

U.S. Department of the Interior

FOCUS ON RESULTS



Accomplishments for FY 2003

Department of the Interior MISSION AREAS & OUTCOME GOALS

PARTNERSHIPS

Serving Communities

- Protect Lives, Resources and Property
- Advance Knowledge Through Scientific Leadership and Inform Decisions Through the Applications of Science
- Fulfill Indian Fiduciary Trust Responsibilities
- Advance Quality Communities for Tribes and Alaska Natives
- Increase Economic Self-Sufficiency of Insular Areas

Recreation

- Provide for a Quality Recreation Experience, Including Access and Enjoyment of Natural and Cultural Resources on DOI Managed and Partnered Lands and Waters
- Provide for and Receive Fair Value in Recreation

Resource Use

- Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use, and Ensure Optimal Value
- Deliver Water and Generate Hydropower, Consistent with Applicable Federal and State Law, in an Environmentally Responsible and Cost Efficient Manner

Resource Protection

- Improve the 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
- Sustain Biological Communities on DOI Managed and Influenced Lands and Waters in a Manner Consistent with Obligations Regarding the Allocation and Use of Water
- Protect Cultural and Natural Heritage Resources

MANAGEMENT

SCIENCE

Message from the Secretary



No matter what you do or where you live in the United States, the Department of the Interior touches your life.

We are stewards of the Nation's treasures, conserving lands and waters and preserving natural and cultural resources. We provide the parks, refuges, and recreation areas for public enjoyment, manage many of the Nation's natural resources, expand natural sciences, and take care of America's trust responsibilities to native peoples. Our responsibilities range from petroglyphs to satellites.

Our vision for effective stewardship centers on what I call the 4 Cs: communication, consultation, and cooperation, all in the service of conservation. The better we communicate, consult, and cooperate with the American people, the better we can serve our shared conservation and land management mission. Serving with excellence requires a management focus that provides value to those who receive our services, maintains accountability, modernizes our operations, and integrates our activities to avoid duplication and reduce costs.

Interior's 70,000 employees achieved several significant accomplishments in FY 2003. We built 4 Cs partnerships inside and outside the Department, among bureaus and with other agencies and other levels of government, with private sector and advocacy groups, and with thousands of interested citizens. We issued the first comprehensive Federal guidelines promoting conservation banks, increasingly important tools in habitat conservation plans developed with non-Federal landowners. Such tools, combined with other collaborative efforts such as the Partners for Fish and Wildlife Program, strengthen our ability to protect and enhance the health of fish and wildlife populations. We revived the Take Pride in America program, focusing public attention on volunteer opportunities for citizen stewardship. We unveiled a draft of the new scientific code of conduct to ensure that the research and science we use have been developed with the highest possible standards.

Our responsibilities and challenges will continue to grow in the years ahead. Continued success will demand continuous performance improvement and a steady stream of innovation. We look forward to that work and continuing to serve the American people.

A handwritten signature in black ink that reads "Gale A. Norton". The signature is fluid and cursive.

Gale A. Norton
Secretary of the Interior

Message from the Chief Financial Officer



The Department of the Interior is committed to excellence in mission performance, efficiently using the resources entrusted to us in accordance with applicable laws and regulations. A key to management excellence is the accelerated implementation of the President's Management Agenda, which establishes a five-part framework for delivering results to the American people. Although we currently still have "red" scores on the Office of Management and Budget scorecard for management status, we have consistently achieved "green" on progress in two areas—competitive sourcing and strategic management of human capital. With the launch of activity-based cost management throughout the Interior Department, the completion of our strategic plan, and better demonstration of how we are using performance information in our internal budget formulation process, we anticipate improvement on budget and performance integration. After making considerable progress in addressing long-standing financial management issues, we have achieved "yellow" on financial management improvement. We have achieved "yellow" for progress in our e-government performance.

