464

Consolidating Statement of Changes in Net Position
for the fiscal year ended September 30, 2005
(dollars in thousands)

	Bureau of Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other
UNEXPENDED APPROPRIATIONS				
Beginning Balance	$ 1,177,903	$ 461,140	$ 325,934	$ 403,846
Budgetary Financing Sources				
Appropriations Received, General Funds	2,338,479	1,931,631	190,227	1,085,382
Appropriations Transferred In/Out	248,839	(354,432)	41,639	(40,010)
Appropriations-Used	(2,491,411)	(1,541,145)	(205,939)	(1,036,231)
Other Adjustments	(31,305)	(25,638)	(1,342)	(10,447)
Net Change	64,602	10,416	24,585	(1,306)
Ending Balance - Unexpended Appropriations	$ 1,242,505	$ 471,556	$ 350,519	$ 402,540
CUMULATIVE RESULTS OF OPERATIONS				
Beginning Balance	$ 975,708	$ 189,694	$ 18,217,214	$ 695,334
Budgetary Financing Sources				
Appropriations-Used	2,491,411	1,541,145	205,939	1,036,231
Royalties Retained	-	81,408	1,763,969	-
Non-Exchange Revenue	153	(166)	15	84,908
Transfers In/Out without Reimbursement	240,178	(115,127)	(78,763)	5,015
Donations and Forfeitures of Cash and Cash Equivalents	-	-	-	22
Other Budgetary Financing Sources	(4,968)	14	33,958	14,020
Other Adjustments	-	-	-	27,269
Other Financing Sources				
Donations and Forfeitures of Property	16,165	-	2,177	5,547
Transfers In/Out without Reimbursement	12,218	(1,621)	(51,621)	3,271
Imputed Financing from Costs Absorbed by Others	68,435	79,870	67,863	23,556
Total Financing Sources	2,823,592	1,585,523	1,943,537	1,199,839
Net Cost of Operations	(2,784,203)	(457,994)	(586,244)	(1,075,343)
Net Change	39,389	1,127,529	1,357,293	124,496
Ending Balance - Cumulative Results of Operations	$ 1,015,097	$ 1,317,223	$ 19,574,507	$ 819,830

Consolidating Statement of Changes in Net Position for the fiscal year ended September 30, 2005

(dollars in thousands)

Minerals Management Service	National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intra Department Activity	**FY 2005 Total**
$ 7,450	$ 1,000,273	$ 38,490	$ 501,980	$ 163,343	$ -	$ 4,080,359
169,175	2,238,294	109,805	1,176,585	958,021	-	10,197,599
3,343	102,345	-	86,270	5,647	-	93,641
(168,927)	(2,354,429)	(104,439)	(1,212,825)	(924,389)	-	(10,039,735)
(2,467)	(42,478)	(2,311)	(15,918)	(20,716)	-	(152,622)
1,124	(56,268)	3,055	34,112	18,563	-	98,883
$ 8,574	$ 944,005	$ 41,545	$ 536,092	$ 181,906	$ -	$ 4,179,242
$ 562,153	$ 17,278,154	$ 1,967,879	$ 3,039,504	$ 125,708	$ -	$ 43,051,348
168,927	2,354,429	104,439	1,212,825	924,389	-	10,039,735
2,229,170	1,054,553	-	1,036	-	-	5,130,136
29,273	33	368,898	793,791	(104)	-	1,276,801
7,006	(245,745)	-	127,309	1,526	-	(58,601)
-	27,578	-	3,287	2,272	-	33,159
-	(388)	-	8,404	-	-	51,040
(27,269)	-	-	-	-	-	-
-	612	-	-	2,095	-	26,596
(838)	1,776	(666)	4,289	2,151	-	(31,041)
14,128	114,472	6,828	62,060	62,772	(48,451)	451,533
2,420,397	3,307,320	479,499	2,213,001	995,101	(48,451)	16,919,358
(2,425,790)	(2,659,962)	(306,580)	(2,128,621)	(1,036,740)	48,451	(13,413,026)
(5,393)	647,358	172,919	84,380	(41,639)	-	3,506,332
$ 556,760	$ 17,925,512	$ 2,140,798	$ 3,123,884	$ 84,069	$ -	$ 46,557,680

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United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, DC 20240

NOV 15 2006

Memorandum

To: Secretary

From: Earl E. Devaney
for Inspector General

Subject: Independent Auditors' Report on the Department of the Interior Financial Statements for Fiscal Years 2006 and 2005 (Report No. X-IN-MOA-0018-2006)

INTRODUCTION

This memorandum transmits the KPMG LLP (KPMG) auditors' report of the Department of Interior (DOI) financial statements for fiscal years 2006 and 2005. The Chief Financial Officers (CFO) Act of 1990 (Public Law 101-576), as amended, requires the DOI Inspector General or an independent auditor, as determined by the Inspector General, to audit the DOI financial statements.

Under a contract issued by DOI and monitored by the Office of Inspector General (OIG), KPMG, an independent public accounting firm, performed an audit of the DOI fiscal years 2006 and 2005 financial statements. The contract required that the audit be performed in accordance with the "Government Auditing Standards" issued by the Comptroller General of the United States and Office of Management and Budget Bulletin No. 06-03, "Audit Requirements for Federal Financial Statements."

RESULTS OF INDEPENDENT AUDIT

In its audit report dated November 15, 2006, KPMG issued an unqualified opinion on the DOI financial statements. However, KPMG identified eight reportable conditions in the DOI internal controls over financial reporting, of which one was considered to be a material weakness. KPMG also found one deficiency in the DOI internal controls over Required Supplementary Information. In addition, KPMG identified three instances where DOI did not comply with laws and regulations, including one instance of noncompliance with the Federal Financial Management Improvement Act of 1996 (FFMIA).

KPMG has also audited the financial statements for the Bureau of Indian Affairs, Bureau of Land Management, Bureau of Reclamation, Departmental Offices, Minerals Management Service, National Park Service, U.S. Fish and Wildlife Service, and the U.S. Geological Survey. In addition, KPMG audited the balance sheets of the Office of Surface Mining.

EVALUATION OF KPMG AUDIT PERFORMANCE

To ensure the quality of the audit work performed, the OIG:

- reviewed KPMG's approach and planning of the audit;
- evaluated the qualifications and independence of the auditors;
- monitored the progress of the audit at key points;
- coordinated periodic meetings with DOI management to discuss audit progress, findings, and recommendations;
- reviewed and accepted KPMG's audit report; and
- performed other procedures we deemed necessary.

KPMG is responsible for the attached auditors' report dated November 15, 2006, and the conclusions expressed therein. We do not express an opinion on DOI financial statements, internal controls, or on whether DOI financial management systems substantially complied with FFMIA; or conclusions on compliance with laws and regulations.

REPORT DISTRIBUTION

The legislation, as amended, creating the OIG (5 U.S.C.A. app. 3) requires semiannual reporting to the Congress on all audit reports issued, actions taken to implement audit recommendations, and recommendations that have not been implemented. Therefore, this report will be included in our next semiannual report. The distribution of the report is not restricted, and copies are available for public inspection.

The OIG appreciates the courtesies and cooperation extended to KPMG and the OIG staff during the audit. If you have any questions regarding the report, please contact me at 202-208-5745.

Attachment

cc: Chief Financial Officer
Chief Information Officer
Director, Office of Financial Management
Associate Director, Finance, Policy and Operations, Office of Financial Management
Audit Liaison Officer, Office of Financial Management
Focus Group Leader, Management Control and Audit Followup, Office of Financial Management

KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

Assistant Secretary for Policy, Management, and Budget and Inspector General
U.S. Department of the Interior:

We have audited the accompanying balance sheets of the U.S. Department of the Interior (Interior) as of September 30, 2006 and 2005, and the related statements of net cost, changes in net position, budgetary resources, financing, and custodial activity (hereinafter referred to as "financial statements") for the years then ended. The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our fiscal year 2006 audit, we also considered Interior's internal controls over financial reporting, Required Supplementary Stewardship Information, and performance measures, and tested Interior's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on these financial statements.

SUMMARY

As stated in our opinion on the financial statements, we concluded that Interior's financial statements as of and for the years ended September 30, 2006 and 2005, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

As discussed in our opinion, in fiscal year 2006, Interior changed its method of accounting for and reporting of earmarked funds, heritage assets, stewardship land, and certain allocation transfers to adopt changes in accounting standards and Office of Management and Budget (OMB) requirements.

Our consideration of internal controls over financial reporting, Required Supplementary Stewardship Information, and performance measures resulted in the following conditions being identified as reportable conditions:

Reportable Condition Considered to be a Material Weakness

A. Controls over the Indian Trust funds

Other Reportable Conditions

B. Application and general controls over financial management systems
C. Controls over property, plant, and equipment
D. Reporting the Sport Fish Restoration and Boating Trust Fund
E. Controls over the U.S. Park Police Pension Plan
F. Controls over charge cards
G. Control assessment and assurance statement process
H. Controls over spending authority

We also noted the following deficiency in internal control over Required Supplementary Information that, in our judgment, could adversely affect Interior's ability to collect, process, record, and summarize this information.

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I. Museum Collections

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*:

J. *Single Audit Act Amendments of 1996*
K. Potential non-compliance with the *Anti-Deficiency Act*, acquisition regulations, and leasing laws and regulations
L. *Federal Financial Management Improvement Act of 1996*

The following sections discuss our opinion on Interior's financial statements; our consideration of Interior's internal controls over financial reporting, Required Supplementary Stewardship Information, and performance measures; our tests of Interior's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements; and management's and our responsibilities.

OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying balance sheets of the U.S. Department of the Interior as of September 30, 2006 and 2005, and the related statements of net cost, changes in net position, budgetary resources, financing, and custodial activity for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of the Interior as of September 30, 2006 and 2005, and its net costs, changes in net position, budgetary resources, reconciliation of net costs to budgetary obligations, and custodial activity for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Notes 24 and 26 to the financial statements, Interior changed its method of accounting for and reporting of earmarked funds in fiscal year 2006 to adopt the provisions of the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards (SFFAS) No. 27, *Identifying and Reporting Earmarked Funds*. Also, as discussed in Note 10 to the financial statements, Interior changed its method of reporting for heritage assets and stewardship land in fiscal year 2006 to adopt the applicable provisions of SFFAS No. 29, *Heritage Assets and Stewardship Land.* Finally, as discussed in Note 26 to the financial statements, Interior changed its method of accounting for and reporting certain allocation transfers in fiscal year 2006, to adopt new OMB requirements.

The information in the Management's Discussion and Analysis, Required Supplementary Stewardship Information, and Required Supplementary Information sections is not a required part of the financial statements, but is supplementary information required by U.S. generally accepted accounting principles and OMB Circular No. A-136, *Financial Reporting Requirements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it. As a result of such limited procedures, we believe that the Required Supplementary Information for museum collections is not presented in conformity with U.S. generally accepted accounting principles because the Required Supplementary Information disclosures for museum collections are not

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complete and disclose the condition of the facility that houses the museum collection, rather than the condition of the underlying museum collection.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The consolidating information in the Other Supplementary Information section is presented for purposes of additional analysis of the financial statements rather than to present the financial position and changes in net position of Interior's components individually. The consolidating information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The Performance Data and Analysis section, the Other Accompanying Information section, and the special account funds in the Other Supplementary Information within the Financial section are presented for purposes of additional analysis and are not required as part of the financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Interior's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements.

Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal control, misstatements due to error or fraud may nevertheless occur and not be detected.

In our fiscal year 2006 audit, we noted certain matters, described below, involving internal control over financial reporting and its operation that we consider to be reportable conditions. We believe that reportable condition A is a material weakness. Exhibit I presents the status of prior year reportable conditions.

We noted certain additional matters that we have reported to management of Interior in a separate letter dated November 15, 2006.

A. **Controls over the Indian Trust Funds**

The United States Congress has designated the Secretary of the Interior as the trustee delegate with responsibility for the monetary and non-monetary resources held in trust on behalf of American Indian Tribes (Tribal Trust Funds), individual Indians, and other trust funds (hereafter collectively referred to as the Indian Trust Funds). The Secretary carries out this fiduciary responsibility through the Office of the Special Trustee for American Indians (OST), the Bureau of Indian Affairs (BIA), other Interior bureaus, and agreements with American Indian Tribes.

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The Indian Trust Funds' balances include appropriated accounts that are considered Federal funds and non-Federal accounts that belong to beneficiaries of the Indian Trust Funds. The Federal accounts are reflected in Interior's financial statements, while the non-Federal accounts, which represent the majority of the Indian Trust Funds, are not reflected in Interior's financial statements. However, the Indian Trust Funds' transactions and balances are disclosed in Note 23 to Interior's financial statements, in accordance with Federal accounting standards.

