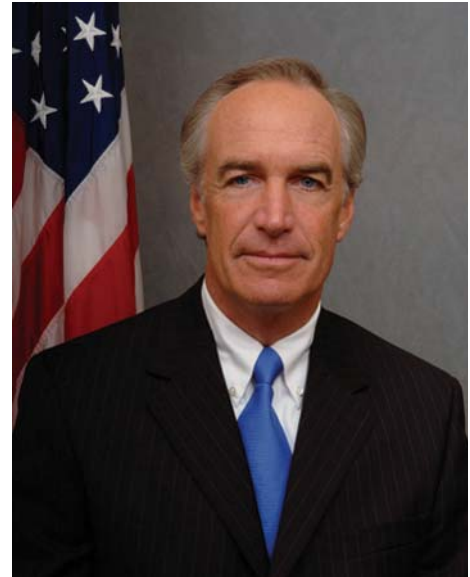


# Message from the Secretary

I am proud to submit the Department of the Interior FY 2007 Performance and Accountability Report. Our accomplishments exemplify Interior's core values: **Stewardship for America with Integrity and Excellence**. Our 70,000 employees work across the Department's nine bureaus and offices in twelve time zones. They are the stewards of one in every five acres in the United States. The lands and waters they manage generate one-third of the Nation's domestic energy production. They conserve and provide opportunities to enjoy America's natural and cultural resources, and they serve communities, including fulfillment of our trust responsibilities to American Indians, Alaska Natives, and affiliated island communities. This Report has a dual purpose: it summarizes our performance in delivering the mission of the Department, and it demonstrates our financial integrity through accounting statements and an unqualified audit opinion.



## Accomplishments

Across the four Mission Areas of Interior's Strategic Plan, Interior's employees have achieved significant results for the Nation:

### Resource Protection

- ◆ Over eighteen million more acres of land were restored to desired condition on Interior lands over the prior year.
- ◆ Approximately 58,000 more stream/shoreline miles achieved desired conditions over our 2006 performance, bringing the total acres to 195,306 for FY 2007.
- ◆ The bald eagle soared off the Endangered Species List. In 1967, when the eagle was on the verge of disappearing, there were only 417 pairs. Now, nearly 10,000 nesting pairs have been documented.

President Bush and I have launched the Centennial Challenge to invest \$3 billion over the ten-year period leading up to the Centennial of the National Park Service in 2016. We will partner with the American people whose generosity will help fund this initiative along with the significant commitment of the Federal Government. The Centennial of the National Park Service is my generation's opportunity to make sure our parks, the jewels in America's crown, sparkle for another 100 years. I believe the people's love of the parks—their appetite to discover and explore our culture and heritage, and to enjoy the physical landscapes of national parks—will inspire us all to not only think big about the future of our parks, but to act big so that future generations may enjoy, as we do, what our forefathers left in our care.

At the President's direction to identify opportunities and barriers to Cooperative Conservation, the Administration held 26 listening sessions across the Nation. Interior partnered with the White House Council on Environmental Quality, the Departments of Defense and Agriculture, and the Environmental Protection Agency to coordinate the sessions, drawing more than 2,000 participants and yielding 30,000 written comments. Citizens shared ideas on incentives, partnership programs, and regulations that can improve conservation results and promote Cooperative Conservation. They commented on land management issues, endangered species, restoring wetlands, and energy development. Transcripts from the sessions and a final report are posted to the <<http://cooperativeconservation.gov>> website.

Citizen feedback from the listening sessions has informed Interior's efforts to address program performance, administrative procedures, employee training and development, collaborative competencies, and to encourage State and local participation in Federal decision making and projects. Interior proposed new Cooperative Conservation legislation to strengthen collaboration and reduce barriers to partnerships.

### Resource Use

Interior contributed to America's energy security through providing access to energy and minerals, and collected the second largest source of Federal revenues.

- ◆ Our Minerals Management Service held a successful natural gas sale that grossed over \$1 billion in total revenues. The 137.5 billion cubic feet of Royalty-in-Kind gas is enough to supply the average gas needs of about 1.7 million U.S. homes for one year.
- ◆ Onshore, the Bureau of Land Management approved an additional 8,964 Applications for Permits to Drill on already existing oil and gas leases.
- ◆ Two successful competitive sales of geothermal leases held by BLM demonstrate the rising interest in developing this renewable, low-emission source of energy.
- ◆ Reclamation's hydropower plants generated 40 billion kilowatt hours of hydroelectricity to serve 6 million homes. Reclamation continues to be a reliable and low-cost hydropower producer.