The linchpin that integrates Interior's budget, performance, and financial information is the Department's first-ever overarching strategic performance plan. Finalized in September 2003, it organizes our goals and Department-level performance measures into four new mission areas, with bureau inputs, outputs, and actions linked to these outcome measures. The plan replaces eight distinct bureau plans with a single, cohesive framework supplemented by bureau plans that tier from this framework. The new mission areas and measures will be reflected within Interior's FY 2004 Performance and Accountability Report (PAR).

In FY 2003, the Department met or exceeded 66 percent of the 323 performance measures monitored. We received an unqualified ("clean") audit opinion on our consolidated financial statements for the seventh consecutive year. For the third year in a row, the Department also received the Association of Government Accountants prestigious Certificate of Excellence in Accountability Reporting award for our FY 2002 PAR.

Realizing that sound financial management is a basic building block of good government, the Department has taken steps to ensure that it meets new quarterly financial statement reporting requirements as well as the accelerated due date for completing the annual financial statement audit. We have developed a Financial Management Transformation plan that will (1) link planning and budget with performance results; (2) perform efficient, reliable transaction processing; and (3) focus on analyses of data to provide managers and employees with timely, reliable information for delivering services to the public.

In FY 2003, we implemented the first phase of this transformation process by focusing on key areas such as revising policies and processes to improve financial operations; reducing vulnerability to unauthorized access, use, or loss of sensitive information in our financial management systems; implementing revised financial guidance and processes to meet accelerated deadlines for financial reporting;

and addressing internal control findings and non-compliance issues reported in the FY 2002 audit reports.

A key to the long-term vigor of Interior's financial management infrastructure lies with the implementation of the Financial and Business Management System (FBMS) proposed in the President's FY 2004 budget. FBMS will enable us to consolidate or retire aging and non-supported systems and deliver financial and business information in a cost-effective and efficient manner.

The resolution of audit weaknesses is critical to maintain integrity and accountability in the Department's programs and operations. Interior corrected or downgraded 21 of the 34 material weaknesses carried forward from FY 2002. The Department has 16 material weaknesses to address during FY 2004, including two new material weaknesses identified in FY 2003. Our plans provide for correcting 13 of the 16 material weaknesses by the end of FY 2004 and the remaining three material weaknesses during the next fiscal years.

We are pleased with the improvements we have made during the past year, but we recognize that even more can be accomplished to meet Interior's mission.



P. Lynn Scarlett
Chief Financial Officer

Introduction

This report focuses on results. It spotlights accomplishments of the 70,000 employees and 200,000 volunteers of the Department of the Interior during Fiscal Year 2003. It is a testament to who we are, what we do, and how we have served the public.

Much of the data contained in our “Results” report was drawn from our FY 2003 Performance and Accountability Report, published in November 2003. That full report is available on-line at <http://www.doi.gov/pfm/par2003/index.html>, with more than 400 pages of financial and organizational performance data.

We achieved many of our goals and made many improvements during FY 2003. We look forward to building upon these accomplishments. With growing responsibilities, meeting public expectations will require management focus, creativity, and partnerships. Our new strategic plan will guide us in these efforts.

Part 1: Who We Are

The Department of the Interior is the Nation's principal Federal conservation agency. We manage many of the Nation's special natural, cultural and historic places, conserving lands and waters, protecting cultural legacies, and keeping alive the Nation's history. We provide parks, refuges, and recreation areas for public enjoyment. We manage and provide access to many of the Nation's natural resources, enhance scientific understanding, and fulfill America's trust and other responsibilities to native peoples. Our stewardship responsibilities extend from Mt. Rushmore to the Everglades and encompass petroglyphs, pioneer trails, and historic planes. The Department operates at 2,400 locations across the United States, Puerto Rico, U.S. territories, and freely associated States.



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

DOI BUREAUS AND MISSIONS

BUREAU OF LAND MANAGEMENT (BLM)

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

MINERALS MANAGEMENT SERVICE (MMS)

Mission: 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.

OFFICE OF SURFACE MINING (OSM)

Mission: 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.