Interior has invested a significant amount of resources to improve its controls over Indian Trust Funds; however, we noted that Interior needs to continue its efforts to resolve historical differences for items 1, 2, 3, and 4 below, and to improve procedures and internal controls for item 5 below, to ensure that the Indian Trust Funds' activity and balances are recorded properly and timely, as follows:

1. *Trust Fund Balances*

   The financial information systems and internal control procedures used in the processing of Indian Trust Funds' transactions and determination of the Indian Trust Funds' balances have suffered historically from a variety of system and procedural internal control weaknesses. In addition, Interior is burdened with the ongoing impact of decades of accumulated discrepancies in the accounting records. Furthermore, certain Indian Trust Funds' beneficiaries do not agree with the trust fund balances and/or have requested an accounting of the Indian Trust Funds. Interior has invested a significant amount of resources identifying historical records and preparing an accounting of the Indian Trust Funds' balances and will continue with this historical accounting effort.

2. *Individual Indian Monies Subsidiary Ledger*

   The control account for Individual Indian Monies (IIM) account holders represents the aggregate net balance of trust funds held on behalf of IIM account holders, as reflected in the detailed subsidiary ledger of IIM accounts (subsidiary ledger). The control account balance has historically not agreed to the sum of the balances from the subsidiary ledger, and it cannot be determined which balance, if either, is correct. As of September 30, 2006 and 2005, the aggregate sum of all positive balances included in the subsidiary ledger exceeded the control account by approximately $6 million. Accordingly, IIM account holders with positive balances may have received lower interest earnings. In addition, as of September 30, 2006 and 2005, the subsidiary ledger contained negative account balances totaling approximately $44 million (of which approximately $164,000 and $192,000 was attributed to individual Indian accounts as of September 30, 2006 and 2005, respectively).

3. *Special Deposit Accounts*

   As of September 30, 2006 and 2005, there were approximately 22,000 and 20,000 special deposit accounts reflected in the subsidiary ledger with balances totaling approximately $36 million and $40 million, respectively. In accordance with Title 25 of the Code of Federal Regulations and as directed by BIA, OST records receipts into special deposit accounts within the subsidiary ledger when the recipient trust fund account is unknown at the time of receipt. When BIA identifies the trust fund account(s), OST transfers the amount from the special deposit account(s) to the designated trust fund account(s) in accordance with BIA instructions. A significant number of special deposit accounts have remained inactive for the past several years and new special deposit accounts were established during fiscal year 2006 and 2005. A significant number of special deposit accounts continue to require resolution.

4. *Undistributed Interest and Unusual Balances*

OST and/or BIA have not been able to determine the proper recipients of undistributed interest of approximately $5.2 million and $4.3 million as of September 30, 2006 and 2005, respectively. Furthermore, there were Tribal Trust Funds' accounts with negative cash balances totaling approximately $721,000 and $724,000 as of September 30, 2006 and 2005, respectively, that required resolution.

5. *Entering and Maintaining Trust Fund Information*

The regional and agency offices of BIA perform a critical role in the initial input and subsequent changes to the Indian Trust Funds' information disclosed by Interior. We noted weaknesses in the following areas:

a. *Trust Fund Systems*

BIA had not completed implementation of an automated system for tracking and processing activities of the Indian trust assets. Agency offices use "off-the-shelf" software, internally developed software, in-house databases, and manual processes to manage ownership records, track lease activity, account for receivables/revenue, and determine distribution amounts. BIA has developed an automated system for certain activities and completed the first phase of the roll-out in September 2006. The second phase of the rollout is expected to be completed in all agency offices by September 30, 2007. This situation increases the risk that transactions are recorded inaccurately and untimely.

b. *Accounts Receivable*

BIA had not fully developed and communicated standardized policies and procedures for establishing, tracking, and pursuing accounts receivable for the Indian Trust Funds. This resulted in inconsistent processes and increases the risk that amounts due to Indian Trust Funds are not identified and ultimately collected.

c. *Probate Backlog*

BIA did not consistently enter probate orders for land title into the trust management systems timely. Although BIA made progress in reducing the backlog, BIA indicated that it had probate orders that had not been prepared, adjudicated, recorded, and/or encoded. BIA expects to have the backlog resolved by September 2008. This increases the potential for untimely distributions of income to the account holders of the Indian Trust Funds.

d. *Supervised and Restricted Accounts*

BIA did not consistently perform reviews over active supervised accounts, nor did it maintain documentation for supervised accounts, including social service assessment and evaluation forms, disbursement documentation, annual review documentation, court orders, and notification of restriction letters. Additionally, BIA did not consistently perform reviews over active supervised accounts for contracted or compacted tribes. Finally, although each of the regions that we visited had compiled a listing of active supervised accounts, the regions expended significant efforts generating the listing. BIA has since identified a report from the Trust Fund Accounting System (TFAS) which lists all active supervised accounts and needs to work with OST to validate the completeness of this report and, once validated, ensure its timely distribution to the appropriate agency offices.

Recommendation
We recommend that Interior develop and implement procedures and internal controls to address the deficiencies in controls related to Indian Trust Funds.

Management Response
Management has prepared an official response presented as a separate attachment to this report. In summary, management disagreed with the significance of our findings because management believes that the controls are operating effectively and the differences between the supported records and recorded transactions are not widespread or systemic based on the work completed to date. Therefore, management believes that this is a reportable condition.

Auditors' Response to Management's Response
As summarized above, management had not resolved significant financial reporting differences from prior periods and weaknesses in BIA trust-related systems and processes continue to exist at September 30, 2006. Therefore, we continue to believe that the weaknesses identified constitute a material weakness.

B. **Application and General Controls over Financial Management Systems**

Interior continues to improve the security and controls over its information systems; however, we determined that Interior needed to improve controls in the areas described below, as required by OMB Circular No. A-130, *Management of Federal Information Resources.* These conditions could have affected Interior's ability to prevent and detect unauthorized changes to financial information, to control electronic access to sensitive information, and to protect its information.

1. *Entity-wide Security Program and Planning*

An entity-wide security program, including security policies and a related implementation plan, is the foundation of an entity's security control structure. Interior did not have policies in place to require entity-wide segregation of duties within certain information system functions. In addition, Interior needs to improve its certification and accreditation documentation to ensure it includes all required information and considers changes made to systems and processes. Additionally, Interior did not perform all needed steps in the risk assessment process for certain systems. Furthermore, Interior components did not follow the Interior implementation requirements for two financial applications, resulting in an incomplete certification and accreditation of such financial applications.

Interior did not consistently perform appropriate background checks for information technology and security personnel. In addition, Interior did not ensure new employees signed acknowledgements of the responsibilities for computer use forms before receiving access to systems and applications and the forms for one system did not indicate corrective actions for violations. Furthermore, Interior needs to improve its monitoring process to ensure that information technology employees complete Interior's required training programs.

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2. *Access Controls*

Access controls protect computer resources from unauthorized modification, disclosure, and loss. Interior did not fully establish controls to prevent and detect unauthorized access. In addition, Interior had not fully documented the process for requesting, granting, monitoring, and terminating user access for two of its financial applications. Interior also did not consistently review systems and applications to ensure that all users are authorized and the level of access rights is appropriate or maintain evidence that such reviews were performed. Furthermore, Interior did not always review and approve access rights for individuals that transferred within Interior or consistently maintain user access forms for system access. Although terminated employees' system access was disabled or scheduled to be disabled, Interior did not remove access of certain terminated employees in a timely manner. Furthermore, Interior needs to improve exit clearance procedures and process.

Although, Interior has processes to grant and approve physical and logical access to contractors, Interior needs to improve its processes to verify that contractors have appropriate background investigations, completed security training and non-disclosure agreements, and to verify that separated contractors' access was revoked in a timely manner.

Interior had not consistently implemented policies that require management to monitor security violations and inactive accounts. In addition, Interior did not generate or review security profile changes and activity logs for certain systems and applications.

3. *System Software Controls*

System software controls protect computer resources from unauthorized modification, disclosure, and loss. Interior had not formally documented policies and procedures for restricting access to certain system software and needs to improve system software change controls for one system. Although Interior documented a change management methodology to control changes to such operating system software, the policies do not include detailed testing procedures or separate procedures for addressing emergency changes. Additionally, Interior did not test changes to the operating system software. Furthermore, Interior did not have controls in place to prevent system software from being installed without management approval.

Interior did not have formal procedures for limiting administrator access to three of its financial applications or appropriately segregate system software responsibilities for one financial application. Interior also did not implement controls to prevent and detect unauthorized access to one financial application or perform audit logging over access to and modification of sensitive or critical files for the financial application. Furthermore, Interior did not fully implement a process to ensure that unauthorized modifications by system administrators are detected and reported.

4. *Software Development and Change Controls*

Software development and change controls ensure that only authorized programs and modifications are implemented. Interior has not formally developed, documented, or implemented data processing procedures to control and standardize the maintenance of one financial application. In addition, Interior has not developed formal change management procedures for one financial system, which includes a database and operating system. Although Interior documented program changes to financial applications, the documentation is not consistent and standardized for program changes and emergency changes to financial applications. Furthermore, Interior did not prepare and maintain change request forms, plans or testing documentation and Interior did not complete a post-change management review after installing emergency operating system patches for one financial system.

Interior did not use library management software to control changes to one of its financial systems. Furthermore, certain system configurations did not adequately segregate duties as the configurations provided individuals, who are involved with programming, testing and migrating changes to production, access to the source code, test, and production libraries.

5. *Service Continuity*

Service continuity plans protect information resources, minimize the risk of unplanned interruptions, and recover critical operations should interruptions occur. Interior had not fully developed and documented a comprehensive contingency plan for certain financial applications. In addition, Interior has not updated its continuity of operations plan for one information technology environment. Although Interior has contingency plans, one data center contingency plan did not indicate emergency processing priorities and was not approved by management. Interior did not have sufficient evidence of contingency plan testing for one of its systems and has not recently tested one of its contingency plans. Furthermore, Interior had not developed processes to ensure that employees are periodically trained on their roles and responsibilities in regards to certain contingency plans.

Interior did not consistently test the backup files for certain financial applications. In addition, Interior had not fully documented procedures that require periodic testing of a data center's equipment and disposing of electronic media that are not required to be maintained. Furthermore, Interior did not maintain a tape library log of all the tapes for one of its data centers or maintain all approvals for individuals' access to a tape storage facility.

6. *Segregation of Responsibilities*

Proper segregation of responsibilities helps prevent and detect unauthorized actions. Interior did not formally document application-specific roles or access privileges that should be segregated for certain financial systems or formally document compensating controls when access privileges cannot be segregated. In addition, Interior did not consistently require management to review the design and operation of segregation of responsibility controls.

Recommendation
We recommend that Interior continue to improve the security and general controls over its financial management systems. These improvements should address each of the areas discussed above and include the specific recommendations that we provided to management, as well as other areas that might affect the information technology control environment to ensure adequate security and protection of the information systems.

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Management Response
Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings, and its comments were responsive to our recommendations.

C. **Controls Over Property, Plant, and Equipment**

Interior needs to continue improving controls over accounting for property, plant, and equipment, to ensure that transactions are promptly recorded and properly classified and accounted for, to prepare timely and reliable financial reports. We noted control weaknesses in the following areas:

1. Interior capitalized costs that should have been expensed; recorded transactions in the current year that occurred in prior years; and recorded dates, costs, asset type, and other information that did not agree with the supporting documentation for 41 of the 394 park property amounts that we tested. In addition, Interior did not transfer construction projects from the construction-in-progress account to real property accounts at the time of completion for certain construction projects.
2. Interior capitalized $93 million of costs related to water and power structures that should have been expensed, because costs related to research and development, environmental studies, or were assets owned by other parties.
3. Interior did not have formally documented procedures to ensure that interest during construction of water and power structures and related interest on investment are accurately calculated and recorded. In addition, Interior did not have a complete listing of projects that should have interest applied during construction of water structures. Furthermore, Interior did not consistently demonstrate that management reviewed and approved such projects or did not perform the reviews of such projects, timely.

As a result of our observations, Interior analyzed and adjusted its property, plant, and equipment balances accordingly.

Recommendations
We recommend that Interior implement the following recommendations to improve controls over its property, plant, and equipment balances:

1. Continue to train personnel on the difference between costs that should be capitalized versus expensed.
2. Implement procedures requiring supervisors to review disbursement transactions and the related source documents to ensure that transactions are properly expensed or capitalized and to ensure that the dates, asset type, and amounts recorded match the supporting documentation.
3. Implement procedures requiring personnel to review items in the construction-in-progress subsidiary ledger to identify projects, or components of projects that have been completed and therefore should be moved to the real property subsidiary ledger or should be expensed because they do not meet the capitalization criteria.
4. Formally document procedures to ensure that interest applied during construction of water and power structures are accurately calculated and recorded.
5. Maintain a current listing of projects that should have interest applied during construction of water and power structures.
6. Require managers to review project listings that have interest applied during construction in a timely manner and document approval on the project listings.