### Recreation

- ◆ Close to 500 million visitors took part in recreational opportunities provided through Bureau of Land Management, Bureau of Reclamation, U.S. Fish & Wildlife Service, and National Park Service, with over 90 percent reporting satisfaction with their experience on Interior-managed lands and waters.
- ◆ Our public lands access pass, available for the first time in 2007, allows visitors to take advantage of recreational opportunities provided by four Department bureaus and the Department of Agriculture U.S. Forest Service for one inclusive fee.
- ◆ A new and improved one-stop portal was launched, <[Recreation.gov](http://Recreation.gov)>, for making reservations and exploring recreation on Federal lands. The new portal simplifies reservations and features different opportunities and activities depending on a person's interests. <[Recreation.gov](http://Recreation.gov)> is the result of an interagency partnership between Interior, Department of Agriculture Forest Service, and the Department of Defense Army Corps of Engineers.

### Serving Communities

- ◆ Interior distributed \$21.8 million to individual Indian trust account holders who were previously on the "Whereabouts Unknown" list.
- ◆ The Office of Wildland Fire Coordination and the Bureau of Indian Affairs, Bureau of Land Management, Fish and Wildlife Service, and National Park Service treated, at a cost of about \$222 an acre, 586,000 acres to directly reduce wildfire threats in wildland-urban interface areas that face risks to property and life from catastrophic wildland fire. Fuel hazards on almost 262,000 other acres were reduced through other Interior programs.
- ◆ Construction was completed on the San Andreas Fault Observatory at Depth, the only earthquake observatory with instruments installed directly within an active fault so the process of stress buildup and release in faults can be studied. USGS constructed and now operates SAFOD, with contributing funding from partnering agencies, which builds on three decades of USGS-led research. Results from SAFOD will improve models that predict earthquake occurrence and shaking.

- ◆ The Indian Affairs Office of Justice Services worked with 124 Bureau of Indian Education schools and nine Education Line Offices to complete “Meth Awareness” training to advance our Safe Indian Communities Initiative. Also, approximately 5,000 Indian Affairs employees received Methamphetamine Community Awareness Training.

## Management Challenges

As manager of 507 million acres, the Interior Department touches the lives of every American. We have tremendous opportunities to assure that our children and grandchildren will enjoy the unique natural, cultural, and historic places of the Nation. We help secure energy that powers our Nation’s productivity and provides the foundation for a dynamic economy. We help Indian children fulfill their potential through the schools we manage in Indian Country. The science we generate helps reduce risks from natural hazards and guides our land stewardship.

Yet with these opportunities come challenges. One of our biggest challenges is time – the time it takes to reverse decades of damaging impacts on public lands. It can also take decades of collaborative efforts to restore the health of a species so that it can be removed from the list of threatened and endangered species.

We know that climate change has implications for the vast land and water resources managed across the Department. Federal land and water resources are vulnerable to a wide range of impacts, some of which are already occurring. I created a hundred-person task force that includes DOI’s assistant secretaries, scientists, park superintendents, BLM field managers, BOR engineers, and refuge managers from across the country. This group is identifying strategies for managing land and waters and protecting wildlife, as well as devising new management responses for adapting to changing landscapes. For example, what steps should be taken as freshwater coastal habitats turn more saline if ocean levels rise? Will we need to change how we define the concept of invasive species if plant and animal species shift on the landscape in response to climate change? How will wildland fire behavior be altered by changing vegetation and precipitation patterns? If rainfall patterns change, how can we help the Nation manage its water resources? All of these concerns and more will require long-term adaptations that must be integrated with our day-to-day management of lands, habitats, and wildlife resources.

As we seek greater energy security, we must also conserve wildlife—a balance that requires new ways of planning and resource management, continued inspections of oil and gas extraction facilities on land and in our coastal oceans, and reclamation of surface mines. We are implementing our **Healthy Lands Initiative**, focusing on the wildlife/energy interface to maintain wildlife corridors, protect significant habitat areas, and reduce the environmental footprint of energy and other activities on public lands. Through our **Healthy Lands Initiative**, we are allocating funds for science, planning, resource protection, and restoration in six geographic areas, five of which contain the largest onshore reserves of natural gas in the country. Our Initiative is laying the groundwork for a holistic land management framework so that we can achieve environmental, economic, recreation, and other social goals through partnerships with States, the private sector, and nonprofit organizations.

I am concerned that the Adequate Yearly Progress score for rating schools under the No Child Left Behind Act is low for our Bureau of Indian Education schools. Our **Improving Indian Education Initiative** will increase Indian student academic achievement by supporting quality education environments and effective learning strategies. For FY 2008, we have requested additional funding for student transportation, education program management and information technology. This educational assistance will go to schools that have yet to achieve their AYP goals.

Interior has outstanding employees. They are our greatest asset. We must assure their health and safety. Yet the sheer magnitude of the lands we manage presents challenges as we strive to provide security and

protection for public lands visitors and employees. We manage the third-largest Federal law enforcement force to provide security for more than 500 million acres of public lands and ensure the health and safety of our 70,000 employees, 350,000 volunteers, 1.3 million daily visitors, and 1.6 million tribal members in Indian Country. I am particularly concerned about the methamphetamine epidemic brought to Indian Country by violent drug cartels. Through Interior's FY 2008 Budget, I have proposed additional funding to help Indian Country end this scourge.