BUREAU OF RECLAMATION (BOR)

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

U.S. GEOLOGICAL SURVEY (USGS)

Mission: 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)

Mission: Conserve, protect, and enhance fish and wildlife and their habitats for the continuing benefit of the American people.

NATIONAL PARK SERVICE (NPS)

Mission: 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 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 INDIAN AFFAIRS (BIA)

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

DOI by the Numbers

Why has the Department of the Interior been called the Department of Everything Else? A quick look at some statistics related to Interior's diverse mission and responsibilities sheds some light on this label.

The Lands and Water Interior Manages

- 507 million acres of surface lands
- 1/5 of the Nation's public lands
- 700 million acres of mineral estate underlying Federal lands or supervised by Interior through leasing and operations
- 1.76 billion acres of the Outer Continental Shelf
- 52.4 percent of the Nation's Wild and Scenic Rivers
- 69 million acres in the Nation's Wilderness Preservation System

Interior's Recreation Sites

- 388 units in the National Park System including:
 - 56 National Parks
 - 10 National Seashores
 - 24 National Battlefields or Military Sites
 - 118 National Historic Parks and Historic Sites
- 180 other recreation sites
- 542 National Wildlife Refuges
- 70 National Fish Hatcheries
- 90 National Monuments
- 45 National Natural Landmarks
- 308 recreational lakes and reservoirs



People We Serve

- 1.5 million American Indians and Alaska Natives
- 47,909 students in Bureau of Indian Affairs schools
- 223 Alaska Village Groups
- 500 million estimated visits to Interior recreation sites annually
- 31 million people who rely upon DOI for their source of water



Physical Infrastructure Maintained by Interior

More than:

- 4,200 bridges and tunnels
- 39,000 buildings (historic, employee housing, and other)
- 1,600 campgrounds
- 2,500 dams
- 3,000 dikes
- 340 reservoirs
- 126,000 miles of highways and roads
- 25 tribally-controlled colleges
- 184 elementary and secondary schools and dorms



DOI's Contributions to the Nation's Energy Supplies

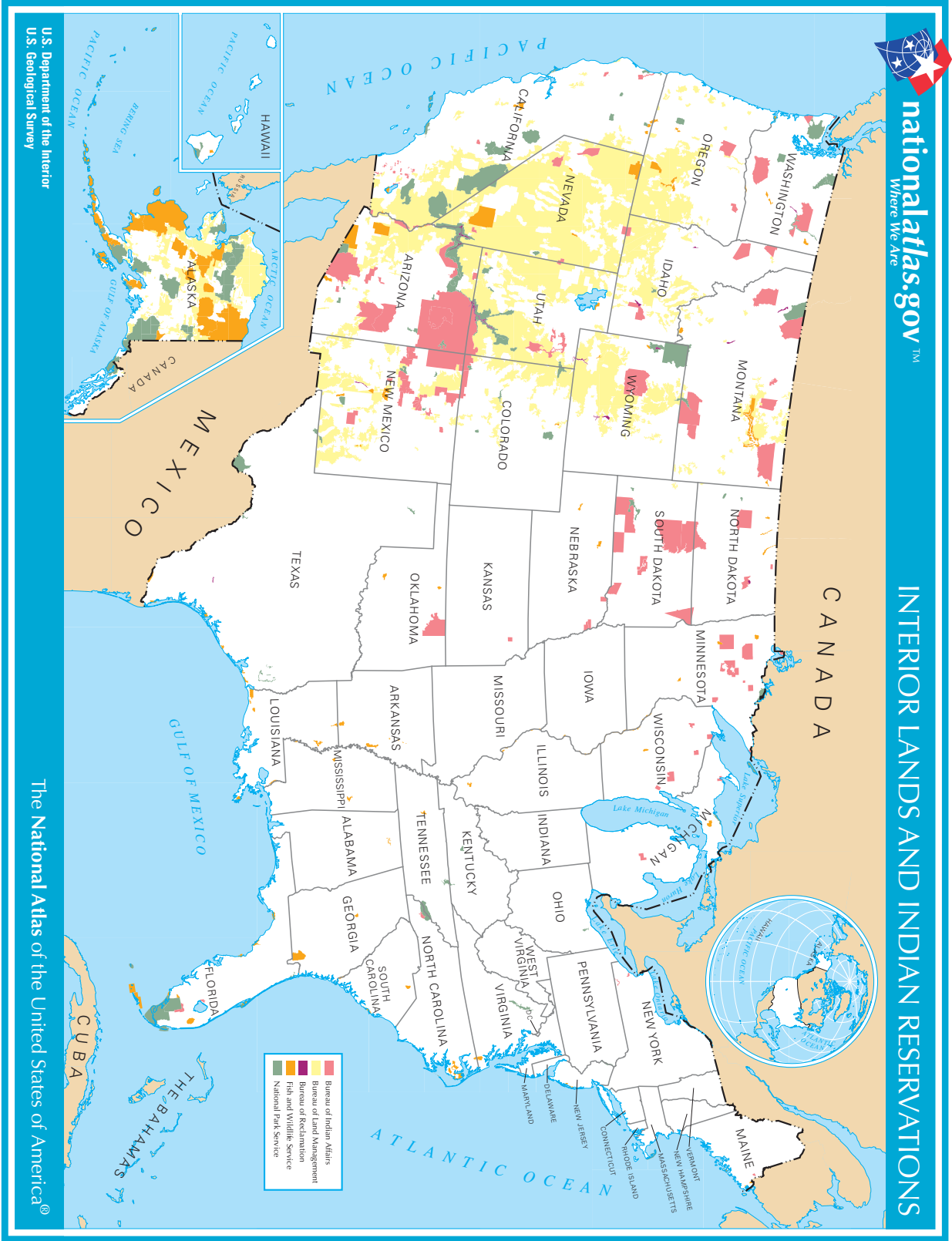
28 percent of the Nation's energy comes from DOI managed lands and offshore areas. Within this 28 percent, DOI produces:

- 35 percent of the Nation's domestic coal
- 48 percent of the Nation's geothermal power
- 17 percent of the Nation's hydropower
- 34.5 percent of the Nation's natural gas
- 32 percent of the Nation's domestic oil
- 20 percent of the Nation's windpower



DOI Monitoring of Hazard-related Activities

- 43 U.S. volcanoes monitored
- 5 hazard monitoring networks maintained
- 14 geomagnetic observations
- 121 earthquake monitoring global seismographic network stations
- 476 cumulative real-time earthquake sensors installed
- 5,621 real-time stream-gages on the Internet
- 7,000 stream-gages and water quality monitors

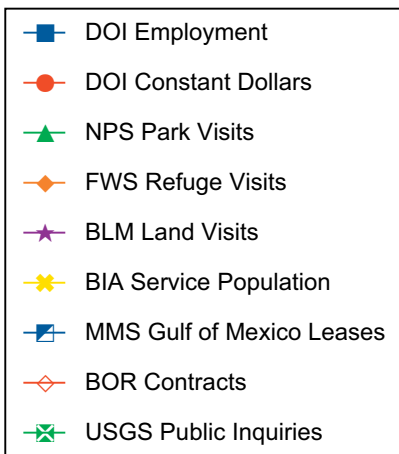
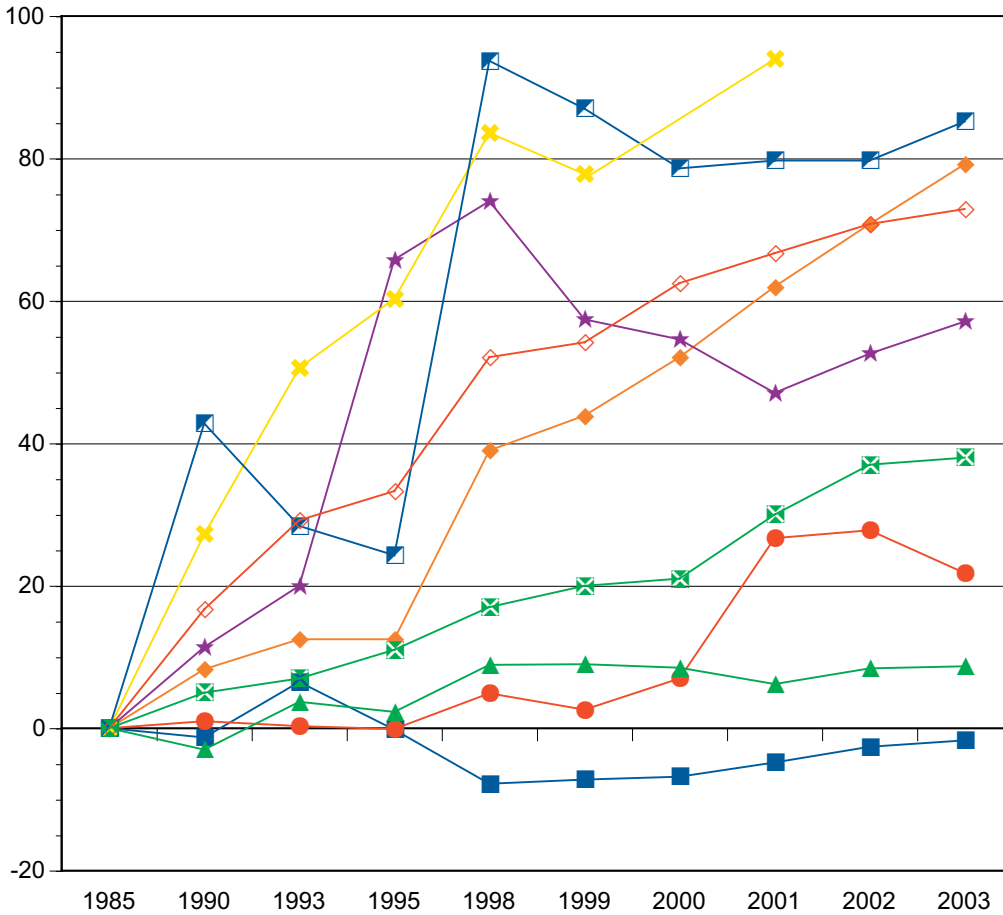


Note - Land areas less than 23,000 acres do not show on the map due to the map scale.

Interior manages about one-fifth of America's land surface and approximately two-thirds of all federally owned land. Each of America's 50 States, U.S.-associated Pacific islands, the Virgin Islands, and Puerto Rico contain lands administered by the Department.

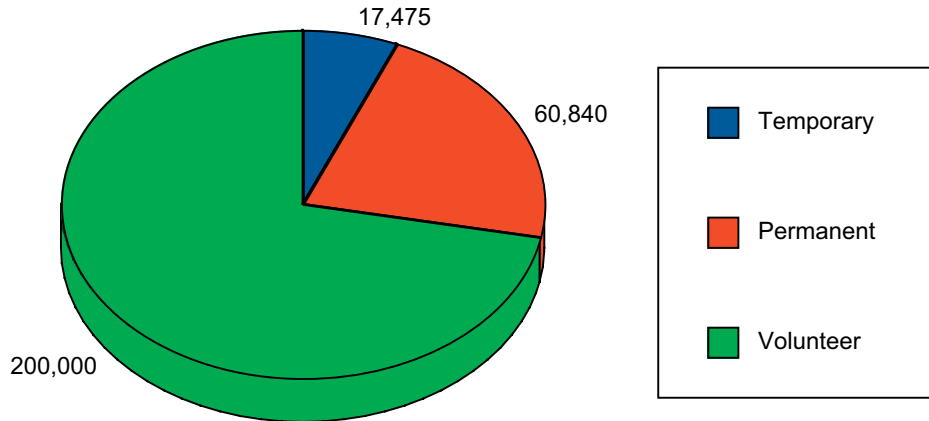
Interior faces increasing demands for its services, yet its number of employees has declined since 1985. The graph below shows areas of high growth in service demands along with employment trends.