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Management Response
Management has prepared an official response presented as a separate attachment to this report. In summary, management disagreed with our findings because management believes that procedures to establish cost structures were in place and differences were identified and corrected.

Auditors' Response to Management's Response
As summarized above, Interior has significant internal control weaknesses because we identified that Interior recorded transactions in error at a rate of approximately 11% for the sample of transactions tested, incorrectly recorded $93 million of costs, and did not have certain controls in place related to property balances of approximately $14 billion as of September 30, 2006. Therefore, we continue to believe that the weaknesses identified constitute a reportable condition.

D. **Reporting the Sport Fish Restoration and Boating Trust Fund**

In fiscal year 2006, Interior adopted the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards (SFFAS) No. 27, *Identifying and Reporting Earmarked Funds*, which became effective October 1, 2005. SFFAS No. 27 defines earmarked funds and requires separate reporting for earmarked fund activity and balances in the financial statements and note disclosures. SFFAS No. 27 also indicates that an agency should report their portion of a trust fund on the financial statements if that portion of the trust fund can be clearly identified to the agency. The Sport Fish Restoration and Boating Trust Fund (SFRBTF) has multiple benefiting agencies, including Interior, U.S. Army Corps of Engineers and the U.S. Coast Guard. Although, Interior properly identified the SFRBTF as an earmarked fund, Interior did not fully establish controls to properly record Interior's portion of the SFRBTF in the financial statements. As a result of our observations, Interior analyzed and adjusted the financial statements as of and for the year ended September 30, 2006.

Recommendations
We recommend that Interior:

1. Enhance internal controls to ensure that new accounting standards are implemented properly and in a timely manner.
2. Continue to provide the U.S. Army Corps of Engineers and the U.S. Coast Guard their respective account balances and activity related to the SFRBTF on a monthly basis.

Management Response
Management has prepared an official response presented as a separate attachment to this report. In summary, management disagreed with our findings because management believes that Interior was required to report the balances because the other agencies did not cooperate.

Auditors' Response to Management's Response
As summarized above, Interior has significant internal control weaknesses because Interior did not properly record the SFRBTF, which has assets totaling approximately $1 billion, and Interior adjusted its financial statements as a result of our observations. Therefore, we continue to believe that the weaknesses identified constitute a reportable condition.

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E. **Controls over the U.S. Park Police Pension Plan**

Interior is required to determine and record a liability for the actuarial present value of the future benefits of the U.S. Park Police Pension Plan (USPP Pension Plan). Because Interior is not the plan administrator, Interior obtained the census data to calculate the liability from the District of Columbia, the plan administrator. As part of our testing of the USPP Pension Plan liability, we recalculated a sample of the annuity payments and identified differences between the census data file and the supporting documentation for 90 of the 112 annuity participants tested. These differences included both under and over payments and netted to approximately 1% of the total annuity payments that we tested. In addition, we compared the census data file to the supporting documentation for 145 annuity and active participants and identified 5 differences in gender, age, and other factors. Interior in consultation with its actuaries, evaluated the differences identified and concluded that the USPP Pension Plan liability was fairly stated as of September 30, 2006. However, all census data differences need to be resolved so as not to affect future actuarial projections and to ensure pension payments for retirees are not adversely affected.

Recommendation
We recommend that Interior work with the District of Columbia to investigate and resolve differences between the census data and the supporting documentation to ensure that pension liabilities and costs are properly presented in Interior's financial statements.

Management Response
Management has prepared an official response presented as a separate attachment to this report. In summary, management disagreed with our findings because management believes that the differences are small and are in the process of being resolved.

Auditors' Response to Management's Response
As summarized above, Interior has significant internal control weaknesses related to pension liabilities of approximately $708 million as of September 30, 2006, because we identified numerous differences between the census data, including benefit payments, and the supporting documentation that have not been resolved. Specifically, we identified individual benefit payment differences that ranged from underpayments of 69% to overpayments of 41% for 81% of the benefit payments tested. Therefore, we continue to believe that the weaknesses identified constitute a reportable condition.

F. **Controls over Charge Cards**

Interior issues purchase, fleet, and travel charge cards to its employees to streamline acquisition and payment procedures and to reduce the administrative burden associated with traditional and emergency purchasing of travel items, supplies, and services. Interior uses charge cards to purchase goods and services totaling several hundred million dollars. In conjunction with the issuance of these cards, Interior published the *Integrated Charge Card Program Guide*. This guide sets forth restrictions on the use of the cards as well as certain internal control procedures such as timely and complete reconciliation of billing statements by the cardholders and approving officials.

However, we determined that Interior did not consistently follow these internal control procedures because we identified 125 exceptions in the 470 statements that we tested at five of the nine Interior components. For example, cardholders and supervisors did not always sign and date the charge card statements, did not consistently sign and date the charge card in a timely manner, did not consistently maintain charge card receipts to support the charges, and split purchase transactions to be under the charge card limit. In addition, Interior did not routinely investigate and resolve transactions on the unusual charge card transaction reports. Furthermore, Interior had not consistently terminated cards of former employees.

Recommendations
We recommend that Interior perform the following:

1. Continue to provide training to personnel on proper charge card procedures.
2. Require approving officials to be more diligent in monitoring and enforcing compliance with Interior's charge card policies.
3. Allocate sufficient resources to oversee compliance with DOI charge card policies and procedures, including investigating and resolving transactions on the unusual charge card transaction reports.
4. Terminate charge cards at the time an employee separates from Interior employment.

Management Response
Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings, and its comments were responsive to our recommendations.

G. **Control Assessment and Assurance Statement Process**

The Federal Managers' Financial Integrity Act (FMFIA) requires Interior to establish and maintain effective internal control and annually evaluate and report on the effectiveness of the internal control. OMB Circular No. A-123, Management's *Responsibility for Internal Control*, Appendix A, provides the methodology for management to assess, document, test, and report on the internal controls over financial reporting in accordance with section 4 of FMFIA.

Although Interior established an effective plan to assess, document, test, and report on internal controls over financial reporting, certain Interior components did not fully execute the plan. As a result, Interior did not consistently identify, document and test key financial controls for its custodial revenue and disbursements, accounts receivable, custodial liabilities, state liabilities, certain journal entries, property and equipment, and other financial balances; did not fully document the procedures performed to test the design and operating effectiveness of certain controls; did not consistently document its evaluation of the test results; and did not adequately document the population tested, sample size tested, or the period tested. As a result of our observations, management performed additional controls testing and improved its assessment documentation. However; Interior needs to improve its assessment process to ensure key controls are identified, documented, and tested.

In addition, the material weakness reported for Controls over the Indian Trust Funds was not reflected in Interior's FMFIA assurance statement because management did not believe it constituted a material weakness.

Recommendations
We recommend that Interior improve its assurance process to:

1. Identify, document, and test key financial controls over significant financial statement balances.
2. Document procedures performed to test the design and operating effectiveness of the controls and the evaluation of testing results.
3. Document the population tested, sample size tested, and the period tested.

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4. Require management to review the documentation supporting the assurance statement before signing the assurance statement.

Management Response
Management has prepared an official response presented as a separate attachment to this report. In summary, management partially agreed with our findings and indicated that Interior focused its resources on the items most material and at risk to the financial reporting process, and agreed with our recommendations.

Auditors' Response to Management's Response
As summarized above, Interior has significant internal control weaknesses because Interior needs to improve its assessment process to ensure key controls are identified, documented, and tested. In addition, Interior identified and tested additional controls and improved its documentation after we had identified the deficiencies and after management had signed assurance statements indicating that they had completed the testing and evaluation. Therefore, we continue to believe that the weaknesses identified constitute a reportable condition.

H. **Controls over Spending Authority**

Interior needs to improve its procedures and controls over spending authority, to ensure that funding documentation consistently demonstrates that Interior met the appropriate regulations, including the bona fide need requirements. The Interior Office of Inspector General (OIG) conducted an audit of the Interior purchases made on behalf of the Department of Defense and determined that 5 of the 12 funding documents it selected from fiscal year 2006, and 19 of the 49 funding documents selected from fiscal year 2005, may not have met the appropriate regulations, including the bona fide need requirements. In addition, we identified 3 funding documents that Interior accepted after the period of availability of the referenced appropriations. As a result, Interior may have spent expired funds. The OIG also indicated that Interior obligated the government in advance of receiving funding for one contract and that Interior awarded a 10-year $94 million sole source contract primarily related to office space that may have violated procurement and leasing laws and regulations. Interior is working with the OIG and OMB to resolve these matters.

Recommendations
We recommend that Interior improve controls over spending authority as follows:

1. Implement controls to ensure bona fide need is established before accepting funding documents.
2. Improve the funding documentation obtained to ensure that the documentation demonstrates Interior has met the appropriate regulations, including the bona fide need requirements, and does not spend expired funds.
3. Review related funding and obligation documents to ensure that obligations are not recorded in advance of receiving funding.
4. Require the Solicitor's Office to formally review and approve contracts related to office space prior to entering into the contract.

Management Response
Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our recommendations; however, management did not agree with the conclusions, including that a potential *Anti-Deficiency Act* violation may have occurred.

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Auditors' Response to Management's Response
As summarized above, Interior should continue working with the OIG and OMB to resolve these matters. Therefore, we continue to believe that the weaknesses identified constitute a reportable condition.

INTERNAL CONTROLS OVER REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION AND PERFORMANCE MEASURES

Under OMB Bulletin No. 06-03, the definition of material weaknesses is extended to other controls as follows. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud, in amounts that would be material in relation to the Required Supplementary Stewardship Information or material to a performance measure or aggregation of related performance measures, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal control, misstatements due to error or fraud may nevertheless occur and not be detected.

Our consideration of the internal control over the Required Supplementary Stewardship Information and the design and operation of internal control over the existence and completeness assertions related to performance measures reported in the Management's Discussion and Analysis section would not necessarily disclose all matters involving the internal control and its operation related to Required Supplementary Stewardship Information or the design and operation of the internal control over the existence and completeness assertions related to key performance measures that might be reportable conditions.

In our fiscal year 2006 audit, we noted no matters involving the internal control and its operation related to Required Supplementary Stewardship Information that we considered to be material weaknesses as defined above.

Further, in our fiscal year 2006 audit, we noted no matters involving the design and operation of the internal control over the existence and completeness assertions related to key performance measures that we considered to be material weaknesses as defined above.

INTERNAL CONTROLS OVER REQUIRED SUPPLEMENTARY INFORMATION

We noted a deficiency in internal control over Required Supplementary Information described in the following paragraphs that, in our judgment, could adversely affect Interior's ability to collect, process, record, and summarize Required Supplementary Information.

I. **Museum Collections**

Interior has museum collections at over 1,000 locations across the United States that include art, millions of ethnography, archeology, documents, history, biology, paleontology, and geology items. Interior did not establish controls to determine and disclose the condition of museum collections in accordance with applicable accounting standards, because Interior disclosed the condition of only the facility that houses the collection, rather than the condition of the underlying museum collections. In addition, Interior has not assessed the condition of all the facilities housing its collections.

Interior considers museum collections to be in stable condition if the facility housing the museum collection is in stable condition. If a collection is housed in a poor facility, the condition of the collection would be considered "poor", regardless of the actual condition of the collection itself. If that same collection is moved to a new facility which is in good condition, the collection would then be considered in "good" condition because the surrounding environment is in "good" condition, and any environmental problems contributing to the deterioration of the collection would improve because of the condition of the new facility. SFFAS No. 29 requires entities to report the condition of museum collections as required supplementary information and defines condition as the physical state of an asset. SFFAS No. 29 also indicates that the condition of an asset is based on an evaluation of the physical status/state of an asset, its ability to perform as planned, and its continued usefulness. Therefore Interior's policy for museum collection disclosure is not in accordance with the applicable accounting requirements.

Recommendation
We recommend that Interior assess and disclose the condition of the museum collections, rather than the facility that houses the collections.

Management Response
Management has prepared an official response presented as a separate attachment to this report. In summary, management disagreed with our findings because management believes that its disclosures are in accordance with SFFAS No. 29 and museum industry practices.

Auditors' Response to Management's Response
As summarized above, Interior needs to establish controls to determine and disclose the condition of museum collections in accordance with applicable accounting standards. SFFAS No. 29 defines condition as the physical state of an asset and indicates that the condition of an asset is based on an evaluation of the physical status/state of an asset, its ability to perform as planned, and its continued usefulness. By only disclosing the condition of the facility housing the collection, Interior did not inform financial statement users of the condition of the underlying museum collections. Therefore, we continue to believe that the weaknesses identified constitute a reportable condition.

COMPLIANCE AND OTHER MATTERS

Our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, as described in the Responsibilities section of this report, exclusive of those referred to in the *Federal Financial Management Improvement Act of 1996* (FFMIA), disclosed three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 06-03, and are described below.