Interior also has homeland security responsibilities for our priority dams, icons and monuments—and we manage 40 percent of the lands along the southwest border. We must maintain law enforcement, security, and emergency management capability over vast areas while ensuring that security precautions don't create an excessive barrier to legitimate access or use of Interior lands or resources.

Each year, I receive reports regarding management challenges from the Inspector General, the Government Accountability Office, and other sources. I value these inputs, and I look for opportunities to appropriately respond to their recommendations.

In the area of Financial Management, the Department has dramatically reduced the number of material weaknesses since 2001, and we continue to improve. We had six material weaknesses in 2001; we now have none. We are also overhauling our business systems. In 2001, the Department operated with dozens of antiquated business systems that lacked integration or common standards. We are pioneering a new era—a 21<sup>st</sup> century system that will provide a single platform, a fully integrated Financial and Business Management System. Though a complex and expensive undertaking, the system will yield significant long-term benefits. During FY 2007, the Minerals Management Service and the Office of Surface Mining and Reclamation Enforcement successfully converted their core financial functions to this newly integrated system.

Budget and Performance Integration has become more robust with Department budget submissions for FY 2008. Through this integration, we project expected performance results and the marginal cost of that changed performance. All seven Program Assessment and Rating Tool Reviews for FY 2007 yielded affirmative results. By working with the Office of the Inspector General, we are enhancing the quality of our PART reviews.

Information Technology continues to offer challenges as threats become more pervasive and serious. The Department has steadily hardened our hardware systems. However, challenges to information security persist, including the introduction of cultural changes to assure the consistent protection of passwords by employees. The Department will continue to implement improved security protections through its Defense in Depth Strategy over the coming years.

Other identified management challenges include: Health, Safety, and Emergency Management; Maintenance of Facilities; Responsibility to Indians and Insular Areas; Resource Protection and Restoration; Revenue Collections; and Procurement, Contracts, and Grants. We describe how we are addressing many of these challenges elsewhere in this document. As I review and consider management recommendations, I consider other priorities, mandates, and the merits of the recommendations before I decide to implement all or part of the recommendations immediately or over time.

Consistent with Interior's Core Values Statement—Stewardship for America with Integrity and Excellence—I am committed to maintaining an ethical culture at the Department of the Interior. I set that tone both on the first day I was nominated and the day I took office by making ethics briefings and compliance my first priority. My first written message to Interior employees, and at my first all-employee meeting, I emphasized ethics compliance. I have developed and am implementing a 10-point plan to make the Department of the Interior a model of an ethical workplace.

## A More Robust Approach to Reporting on Performance

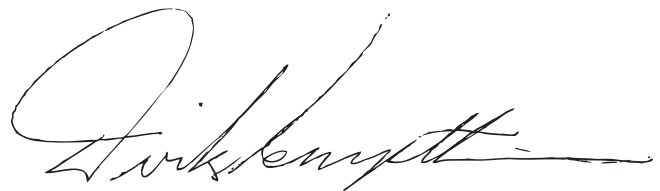
We typically report our performance by rating the success of each of the 205 performance measures found in our Strategic Plan. This Report still contains this detailed information. However, last year in my annual Message, I spoke about our plan to focus on linking our strategic measures and metrics to work activities and, further, to better link performance and cost. This year, our Management's Discussion and Analysis contains this vital information. To uphold Interior's core values and assure "integrity and excellence" as both stewards and in our accounting to the American public, we offer a more detailed presentation of key performance and cost information, including performance trends.

We have selected 26 representative performance measures from Interior's Strategic Plan to highlight the collective performance of our bureaus. The representative performance measures focus on the measurable results of activities that contribute toward achieving the Outcome Goals under each Mission Area. Because they are broad in scope, these representative performance measures give us a comprehensive perspective of the Department's performance from year to year. Funding for each key pursuit is included so we can assess the relationship of funding to our performance.

The financial and performance data we present in this report is fundamentally 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 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.

This past year, we celebrated the centennial of the birthday of Rachel Carson, a pivotal figure in the national conservation movement. Her work as an educator, scientist, and author revolutionized America's perspective and raised interest in environmental issues. She wrote, "One way to open your eyes is to ask yourself, What if I had never seen this before? What if I knew I would never see it again?" The Department of the Interior employees and a cadre of partners work with dedication to conserve and safeguard our Nation's inheritance. This group includes State and local governments, nonprofit organizations, members of Congress, and dedicated volunteers throughout the country, all of whom share in our core values: Stewardship for America with Integrity and Excellence.

As Secretary, I appreciate Interior's great mission. The 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.



DIRK KEMPTHORNE  
Secretary of the Interior  
November 13, 2007