**Increasing Demand in Major Service Areas Versus Employment
(Percent Change Since FY 1985)**



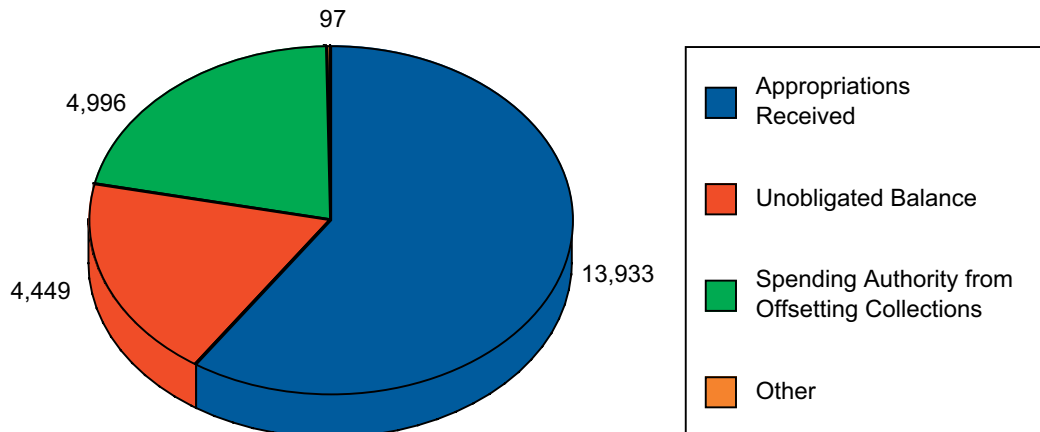
In FY 2003, Interior relaunched the Take Pride in America program, focusing public attention on volunteer opportunities for citizen stewardship. Volunteers play a central role in helping the Department serve the public.

Breakdown of DOI's Workforce and Average Annual Volunteer Force



Interior's FY 2003 budgetary resources totaled over \$23 billion.

FY 2003 Budgetary Resources (in millions)



Appropriations Received: Funding approved by Congress for use by Interior in FY 2003.

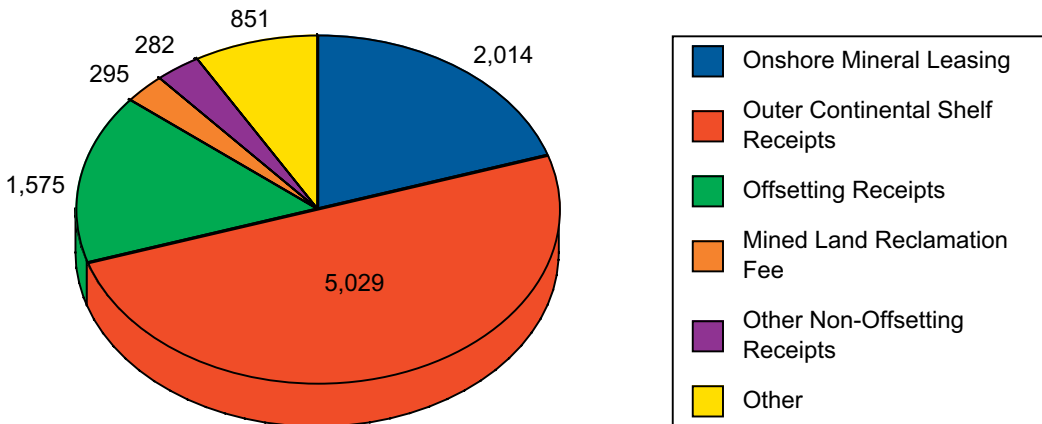
Unobligated Balance: Approved funding that was not obligated/spent in FY 2003.

Spending Authority from Offsetting Collections: Funding from reimbursable-type agreements with others received by Interior for services. For example, in FY 2003, Interior was reimbursed for water quality and scientific studies conducted by the USGS for States. It also received reimbursement for products provided to other Federal agencies such as maps.