J. *Single Audit Act Amendments of 1996*

Interior is required to monitor its grantees in accordance with the *Single Audit Act Amendments of 1996,* and the related OMB Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Although Interior has improved its processes of monitoring grantees, Interior did not obtain Single Audit reports within 9 months of the grantee's fiscal year-end for certain grantees in fiscal year 2006 and did not issue management decisions on audit findings within six months after receipt of audit reports or ensure that the grantees completed appropriate

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and timely corrective action on such findings for 30 of the 38 grantees tested at certain components.

Recommendation
We recommend that in fiscal year 2007, Interior obtain single audit reports and issue management decisions on audit findings in accordance with the requirements of the *Single Audit Act Amendments of 1996* and the related OMB Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

Management Response
Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings, and its comments were responsive to our recommendations.

K. **Potential Non-compliance with the *Anti-Deficiency Act*, Acquisition Regulations, and Leasing Laws and Regulations**

As further discussed in the Internal Control Over Financial Reporting section of this report, Interior may have violated the *Anti-Deficiency Act* because Interior spent potentially expired funds and obligated the government in advance of receiving funding for one contract. In addition, Interior awarded a contract related to office space potentially in violation of 40 USC 101, which provides General Services Administration exclusive authority for leases; section 8020 of the Defense appropriation act; and 10 USC 2676, Acquisition Limitation, which precludes military department leases without specific lease authority. As a result, any obligations and expenses under this contract may have violated the *Anti-Deficiency Act*. Interior is working with the OIG and OMB to resolve these matters.

Recommendations
We recommend that in fiscal year 2007, Interior continue working with the OIG and OMB to:

1. Investigate and resolve the potential noncompliance with the *Anti-Deficiency Act*, procurement regulations, and leasing laws and regulations.
2. Improve its contracting processes and controls to ensure compliance with the *Anti-Deficiency Act*, acquisition regulations, and leasing laws and regulations.

Management Response
Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our recommendations; however, management did not agree with the finding conclusions, including that a potential *Anti-Deficiency Act* violation may have occurred.

Auditors' Response to Management's Response
As summarized above, we recommend that Interior continue working with the OIG and OMB to resolve these matters.

* * * * *

The results of our tests of compliance with certain provisions of other laws and regulations, exclusive of those referred to in FFMIA, disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 06-03.

The results of our tests of FFMIA disclosed instances, described below, where Interior's financial management systems did not substantially comply with applicable Federal accounting standards. The results of our tests of FFMIA disclosed no instances in which Interior's financial management systems did not substantially comply with the Federal financial management systems requirements or the United States Standard General Ledger at the transaction level.

L. ***Federal Financial Management Improvement Act of 1996***

Interior is required to prepare its financial statements in accordance with Federal accounting standards. As discussed in the Internal Control over Financial Reporting section of this report, we identified one material weakness related to controls over Indian Trust Funds that affected Interior's ability to prepare its financial statements and related disclosures in accordance with Federal accounting standards. Also as discussed in the Internal Control Over Required Supplementary Information section of this report, Interior needs to complete and revise its condition of museum collections disclosures to comply with Federal accounting standards. As a result of these conditions, Interior's financial management systems do not substantially comply with applicable Federal accounting standards.

Recommendation
We recommend that in fiscal year 2007, Interior improve procedures and internal controls to ensure that the financial statements and related disclosures are prepared in accordance with the Federal accounting standards.

Management Response
Management has prepared an official response presented as a separate attachment to this report. In summary, management disagreed with our findings because management believes that it does not have a material weakness and because management believes that its museum collection disclosures are in accordance with the standards.

Auditors' Response to Management's Response
We continue to believe that Interior has a material weakness in internal controls because Interior had not resolved significant financial reporting differences from prior periods and weaknesses in BIA trust-related systems and processes continue to exist at September 30, 2006. In addition, we believe that Interior needs to disclose the condition of the museum collection in accordance with the accounting standards. Therefore, we continue to recommend that Interior improve procedures and internal controls to ensure that the financial statements and related disclosures are prepared in accordance with the Federal accounting standards.

* * * * *

RESPONSIBILITIES

Management's Responsibilities. The United States Code, Title 31, Sections 3515 and 9106 require agencies to report annually to Congress on their financial status and any other information needed to fairly present their financial position and results of operations. To meet these reporting requirements, Interior prepares and submits financial statements in accordance with OMB Circular No. A-136.

Management is responsible for the financial statements, including:

- Preparing the financial statements in conformity with U.S. generally accepted accounting principles;
- Preparing the Management's Discussion and Analysis (including the performance measures), Required Supplementary Information, and Required Supplementary Stewardship Information;
- Establishing and maintaining effective internal controls; and
- Complying with laws, regulations, contracts, and grant agreements applicable to Interior, including FFMIA.

In fulfilling this responsibility, management is required to make estimates and judgments to assess the expected benefits and related costs of internal control policies.

Auditors' Responsibilities. Our responsibility is to express an opinion on the fiscal year 2006 and 2005 financial statements of Interior based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 06-03. Those standards and OMB Bulletin No. 06-03 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Interior's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In planning and performing our fiscal year 2006 audit, we considered Interior's internal control over financial reporting by obtaining an understanding of Interior's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in *Government Auditing Standards* and OMB Bulletin No. 06-03. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to provide an opinion on Interior's internal control over financial reporting. Consequently, we do not provide an opinion thereon.

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As required by OMB Bulletin No. 06-03, in our fiscal year 2006 audit, we considered Interior's internal control over the Required Supplementary Stewardship Information by obtaining an understanding of Interior's internal control, determining whether these internal controls had been placed in operation, assessing control risk, and performing tests of controls. We limited our testing to those controls necessary to test and report on the internal control over Required Supplementary Stewardship Information in accordance with OMB Bulletin No. 06-03. However, our procedures were not designed to provide an opinion on internal control over the Required Supplementary Stewardship Information and, accordingly, we do not provide an opinion thereon.

As further required by OMB Bulletin No. 06-03, in our fiscal year 2006 audit, with respect to internal control related to performance measures determined by management to be key and reported in the Management's Discussion and Analysis section, we obtained an understanding of the design of internal controls relating to the existence and completeness assertions and determined whether these internal controls had been placed in operation. We limited our testing to those controls necessary to test and report on the internal control over key performance measures in accordance with OMB Bulletin No. 06-03. However, our procedures were not designed to provide an opinion on internal control over reported performance measures and, accordingly, we do not provide an opinion thereon.

As part of obtaining reasonable assurance about whether Interior's fiscal year 2006 financial statements are free of material misstatement, we performed tests of Interior's 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 the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 06-03, including certain provisions referred to in FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to Interior. However, providing an opinion on compliance with laws, regulations, contracts, and grant agreements was not an objective of our audit and, accordingly, we do not express such an opinion.

Under OMB Bulletin No. 06-03 and FFMIA, we are required to report whether Interior's financial management systems substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements.

RESTRICTED USE

This report is intended solely for the information and use of Interior's management, Interior's Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 15, 2006

Exhibit I

U.S. DEPARTMENT OF THE INTERIOR

Status of Prior Year Findings

September 30, 2006

Ref	Condition	Status
A	Controls over implementing new accounting policies and procedure	This has been corrected.
B	Controls over the Indian Trust funds	This has not been corrected and is repeated at finding A.
C	Reconciliation of intragovernmental transactions and balances	This has been corrected.
D	Application and general controls over financial management systems	This has been partially corrected and is repeated at finding B.
E	Controls over property, plant, and equipment	This has not been corrected and is repeated at finding C.
F	Controls over accruals	This has been corrected.
G	Controls over environmental contingencies	This has been corrected.
H	Financial management at the Bureau of Indian Affairs	This has been corrected.
I	Controls over revenue	This has been corrected.
J	Controls over grants	This has been corrected.
K	Segregation of responsibilities over purchases and entries	This has been corrected.
L	Controls over charge cards	This has not been corrected and is repeated at finding F.
M	Controls over obligations	This has been corrected.
N	Controls over the U.S. Park Police Pension Plan	This has not been corrected and is repeated at finding E.
O	Stewardship Reporting	This has been partially corrected and is repeated at finding I.
P	Deferred maintenance estimates	This has been corrected.
Q	*Single Audit Act Amendments of 1996*	This has not been corrected and is repeated at finding J.

U.S. DEPARTMENT OF THE INTERIOR

Status of Prior Year Findings, Continued

September 30, 2006

Ref	Condition	Status
R	*Debt Collection Improvement Act of 1996*	This has been corrected.
S	OMB Circular No. A-25, *User Charges*	This has been corrected.
T	*Federal Financial Management Improvement Act of 1996*	This has not been corrected and is repeated at finding L.

United States Department of the Interior

OFFICE OF THE ASSISTANT SECRETARY
POLICY, MANAGEMENT AND BUDGET
Washington, DC 20240

TAKE PRIDE IN AMERICA

Memorandum

To: Earl E. Devaney
Inspector General

11-15-06P05:04 RCVD

KPMG LLP
2001 M Street, NW
Washington, DC 20036

From: R. Thomas Weimer R. Thomas Weimer
Assistant Secretary – Policy, Management and Budget

Subject: Management's Response to Independent Auditors' Report for Fiscal Year 2006 (Assignment No. X-IN-MOA-0018-2006)

The Department has reviewed the draft report prepared by KPMG LLP and provides its response to the findings and recommendations. We are pleased that the result of the audit is an unqualified opinion on the Department Consolidated Financial Statements. The Department appreciates the recognition noted in several findings and recommendations of the improvement and progress achieved during Fiscal Year 2006. We appreciate the value of the audit process and look forward to working with you to continue our marked improvement of financial management in the Department of the Interior.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Reportable Conditions that are considered to be Material Weaknesses

A. Controls over the Indian Trust funds

Management does not concur. A variety of actions already have been taken to significantly improve internal control activities and systems for Indian Trust Funds and extensive amounts of documentation have been provided for consideration. Additional activities are underway to continue the substantial improvement in controls over the Indian trust funds noted in the audit report for both OST and BIA. Based on the results of our extensive internal controls testing, these controls are in place and operating effectively; therefore, there is no adverse material impact on the current financial internal control environment.

We believe that there is a high degree of accuracy in the Trust Fund account balances, the accounting and asset management resource systems are reliable, and monies are being properly and timely accounted for. Upon careful consideration of the significant corrective action progress achieved and the procedures and internal controls that have been implemented, we believe that our efforts to address the deficiencies in controls related to Indian Trust Funds are substantially complete and that this would more accurately be classified as a reportable condition.

Other Reportable Conditions

B. Application and general controls over financial management systems

Management concurs. During FY 2006 Interior has substantially improved its policies and guidance, and will continue its efforts to enhance application and general controls over financial management systems during FY 2007 to address the issues noted in the audit report. We note, however, that although compliance with policies and guidance needs improvement, actual physical testing of our financial systems has demonstrated positive results. We are not aware of any breaches or successful penetration attempts over the past year.

C. Controls over property, plant, and equipment

Management does not concur. Formal procedures were in place to establish cost structures to ensure that costs are recorded appropriately as capitalized or expensed, review procedures are in place, interest is being applied appropriately, and project listings are maintained. The differences were identified during management's review and appropriate actions were taken to correct prior period transactions. An adjustment of $93 million was made to correct the accounting for certain assets. This is less than 1 percent of Interior's reported property, plant, and equipment.

D. Reporting the Sport Fish Restoration and Boating Trust Fund

Management does not concur. Interior had controls in place and operating to identify new accounting treatments and standards in a timely and effective manner. Implementation of the new standard that addressed the Fund required significant preparation and coordination. The standard's requirements are that when multiple responsible entities can be **clearly identified** (emphasis added) then each entity should report their portion. It continues on to state that when those portions cannot be separated, the entity with the program management responsibility should report the fund.

Interior attempted to engage all parties related to this fund many times throughout the year. Absent their cooperation, we were forced to continue to report the fund in its entirety. That this was not completed until the fund management agency and the other component entities cooperated and collaborated on the preferred treatment of these funds were coordinated does not represent a weakness in internal controls.

E. Controls over the U.S. Park Police Pension Plan

Management does not concur. During FY 2006, a contractor performed a complete audit of the data supporting the U.S. Park Police actuarial liability. Specifically, using all of the supporting annuitant documentation from the plan administrator, the initial annuity amount and the FY 2006 annuity for each annuitant were recalculated. All differences were summarized and are in the process of being resolved. The differences identified were .15% of current year payments, and less than .01% of the total liability.

F. Controls over charge cards

Management concurs. Interior continues to believe it has a generally well-managed charge card program, although compliance issues are identified in several bureaus and offices. Interior continued to: monitor approving official reviews; train and otherwise educate cardholders, agency/organization program coordinators (A/OPCs), and approving officials on charge card responsibilities; and monitor the use of charge cards. In addition, through quarterly reviews of the personnel/payroll system, Interior continued to identify newly-appointed supervisors who will have approving official responsibility and to identify open accounts of former employees that need to be closed by the A/OPC.

G. Control assessment and assurance statement process

Management partially concurs. OMB Circular Number A-123, *Management's Responsibility for Internal Control*, Appendix A, (A-123) provides guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on internal control. The Department took a top-down approach in assessing internal controls over financial reporting to support management's assurance at the department-wide level. The top-down approach focused the Department's resources on the items most material and most at risk to the Department's financial reporting. Interior management believes it complied with all of the minimum indicators of compliance of A-123, Appendix A (see OMB Bulletin No. 06-03, Section 7.20), so that it has complied with Circular No. A-123, Appendix A.

However, Interior management concurs that the recommendations made can assist in its constant effort to improve its assurance process, documentation, and testing of key controls.

H. Controls over spending authority

Management partially concurs. Interior management concurs that the recommendations made can assist in its constant effort to improve its controls and has already taken significant action to address the recommendations made in the audit. However, management has been reviewing the referenced Office of Inspector General (OIG) draft findings, and, to date, does not agree with the OIG conclusions, including the finding that a potential Anti-Deficiency Act violation has occurred.

INTERNAL CONTROL OVER RSI AND RSSI

I. Museum Collections

Management does not concur. Our approach to accounting for museum collections was in accordance with FASAB SFFAS No. 29 and established industry practices. For example, the American Association of Museums bases their accreditation criteria in a large part upon the environmental conditions, protections that the facilities can sustain, and industry best practices that directly tie to this concept. In addition, the Heritage Health Index Report on the State of America's Collections identified safe environment and proper care of collections to be the most fundamental responsibility of preservation. The facts and the flexibilities in this standard, as well as our participation in the Governmentwide task force developing implementation guidance, have confirmed our approach and interpretation.

We believe that our interpretive differences should not be considered a non-compliance or significant deficiency because the standard allows maximum flexibility for the preparer to base their presentation on their reading of the standard.

INSTANCES OF NONCOMPLIANCE OR OTHER MATTERS

J. Single Audit Act Amendments of 1996

Management concurs. During FY 2006 Interior has taken steps to obtain single audit reports and issue management decisions on audit findings, timely, and to improve the process. During FY 2007 the Department will continue working to revise policies and processes to improve compliance with the Single Audit Act and OMB Circular Number A-133.

K. Potential non-compliance with the *Anti-Deficiency Act*, acquisition regulations, and leasing laws and regulations

Management partially concurs. Interior management concurs that the recommendations made can assist in its constant effort to improve its controls and has already taken significant action to address the recommendations made in the audit. However, management has been reviewing the referenced Office of Inspector General (OIG) draft findings, and, to date, does not agree with the OIG conclusions, including the finding that a potential Anti-Deficiency Act violation may have occurred.

L. Federal Financial Management Improvement Act of 1996

Management does not concur. As detailed under Section I, Interior believes that their financial management systems related to museum collection condition disclosures do comply with the applicable Federal accounting standard. This compliance is confirmed by our work with the implementation task force.

Furthermore, as discussed in Section A, it is Interior's position that the material weakness regarding control over Indian Trust Funds is no longer a material weakness. Significant corrective actions have been taken; we believe that there is a high degree of accuracy in the Trust Fund account balances; that the accounting and asset management resource systems are reliable, and that monies are now properly and timely being accounted for. Upon careful consideration of the significant corrective action progress achieved and the procedures and internal controls that have been implemented to address the deficiencies in controls related to Indian Trust Funds, management has downgraded the matter to a bureau-level reportable condition. We believe that the Department's financial statements and related disclosures are in full compliance with the Federal accounting standards and that substantial compliance is achieved.

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Part 4. Other Accompanying Information

Improper Payments Information Act Reporting Details

Description of the Risk Assessment Process

Initial reviews of all programs conducted in FY 2004 resulted in no programs were determined to be risk-susceptible for making significant improper payments based on the threshold set by OMB. As a result, OMB permitted Interior to review programs in excess of $100 million for FY 2005. During FY 2006, managers conduct risk assessments of all programs (meeting OMB's definition of "program") over $100 million in planned annual outlays to determine if any of these programs were risk-susceptible for making significant improper payments.

Recovery Audits

Toward the end of FY 2003, the Department selected PRG Schultz to perform recovery audit services. PRG Schultz started working with the Office of the Secretary and performed a pilot effort to set up its program. By the end of FY 2004, all bureaus of the Department had issued a Task Order engaging PRG Schultz to perform recovery auditing services. In FY 2006, all of the Department's bureaus performed recovery audits. Table 4-1 summarizes Interior's recovery audit activities as of September 30, 2006

TABLE 4-1

FY 2006 Recovery Audit Activities

Amount of Payment Errors	Amount Deemed Not Recoverable	Amount Recovered	Amount Pending Resolution	Found by Internal Agency	Found by Recovery Auditor	Agency Costs	Amount Earned by Contractor
$4,407,345	$3,267,756	$505,743	$634,926	Not tracked	$505,743	Not tracked but very minimal	$101,149

Conclusion

The result of the risk assessments performed in FY 2006 reaffirmed that none of the programs reviewed pose a high-risk of making significant improper payments. (A summary of the programs reviewed can be found in the Management Discussion and Analysis portion of this report.) Interior will continue to use all cost effective means to keep improper payments to a minimum and pursue recovery when an improper payment is identified.

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Figure 4-2 Summary of Major Management Challenges Facing Interior

Major Management Challenge	Description	New or Carryover from FY 2005	Interior Actions to Date	Status at end of FY 2006
Financial Management Budget and Performance Integration	Sound financial management is critical to providing accurate financial information, managing for results, and ensuring operational effectiveness. Although DOI has made some progress, internal control weaknesses continue to hinder the Department's financial management systems. The Department began implementing FBMS in FY 2005 and planned to have it fully implemented by the end of FY 2008. However, DOI removed the original contractor and brought in a new contractor which caused the implementation date to be moved from FY 2008 to FY 2011. Better budget and performance integration is essential to results-oriented management and efficient allocation of scarce resources among completing needs. The variety and number of programs within DOI makes budget and performance integration particularly difficult. From 2002 to 2005, OMB assessed 63 DOI programs, reflecting over $9 billion dollars in annual budget authority. Of these, only 5 were rated "Effective," and OMB was unable to determine whether 23 of the programs reflecting nearly half of the assessed spending, were performing satisfactorily due to the lack of reliable performance information. Thirty-eight percent of the DOI program ratings published in 2006 were "Results Not Demonstrated." DOI needs to continue to focus on developing useful performance measures.	Carryover	In FY 2006, the Department of the Interior executed the re-procurement for Financial and Business Management System (FBMS) System Integrator support following the severing of its relationship with the original System Integrator on September 29, 2005. Throughout the FY work continued on FBMS Deployment 2 to provide core financial functionality, financial assistance integration, portal access and navigation, and Enterprise Management Information System capabilities at the Office of Surface Mining and the Minerals Management Service. Deployment 2 is scheduled for release in early FY 2007. DOI began implementing FBMS in FY 2005 and completed the first phase of the project in April 2005 with the launch of the financial assistance module for grant and cooperative agreement programs at MMS, OSM and selected programs at FWS. DOI selected the National Business Center (NBC) to host FBMS, established the training and production infrastructure and completed system Certification and Accreditation for the financial assistance deployment. DOI also updated the FBMS requirements, began configuration of the FBMS core systems and key departmental interfaces and completed initial testing of the core system configurations. The vision and goals of the project remain the same. DOI is currently revising the implementation timelines and related schedules for the project. The OIG's letter to the Secretary focuses only on the Program Assessment Rating Tool (PART) which is one element of a comprehensive suite of budget and performance integration initiatives at DOI. Previous PART evaluations for programs such as BLM habitat restoration and FWS migratory bird program have enabled DOI to seek additional funding. PART evaluations for BLM's oil and gas program and land and realty management have also led to budget proposals that seek greater cost recovery. The Department's recent experience with the PART process indicates an increase in more favorable ratings. The range of activities under budget and performance integration include integrating the performance and budget processes, so that performance targets are documented in budget estimates; extending activity based costing to relate financial information to both performance goals and measures; and emphasizing budget and performance information to improve management decisions. For example, bureaus such as BLM use activity based costing information to allocate funds across the regions. The Department continues to pursue budget and performance integration in accordance with the goals agreed to with OMB. Such efforts will be continuing to better integrate performance and budget planning.	Ongoing

Figure 4-2 Summary of Major Management Challenges Facing Interior

Major Management Challenge	Description	New or Carryover from FY 2005	Interior Actions to Date	Status at end of FY 2006
Information Technology	DOI's Information Technology (IT) Security Program has seen increased management awareness, involvement, focus, and funding since the enactment of the Federal Information Security Management Act (FISMA) in 2002, significant weaknesses remain in the DOI IT Security Program. Our 2006 evaluation of DOI's computer network, the Enterprise Services Network (ESN), found that the foresight and planning devoted to ESN network security demonstrate a solid understanding of security best-practices. However, application security, a bureau responsibility, continues to present attackers with targets of opportunity. The ESN has no control over these applications or the networks that make them accessible to the public. Until this area is addressed, ESN cannot provide the level of security promised by the Chief Information Officer. We conducted external penetration tests of information systems managed by the Minerals Management Service (MMS), U.S. Fish and Wildlife Service (FWS), National Business Center (NBC), and Office of Surface Mining (OSM). Our evaluation of DOI's Plan of Action and Milestone (POAM) process — which helps plan, implement, evaluate, and document actions needed to address deficiencies in information security policies, procedures, and practices — found that the POAM process still has a number of areas needing improvement. For example, the Office of the Chief Information Officer has yet to provide an automated POAM solution for DOI.	Carryover	Interior was able to make significant progress in improving and strengthening its overall security posture during FY 2006. The following milestones were achieved: • All bureau networks were connected to the Enterprise Services Network (ESN). Also, management of bureau networks was consolidated by transferring management responsibilities to the ESN Network Operations and Security Center (NOSC). • Major network backbone nodes and circuits were migrated to a vendor provided service, which increased overall network performance and security. A consolidated, centrally managed remote access solution was developed which supports work-at-home initiatives and continuity of operations. As a result, stronger network perimeter security is achieved for all bureaus and offices within DOI. • Extensive penetration testing was performed on all bureau networks. Robust network perimeter vulnerability scanning was also implemented. These activities provide for ongoing, proactive monitoring and improvement of Interior's IT security posture. • Quality reviews of 54 Certification and Accreditation (C&A) packages for bureau systems were conducted to ensure compliance with appropriate standards and to establish a consistent level of quality in the C&A documentation of Interior systems. • Increased overall awareness of IT security issues by delivering security awareness training to 98% of employees. • Sixty-one percent of employees having significant IT security responsibilities received specialized role-based security training. • In order to ensure consistent interpretation and application of regulatory guidance, on-site FISMA compliance reviews of all bureau and office IT security programs were conducted. • DOI remained free of significant data losses, breaches of confidentiality or significant contamination due to cyber attacks or malicious code. • Continued integrating IT security program with Enterprise Architecture (EA), IT Capital Planning and Investment Control (CPIC) and consolidated operations. A streamlined governance process with clearer roles and decision-making authority has been established. The Interior Enterprise Architecture (IEA) program was rated #1 by OMB across the federal government for two rating cycles in a row. In order to receive a "Green" rating by OMB, agencies must be rated a level 3 for "Completion, Use and Results" of their EAs. DOI's scores for the 2006 rating are: Completion - 4.5; Use - 4.2; and Results - 3.7. For FY 2007, DOI has identified the following priorities to be addressed in the IT Security program: • Continued improvement in: o C&A documentation and execution process; o POA&M process; o Security configurations in accordance with Security Technical Implementation Guides (STIGs); and o IT Systems Inventory processes. • C&A revisions to address OMB requirements for protection of Personally Identifiable Information	Ongoing

Figure 4-2 Summary of Major Management Challenges Facing Interior

Major Management Challenge	Description	New or Carryover from FY 2005	Interior Actions to Date	Status at end of FY 2006
Health, Safety, and Emergency Management	Annually, DOI has over 475 million visits to national parks, Bureau of Land Management (BLM) recreational sites, wildlife refuges, and Bureau of Reclamation (BOR) recreation sites. DOI must protect hundreds of millions of visitors, employees, and volunteers, thousands of facilities, and millions of acres of property from both internal and external threats. The physical isolation of some DOI lands and facilities increases their vulnerability to threats and inhibits DOI's response time. DOI's Office of Law Enforcement, Security, and Emergency Management (OLESEM) continues to struggle with its role involving policy and oversight of bureau law enforcement, security, and emergency management programs. In FY2006, we examined DOI and bureau progress in implementing 25 Secretary Directives issued in 2002 for law enforcement reform, including creating senior-level law enforcement and security positions, implementing a formal budget review process, and developing Department-wide law enforcement, security, and emergency management policies. Our review revealed that after nearly 4 years, the Department and bureaus have only fully implemented 9 of the 25 directives. In addition, the bureaus have not sufficiently addressed accountability issues stemming from non-law enforcement managers supervising law enforcement positions.	Carryover	The Secretary's law enforcement reforms encompassed 25 subject areas, with a total of 61 individual directives. The OIG's April 2006 progress report showed 35 of those directives as "fully implemented," 23 with "moderate progress," and only three with "inadequate progress." In fact, there has been substantial progress in these last three areas, to include the following: • OLESEM completed a comprehensive revision of all law enforcement policies in December 2004. Because of the lengthy process required for legal review, OLESEM has prioritized the numerous chapters of the Law Enforcement Handbook and has issued policy guidance as the legal review for each chapter is completed. • OLESEM has undertaken a comprehensive revision of all security policies and has issued numerous manual changes and other policy guidance. The Department has created a Security Advisory Council, consisting of Security Directors from all bureaus and offices, to develop and review security policy. OLESEM has completed security reviews of all Departmental critical infrastructure and key resources. • OLESEM developed comprehensive policies to address Serious Incident Reporting and Internal Affairs. It created a Senior Incident Review Group (SIRG) consisting of the Director, OLESEM, and the Law Enforcement Chiefs for all DOI bureaus. The SIRG reviewed several incidents and issued detailed reports, approved by the Deputy Assistant Secretary, to address training and other needs. As noted in the OIG progress report, OLESEM has also implemented an automated Case Tracking System for internal affairs matters. The Department is continuing to aggressively implement these directives and all others that have not been fully implemented. With respect to accountability for non-law enforcement managers who supervise law enforcement positions, these managers are subject to investigation by internal affairs investigators to the same extent as law enforcement officers themselves. In addition, the bureaus have fully embraced the need for all such managers to undergo a background investigation and receive comprehensive "Law Enforcement for Managers" training. Each bureau that allows supervision of law enforcement officers by non-law enforcement managers (BLM, BOR, NPS, and FWS-NWRS) has trained the vast majority of its managers, with a schedule to complete training for all managers. This process is overseen by OLESEM. Other Initiatives: Beyond the specific directives addressed in the Secretary's law enforcement reforms, the Department provides strong oversight of a wide range of law enforcement, security and emergency management programs. Examples include:	Ongoing

Figure 4-2 Summary of Major Management Challenges Facing Interior

Major Management Challenge	Description	New or Carryover from FY 2005	Interior Actions to Date	Status at end of FY 2006
			• Active participation in the implementation of numerous Homeland Security Presidential Directives (HSPDs), including HSPD-3 (Homeland Security Advisory System), HSPD-5 (Management of Domestic Incidents), HSPD-7 (Critical Infrastructure Protection), HSPD-8 (National Preparedness), HSPD-12 (Common Identification Standards), and HSPD-13 (Maritime Security). • Active participation in numerous Homeland Security Council-led Policy Coordinating Committees, including Avian and Pandemic Influenza, Biodefense, Border and Transportation Security, Maritime Security, Continuity, Critical Infrastructure Protection, Domestic Readiness, Information Sharing, and Plans and Training. • Development of a National Infrastructure Protection Plan for the National Monuments and Icons Sector, including creation of a security assessment methodology noted by DHS, OMB, and GAO. • Development of a Departmental Avian and Pandemic Influenza Plan. • Revision of the Departmental Manual to provide a comprehensive policy framework for the Emergency Management program. • Development of a Strategic Plan for Wireless Communications to meet employee and public safety objectives.	
Maintenance of Facilities	DOI owns, builds, purchases, and contracts services for assets such as roads, bridges, schools, office buildings, dams, irrigation systems, and reservoirs. Repair and maintenance of some of these assets have been postponed until future years due to budgetary constraints. DOI refers to these unfunded repair and maintenance needs as deferred maintenance. According to the January 2003 Government Accountability Office (GAO) report, "Major Management Challenges and Program Risks, Department of the Interior," DOI needs to more aggressively address the deferred maintenance backlog. The report states that the repair and maintenance on these assets has been postponed for years and that the deterioration of facilities can adversely impact public health and safety, reduce employee morale and productivity, and increase the need for costly major repairs or early replacement of structures and equipment. The deferred maintenance backlog is a continuing challenge for the Department. According to the FY2005 "Annual Report on Performance and Accountability," exact estimates of deferred maintenance costs are difficult to determine due to the scope, nature, and variety of assets entrusted to the Department, as well as the nature of deferred maintenance itself. Using the Department's current approach for estimating the backlog, the amount needed to correct deferred maintenance for property, plant, and equipment ranges from approximately $10.1 to $18 billion. In FY2004, estimates for DOI's deferred maintenance were between $8.9 and $15.3 billion.	Carryover	The Department has identified MAXIMOTM as the Facility Maintenance Management System (FMMS) of choice. BIA Education continues to use FMMS. At the end of the 3Rd Quarter of FY 2006, 75% of the DOI inventory (all buildings and most structures) have 'Comprehensive Condition Assessments'. This is a 5 year cycle that will eventually look at all constructed assets with a Current Replacement Value (CRV) of over $50,000. All constructed assets with a CRV of $5,000 and above receive an 'Annual Condition Assessment'. As an outgrowth of Executive Order 13327, the Federal Real Property Profile (FRPP) data elements have been changed. One of the data elements to be reported is 'Condition Index' (CI) for each constructed asset reported in the FRPP. For each asset this is the ratio of deferred maintenance of the asset divided by the CRV of the asset. Through FY 2006, the bureaus have been calculating CIs. All construction assets in the FRPP will have a CI value by the end of the 4th Quarter of FY 2006.	Closed

Figure 4-2 Summary of Major Management Challenges Facing Interior

Major Management Challenge	Description	New or Carryover from FY 2005	Interior Actions to Date	Status at end of FY 2006
	itself. Using the Department's current approach for estimating the backlog, the amount needed to correct deferred maintenance for property, plant, and equipment ranges from approximately $10.1 to $18 billion. In FY2004, estimates for DOI's deferred maintenance were between $8.9 and $15.3 billion.		By the end of FY 2006 all bureaus will have completed their first round of 'Comprehensive Condition Assessments' on all buildings and most structures. During the second round all buildings will be reviewed again as well as all structures. Complete CI data for all constructed assets will be in the FRPP for the issuance of the FY 2006 Report. Although considerable action has been taken on maintenance of facilities, deferred maintenance remains a challenge to remediate, especially in times of unfunded requirements.	
Responsibilities to Indians and Insular Areas	Management problems persist in programs for Indians and island communities. DOI provides more than $750 million annually for basic tribal services, including tribal courts, social services, and natural resource management. DOI is responsible for administering the U.S. Government's trust responsibilities to Indian tribes and individual Indians and has various responsibilities to seven island communities — four U.S. territories and three sovereign island nations. Tribal entities' financial compliance with funding agreements should be ensured through the single audit process; however, 95 tribal entities (including the tribal governments and tribal schools) submitted delinquent single audit reports during FY2006. These delinquent reports comprise over half of the 171 tribal entities reviewed. Serious problems persist at schools and detention facilities operated and funded by the Bureau of Indian Affairs (BIA). According to the November 2005 Investigative Report on the Chemawa Indian School Detention Facility, the lack of supervision and training on the part of BIA education administrators and Chemawa Indian School staff contributed to the tragic death of a 16-year-old girl at the Chemawa Indian Boarding School. During an October 2005 investigation of a suicide at the Blackfeet jail in Browning, MT, we found a similar lack of supervision, staffing and training. We further found that BIA detention managers had done little, if anything, to alleviate ongoing problems at the site. The Insular Area governments have serious long-standing financial and program management deficiencies. For example, in FY2006, we confirmed that the Development Bank of American Samoa (Bank) has mismanaged its loan portfolio so significantly that it is in danger of negating the economic goals for which it was established, namely, making economic development loans in the islands available to those who might otherwise be ineligible. The Bank's management deficiencies are long standing, dating back more than 25 years, and have been documented in numerous reports.	Carryover	Interior has improved its collection of Indian trust funds and has placed a high priority on further improvements. OST recently completed the implementation of a centralized lockbox process that was initiated in FY 2005. Under this financial industry best practice, companies or individuals who remit payments for the use of Indian Trust resources, forward payments to a designated United States Post Office box in Arizona, instead of to various agencies and offices throughout the country. Upon receipt, payments are processed, deposited, and recorded in the Trust Fund Accounting System. As a result of the new lockbox system, trust payments and disbursements are faster, safer, and more efficient. OST is also distributing comprehensive account statements to account holders with trust assets at BIA agencies that have implemented new technology systems for title and leasing information. Beneficiaries serviced by the agencies that have converted to the TAAMS leasing module are receiving quarterly performance statements that provide information regarding source of funds, encumbrance information (i.e., leases), and a listing of trust property they own whether it is property generating income or not. Historical accounting for Judgment and Per Capita Individual Indian Monies (IIM) accounts has been reconciled for 82% of 99,572 of such accounts with only insignificant issues noted to date. Of these completed reconciliations, 13,103 have been mailed with Court permission to account holders with no comments from recipients regarding reconciled balances. Historical accounting for the Electronic Era (1985-2000) for Land-Based IIM accounts has been completed for all transactions over $100,000 and a statistically valid sample of transactions under $100,000. Statistical analysis of these results reported at a 95% assurance level a total estimated difference for receipts and disbursements of $44 million that are disadvantageous to IIM account holders. For Special Deposit IIM accounts, historical accounting has resulted in the distribution to rightful owners of $42.1 million (60%) of undistributed account balances at December 31, 2002, with $16.6 million remaining to be resolved and distributed. A statistical meta-analysis of 490 relevant audits and reconciliations was performed on the Trust Fund accounting systems from the late 19th century to the present. The statisticians found no evidence of widespread fraud in the Indian Trust system in their meta-analysis.	Ongoing

Figure 4-2 Summary of Major Management Challenges Facing Interior

Major Management Challenge	Description	New or Carryover from FY 2005	Interior Actions to Date	Status at end of FY 2006
	A FY2006 inspection of the Federated States of Micronesia's (FSM) Compact Trust Fund (Fund) revealed that oversight from the United States, as well as from FSM Trust Fund Committee members, has failed to ensure that key positions are filled in a timely manner, annual financial and performance reports are prepared, and resources are effectively invested. These conclusions were supported by an FSM Finance and Budget Resolution (November 16, 2005) stating that the Fund had not been fully implemented, realized expected returns, or provided copies of its required financial and performance reports to its national and state governments, even though they had deposited their respective shares into the Fund.		Significant progress has been made in implementing the strategic goals to correct identified deficiencies. Trust records retention schedules have been developed and implemented; records management policies and procedures have been developed and implemented for BIA and OST; protocols for moving records have been put into place; over 80% of all inactive records have been retired from field offices; a state of the art facility, the American Indian Records Repository, has been built to house all Indian Affairs records; an electronic data base has been established which provides an index to all records stored to allow for timely retrieval of records; over 2,000 OST, BIA and tribal employees have been trained; OST employees are located in each BIA region to provide records management technical guidance and assistance to BIA and OST program managers; and records management site assessments are being conducted. BIA continues its improvement in responding to single audit report findings. BIA had one delinquent response at the end of the fiscal year, which is down from 85 delinquent responses at the end of last year. BIA also continues to take action to ensure the timely receipt of single audit reports by issuing warning letters to and imposing sanctions on entities that have not filed their audit reports. BIA developed Government Performance and Results Act (GPRA) measures to track its performance in these areas. In December 2005, the Bureau of Indian Education (formerly the Office of Indian Education Programs), conducted a "Stand Down" exercise requiring all BIE-funded schools to review safety and security procedures with students, staff and teachers. The "Stand Down" exercise has become an annual requirement. The most recent "Stand Down" was completed in October 2006 for School Year 2006-2007. All schools were required to complete assurance statements that they do not maintain any holding cells or detention-like facilities on or at schools/dormitories. Schools were also required to provide assurances that they have memorandums of understanding with local law enforcement and emergency medical services which respond to safety and medical emergency situations. In June 2006, the BIE issued a draft document entitled Safe Schools Planning: a Guide for Educators. This document is designed to assist schools with emergency preparedness and to address critical safety and security requirements. In May 2006, BIE hosted a Safe Schools Symposium: Strategies for Safer Education. The focus was on preventing, preparing, responding to emergencies as well as recovery from such events.	

Figure 4-2 Summary of Major Management Challenges Facing Interior

Major Management Challenge	Description	New or Carryover from FY 2005	Interior Actions to Date	Status at end of FY 2006
			The U.S. Department of Justice has partially funded the construction of 9 new detention centers in Indian Country. Justice is also funding another 14 facilities that are in various stages of planning and construction. BIA will provide funds for staffing and operation located in the continental United States. Interior is assisting the island communities in developing more efficient and effective government by providing financial and technical assistance and helping manage Federal-island relations by promoting appropriate Federal policies.	
Resource Protection and Restoration	DOI resource managers face the challenging task of balancing competing interests for the use of the Nation's natural resources. Federal lands account for approximately 30 percent of energy produced in the United States. DOI has jurisdiction over 1.76 billion acres of the Outer Continental Shelf, manages about one-fifth of the land area of the United States, and administers 700 million acres of subsurface mineral estate throughout the Nation. In addition, DOI protects thousands of wetlands, aquatic parcels, and native plant and animal species, including more than 1,300 with special status under the Endangered Species Act. In 2003, GAO identified ecosystem restoration efforts as major performance and accountability challenges for DOI, specifically in the areas of 1) reducing wildland fire threats to communities and resources; 2) restoring the South Florida ecosystem; and 3) controlling and eradicating invasive species. Approximately 100,000 wildfires occur yearly on federal and state lands. Some are catastrophic, such as the 2003 Southern California fires that burned about 750,000 acres, destroyed over 3,600 homes, and killed at least 20 people. In recent years, the need to reduce the risk of catastrophic wildfires has taken on new urgency, as growing numbers of people choose to live in wildland urban interface areas adjacent to rangelands and forests. As identified in our April 2006 report, "Hazardous Fuels Reduction Program, Department of the Interior," DOI has made progress in implementing its Hazardous Fuels Reduction (HFR) Program to help reduce the risk of catastrophic wildfires. DOI's land management bureaus have established the broad framework and partnerships essential to address wildland fires, including implementation of HFR projects, which has also been reported by GAO in recent reports. However, DOI could make improvements in three key performance areas — measuring risk reduction, contracting for hazardous fuels reduction projects, and coordinating with the U.S. Forest Service — to advance the effectiveness of the Program. While some progress in restoring the South Florida ecosystem has been made, DOI has not participated effectively in the Modified Water Deliveries Project to Everglades National Park. Our March 2006 report, "Modified Water Deliveries to Everglades National Park," found that DOI's ineffective participation contributed to project delays and cost increases. The is currently 8 years behind schedule and has a projected price tag approaching $400 million — nearly 5 times its original estimate	Carryover	DOI continues to make progress serving communities by reducing fuels and improving the management of wildland fires. Under the National Fire Plan, from 2001 through 2006 the Department has treated more than 6.6 million acres for hazardous fuels reduction – more than 2.4 million acres of that in the wildland urban interface. Of all funds available for hazardous fuels reduction, about 65% continues to be directed to reducing threats communities face in the wildland urban interface. The Wildland Fire Leadership Council recently approved an updated 10-Year Implementation Plan. These measures were collaboratively developed with partners and collaborators, and they will be implemented jointly with the Forest Service in 2007. The updated Implementation Plan emphasizes information sharing and monitoring of accomplishments to improve transparency, a long-term commitment to maintaining the essential resources for implementation, landscape-level vision for restoration of fire-adapted ecosystems, the importance of using fire as a management tool, and continuing to improve collaboration consistent with the vision of the Plan. The Department, in collaboration with its federal, state and tribal partners, continues to achieve on-the-ground restoration of the Everglades and South Florida ecosystem. During the last year, Interior improved the management and accountability for the Modified Water Deliveries Project by implementing all of the Inspector General recommendations, including co-locating a project engineer with the Army Corps of Engineers (Corps) in Jacksonville, Florida. The Department assisted the Corps in completing a revised plan for the Tamiami Trail and worked with interested parties to achieve consensus recommendations on an operational plan for Modified Water Deliveries that balances both environmental and flood protection requirements of the project. The Department developed agreements among the federal and state agencies to measure achievement of the restoration goals and the other water needs of the Comprehensive Everglades Restoration Plan (Plan), which will facilitate the adaptive management of the Plan as it is implemented over the next several decades. The Department also issued rules implementing Dry Tortugas National Park's Research Natural Area ensuring the conservation and protection of the submerged natural and cultural resources located within the park.	Ongoing

Figure 4-2 Summary of Major Management Challenges Facing Interior

Major Management Challenge	Description	New or Carryover from FY 2005	Interior Actions to Date	Status at end of FY 2006
Revenue Collections	In FY2005, mineral lease revenues collected by DOI on behalf of the U.S. Government exceeded $12 billion. In addition, DOI's earned revenue from activities such as grazing, timber, and lands sales was over $6 billion. The highest revenue collector in DOI is, by far, the MMS. Since its inception in 1982, MMS has collected and distributed, on average, over $9.9 billion annually from federal offshore leases and from onshore federal and Indian leases. Historically, both OIG and MMS have identified significant mineral revenue underpayments from lessees. Due to the amount of revenue collected by MMS and the complexity of royalty payments from lessees, we believe that there is a continuing significant potential for underpayments. In addition, MMS has received major news coverage over the past year due to the lack of price thresholds in the 1998 and 1998 leases, which could result in billions of dollars of lost revenue. The results of an OIG audit of MMS's Compliance Review Process have been provided to the Department for comment.	Carryover	MMS has implemented comprehensive systems and other program enhancements to mitigate the risk of underpayments. MMS continually implements and refines its internal evaluation criteria for self assessment to meet the challenge of accomplishing its responsibilities and to maintain a high level of efficiency. MMS managers take reasonable and necessary precautions to protect the revenue stream through MMS-wide strategic plans, organizational specific business plans, risk initiatives, a highly effective internal control review program, comprehensive compliance policies and procedures; rulemakings, and the Royalty-in-Kind (RIK) operation. MMS's RIK operation, which manages a significant portfolio of the Nation's oil and gas royalty assets, further mitigates the risk of underpayment as the amount of royalty due is established upfront through competitive sales of crude oil and natural gas based on highly transparent and unambiguous price indices. MMS has identified business activity risks and implemented risk management processes within the RIK operation. Further, the RIK operation is governed by strong internal controls, a formal risk management policy, and an executive level governance board supported by a chief risk officer. The Government Accountability Office has closely examined RIK revenue and administrative metrics and concluded in a January 2006 report that RIK efforts in developing and executing this measurement system were good. Specific audits and compliance reviews are premised on an annual strategy that provides compliance coverage for thousands of producing mineral leases and hundreds of companies that pay mineral revenues to MMS. The strategy includes audits of specific companies with emphasis on selected leases, mineral producing areas, and gathering and transportation facilities. The strategy also includes compliance reviews of select properties, applying a series of tests to the volume, royalty rate, value, and allowances to determine if the royalty payment is reasonable. For any detected underpayments, MMS pursues collection which is subject to late payment interest. MMS also has substantial statutory penalty authority further minimizing the risk of underpayments. The MMS audit and compliance operation is also responsible for verifying that correct royalties are paid and for collecting the additional royalties due that are identified during audits. Since its inception in 1982, the MMS compliance and audit operation has collected well over $3 billion in additional royalties that would otherwise have been lost. In November 2005, an independent certified public accounting firm issued a clean opinion of MMS' audit operation with no material weaknesses, and no reportable conditions.	Ongoing

Figure 4-2 Summary of Major Management Challenges Facing Interior

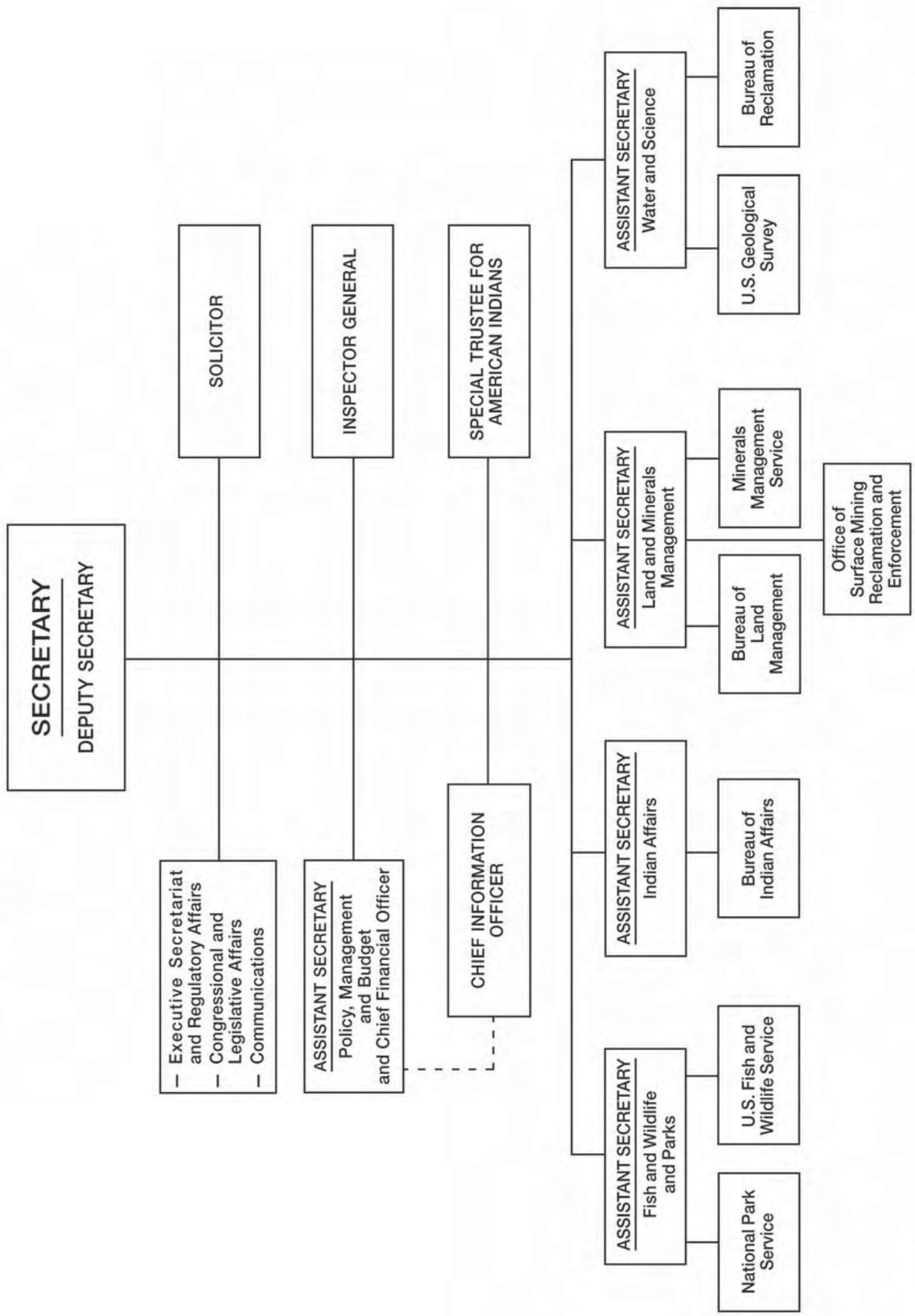
Major Management Challenge	Description	New or Carryover from FY 2005	Interior Actions to Date	Status at end of FY 2006
			In recent years, MMS implemented aggressive new compliance goals aimed at increasing the percentage of revenues being reviewed and/or audited, while, at the same time, cutting the overall compliance cycle from six years to three years. In FY 2006, MMS achieved its highest-ever level of contemporaneous (within 3 years) compliance coverage by confirming reasonable compliance on 72.5% of all CY 2003 royalties. However, MMS is aware that although its compliance program covered a majority of the revenue, it only covered a small percentage of companies. In early calendar year 2006, MMS began reassessing its system of selection of audits and compliance reviews by pursuing the development of a risk-based strategy for compliance. It is anticipated that this strategy will provide the detail to identify properties or payors where audits or compliance reviews are warranted. Lease documents for sales held in 1998 and 1999 did not include threshold levels for royalty relief; these were apparently inadvertently omitted. When the omission was discovered the sale documents were modified and a review was instituted by the Chief, Economics Division to ensure that future sales would not have a reoccurrence of the same problem. The current Administration has taken several additional steps. First was an MMS request for an investigation by the DOI Office of the Inspector General to determine whether the error was simply a mistake or intentional malfeasance. MMS has been working with DOI Solicitors to negotiate with lessees that hold leases from the 1998 and 1999 sales to implement threshold terms on all future production. Discussions may also include opportunities to collect revenues on past production. MMS has also begun an internal review of leasing activities to identify responsibilities and methodologies to ensure that any holes that may exist in the leasing procedures are closed. Preliminary procedures have already been implemented in the Gulf of Mexico Region where the lease problem occurred. The MMS is in the process of responding to OIG's draft report on its Compliance Review Process.	
Procurement, Contracts, and Grants	DOI spends substantial resources each year in contracting for goods and services and in providing federal assistance to states and Indian organizations. Recent audits at DOI and other federal agencies highlighted concerns with interagency procurement services performed through fee-for-service organizations. Procurement: Four DOI entities operate self-sustaining, business-like, fee-for-service operations. They are GovWorks, NBC, BOR (Technical Service Center), and the U.S. Geological Survey (USGS) (working capital fund). These organizations provide administrative and technical services to DOI, as well as to other federal agencies. They reported combined transactions of approximately $3 billion in FY2005.	Carryover	The Office of Acquisition and Property Management provided guidance and support to DOI bureaus and offices in developing and implementing plans to address deficiencies identified in OIG audits and internal control reviews. As required under section 801 of the National Defense Authorization Act for Fiscal Year 2006, in August 2005, the Department of Defense (DOD) and Department of the Interior Inspectors General initiated a joint audit of DOI's franchised services provided to DOD military operations. Initial corrective actions have been taken based on preliminary findings throughout the audit's period of performance.	Ongoing

Figure 4-2 Summary of Major Management Challenges Facing Interior

Major Management Challenge	Description	New or Carryover from FY 2005	Interior Actions to Date	Status at end of FY 2006
	Our March 2006 evaluation, "Fee-For-Service Organizations, U.S. Department of the Interior," found that the benefits of these fee-for-service activities may not outweigh risks. OIG auditors attempted to identify and quantify the benefits related to GovWorks and NBC, DOI's two major fee-for-service organizations. Managers of these organizations claimed monetary and non-monetary benefits, including 1) use of approximately $22 million in GovWorks income to fund DOI initiatives; 2) reduction in DOI's administrative costs due to lower indirect costs and achievement of economies of scale; and 3) development of expertise to assist DOI with its procurements. Except for the $22 million transferred from GovWorks to DOI to fund its initiatives, management provided no documentation that allowed auditors to quantify and substantiate the monetary benefits of fee-for-service operations. Further, auditors were unable to determine that the non-monetary benefits cited by GovWorks significantly affected DOI operations. In the absence of significant, quantifiable benefits, it is questionable whether the overall advantages of these activities outweigh the risks brought to management's attention through previous and ongoing audits. Grants Management: Audits of grants that the FWS awarded to eight states revealed a potential savings of $1.6 million. The grants finance up to 75 percent of state-sponsored projects, such as developing sites for boating access and acquiring and managing natural habitats. Examples of potential savings include at least $495,770 that West Virginia did not report as proceeds from the disposal of real property acquired with federal assistance funds; $553,977 of questionable costs that Illinois claimed for unauthorized activities and unsupported charges for labor and in-kind services; and $325,445 of unreported user fees collected by Michigan at shooting ranges. There have been several immediate and positive results from our audit report Framework Needed to Promote Accountability in Interior's Grants Management. DOI acted to improve grants management oversight by implementing policies requiring functional reviews of the award and administration of grants at all bureaus. DOI has also made significant progress in requiring the bureaus to use Grants.gov, which has streamlined the application process, to list all grant opportunities for the American public.		Line of Business, and Public Law 106-107 streamlining. Through coordinated efforts with Bureau Federal Assistance Liaisons, DOI will address inconsistency issues via standardized forms, policies, and practices, some of which is being accomplished by implementing FBMS and Grants.gov. Additionally, continued emphasis will be placed on quality control in data entry into automated systems to ensure the data's accuracy and completeness. Also, training and oversight will be administered to further address inconsistencies and to improve our responsibility for ensuring that Federal funds are used for their intended purpose.	

FIGURE 4-3

U.S. Department of the Interior



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Glossary of Acronyms

AAG	American Association of Geographers
AAPC	Accounting and Auditing Policy Committee
ABC/M	Activity-Based Cost Management
ACWI	Advisory Committee on Water Information
ADMS	Accessibility Data Management System
AFMSS	Automated Fluid Mineral Support System
AHERA	Asbestos Hazard Emergency Response Act
AICR	Alternative Internal Control Review
AML	Abandoned Mine Lands
AMLIS	Abandoned Mine Land Inventory System
AMP	Asset Management Plan
ANCS	Automated National Catalog System
APA	American Planning Association
APD	Application for Permit to Drill
APIA	Aleutian Pribilof Islands Association, Inc.
ARIS	Air Resources Information System
ASG	American Samoa Government
ASMIS	Archeological Sites Management Information System
ASPRS	American Society of Photogammetry and Remote Sensing
ATO	Authority to Operate
BI	business intelligence
BIA	Bureau of Indian Affairs
BIE	Bureau of Indian Education
BLM	Bureau of Land Management
BOR	Bureau of Reclamation
BPA	Bonneville Power Administration
C&A	Certification and Accreditation
CAA	Clean Air Act
CALFED	Water Supply Reliability and Environmental Improvement Act
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act
CFO	Chief Financial Officer
CFR	Code of Federal Regulations

CGFM	Certified Government Financial Officer
CHEU	Cliffside Helium Enrichment Unit
CI	condition index
CIO	Chief Information Officer
CLI	Cultural Landscapes Inventory
COTS	commercial off-the-shelf
CPIC	Capital Planning and Investment Control
CRPP	Culture Resource Preservation Program
CRV	current replacement value
CSRS	Civil Service Retirement System
CTM	Comprehensive Trust Management
CUPCA	Central Utah Project Completion Act
CVP	Central Valley Project
CWA	Clean Water Act
DAAs	Designated Approving Authorities
DEAR	Departmental Enterprise Architecture Repository
DEIS	Safety of Dams Decision Reports
DO	Departmental Offices
DOE	Department of Energy
DOI	Department of the Interior
DOL	Department of Labor
DOT	Department of Transportation
EA	Enterprise Architecture
ECL	Environmental Cleanup Liability
EIA	Energy Information Administration
EIRF	Environmental Improvement and Restoration Fund
EPA	U.S. Environmental Protection Agency
ESA	Endangered Species Act
ESN	Enterprise Services Network
FAIMS	Federal Assistance Information Management System
FAMS	Facilities Asset Management System
Fannie Mae	Federal National Mortgage Association
FASAB	Federal Accounting Standards Advisory Board
FBMS	Financial and Business Management System

FBU	funds can be put to better use
FCI	Facilities Condition Index
FEA	Federal Enterprise Architecture
FEAC	Federal Enterprise Architecture Certification
FEAPMO	Federal Enterprise Architecture Program Management Office
FECA	Federal Employees Compensation Act
FEGLI	Federal Employees Group Life Insurance
FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Improvement Act
FFS	Federal Financial System
FGDC	Federal Geographic Data Committee
FIRES	Fire Integrated Recruitment and Employment System
FISMA	Federal Information Security Management Act
FIST	Facilities Instructions Standards and Techniques
FLPMA	Federal Land Policy and Management Act
FMCIP	Financial Management Career Intern Program
FMFIA	Federal Managers' Financial Integrity Act
FMMS	Facility Maintenance Management System
FMSS	Facility Management Software System
FOF	forced outage factor
FRPP	Federal Real Property Profile
FRR	Facilities Reliability Rating
FSGT	Financial Statement Guidance Team
FTE	full-time equivalent
FTM	Fiduciary Trust Model
FWS	U.S. Fish and Wildlife Service
FY	Fiscal Year
GAAP	generally accepted accounting principles
GAO	Government Accountability Office
GBLs	Government Bills of Lading
GED	general equivalency degree
GMRA	Government Management Reform Act
GPRA	Government Performance and Results Act
H5N1	H5=the fifth of several known types of protein hemagluttinin; N1=the first of several known types of protein neuraminidase

HabITS	Habitat Information Tracking System
IACB	Indian Arts and Crafts Board
ICR	Internal Control Review
IEA	Interior Enterprise Architecture
IG	Inspector General
IFF	Interior's Franchise Fund
IFTN	Imagery for the Nation
IIM	Individual Indian Monies
IMARS	Incident Management Analysis Reporting System
Interior	Department of the Interior
IRF	International Regulators Offshore Safety Forum
IPIA	Improper Payments Information Act
IPV6	Internet protocol version six
IRB	Investment Review Board
IRR	Indian Reservation and Roads
IRRBP	Indian Reservation Roads Bridge Program
ISEP	Indian School Equalization Program
ISFS	Invasive Species Forecasting System
IT	Information Technology
JFMIP	Joint Financial Management Improvement Program
JOM	Johnson O'Malley (program)
LBA	Lease Backlog Applications
LCS	List of Classified Structures
LTRO	Land Titles and Records Offices
LWCF	Land and Water Conservation Fund
M&I	municipal and industrial
MAF	million acre-feet
MAXIMO	enterprise asset maintenance software
MBF	thousand board feet
MBT	Methodology for Business Transformation
Mcf	thousand cubic feet
MCRs	Management Control Reviews
MD&A	Management's Discussion and Analysis
MEO	Most Effective Organization

MIS	Management Information System
MITS	Interior's Management Initiatives Tracking System
MMBF	million board feet
MMbtu	million British thermal units
MMS	Minerals Management Service
MRM	Minerals Revenue Management
MRMSS	Minerals Revenue Management Support System
NAGPRA	Native American Graves Protection and Repatriation Act
NAPA	National Academy of Public Administration
NARA	National Archives and Records Administration
NAS	National Academy of Sciences
NASA	National Aeronautics and Space Administration
NBC	National Business Center
NEP	National Energy Policy
NEPA	National Environmental Policy Act
NFPORS	National Fire Plan Operating and Reporting System
NIFC	National Interagency Fire Coordination Center
NIST	National Institute of Standards and Technology
NOAA	National Oceanic and Atmospheric Administration
NOSC	Network Operations and Security Center
NPS	National Park Service
NRDAR	Natural Resource Damage Assessment and Restoration Fund
NRPP	Natural Resource Preservation Program
NSIP	National Streamflow Information Program
NSGIC	National States Geographic Information Council
NSLRSDA	National Satellite Land Remote Sensing Data Archive
NWR	National Wildlife Refuge
O&M	operations and maintenance
OCIO	Office of the Chief Information Officer
OCS	Outer Continental Shelf
OCSLA	Outer Continental Shelf Lands Act
OIA	Office of Insular Affairs
OIEP	Office of Indian Education Policy
OHA	Office of Hearings and Appeals

OHTA	Office of Historical Trust Accounting
OIG	Office of the Inspector General
OLES	Office of Law Enforcement and Security
OMB	Office of Management and Budget
OMM	Offshore Minerals Management
OPA	Oil Pollution Act
OS	Office of the Secretary
OSHA	Occupational Safety and Health Administration
OSM	Office of Surface Mining
OSRP	Oil Spill Response Plan
OST	Office of the Special Trustee for American Indians
OWFC	Office of Wildland Fire Coordination
P.L.	Public Law
PAR	Performance and Accountability Report
PART	Program Assessment Rating Tool
PI/LSI	Possessory Interest or Leasehold Surrender Interest
PIA	Office of Insular Affairs
PMA	President's Management Agenda
PMDS	Performance Management Data System
PO&M	Power Operations and Maintenance
POAM	plans of actions and milestones
PP&E	property, plant, and equipment
RAPP	Refuges Annual Performance Plan
RCRA	Resource Conservation and Recovery Act
RD&D	research development and demonstration
REA	Federal Lands Recreation Enhancement Act
Reclamation	Bureau of Reclamation
RIK	Royalty-in-Kind
RMIS	Recreation Management Information System
RSI	Required Supplementary Information
SACAT	Standard Accounting Classification Advisory Team
SANS	SysAdmin, Audit, Network, Security Institute
SAR	Significant Activity Report
SBR	Statement of Budgetary Resources

SDWA	Safe Drinking Water Act
SES	Senior Executive Service
SFFAS	Statement of Federal Financial Accounting Standard
SGL	Standard General Ledger
SMCRA	Surface Mining Control and Reclamation Act
SMIS	Safety Management Information System
SNPLMA	Southern Nevada Public Land Management Act
STIGs	Security Technical Implementation Guides
STORET	EPA's Storage and Retrieval national water quality database
TBCC	Trust Beneficiary Call Center
tcf	trillion cubic feet
TFAS	Trust Fund Accounting System
Treasury	Department of the Treasury
U.S.	United States
UMWA CBF	United Mine Workers of America Combined Benefit Fund
USBM	U.S. Bureau of Mines
USCG	U.S. Coast Guard
USDA	U.S. Department of Agriculture
USFS	U.S. Forest Service
USGS	U.S. Geological Survey
USPAP	Uniform Standards of Professional Appraisal Practice
USPP	United States Park Police
USSGL	United States Government Standard General Ledger
V&V	verification & validation
VSP	Visitor Services Project
WAU	Whereabouts Unknown
Western	Western Area Power Administration
WUI	wildland-urban interface

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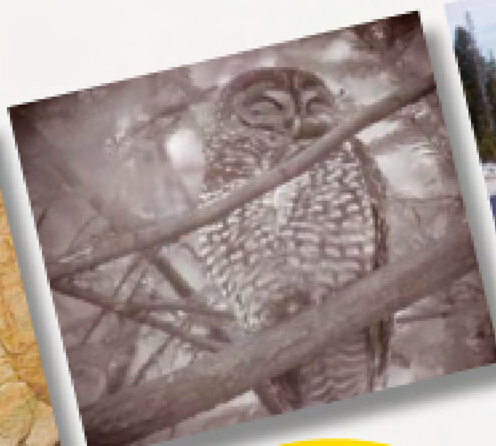

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