Other: Includes "Recoveries" and "Permanently Not Available" funding. "Recoveries" are additional resources from contracts/obligations that required less funding than previously committed. The "Permanently Not Available" category involves budgetary adjustments made by Congress to our appropriations.

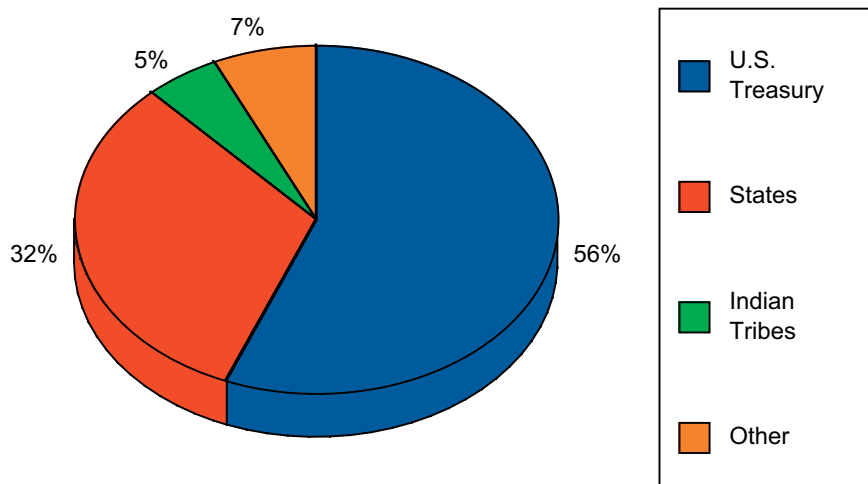
Interior generates revenues from energy, minerals, grazing, timber, recreation, and land transactions that range from \$8-11 billion annually. Most of these revenues are paid to State, Indian, county, local and other Federal agency accounts.

Composition of Interior's Revenues and Receipts
(in millions)



Offsetting receipts include grazing fees; timber fees; recreation entrance/use fees; concession fees; rent of land and structures; and sale of land, buildings and other property.

DOI Revenue Distribution



Part 2: How We Performed in Fiscal Year 2003

Interior strives to use its resources efficiently, effectively, and in accordance with applicable laws. To guide these efforts, Interior is implementing the President's Management Agenda (PMA), a five-part framework for management improvements.

Interior has established and is meeting several high-priority management goals. These goals focus on:

- Developing clear performance measures,
- Achieving better financial accountability,
- Improving facilities and information technology management, and
- Strategically managing our workforce.

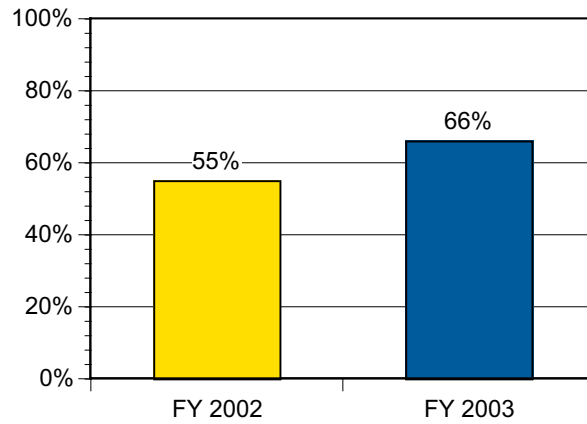
We completed a new Government Performance and Results Act strategic plan that sets forth our mission, goals, and performance measures. We launched activity-based cost management in October 1, 2004, across the Department, building upon earlier efforts by several of our bureaus. We are completing condition assessments of all facilities in

FY 2003 Performance and Finance Results

- Met or exceeded 66% of 323 performance measures, compared to 55% in FY 2002, improving performance in FY 2003.
- Received unqualified or "clean" audit opinion on consolidated financial statements for 7th straight year.
- Developed Financial Transformation Plan that supports President's Management Agenda goals.
- Corrected or downgraded 21 of the 34 material weaknesses from FY 2002.
- Published audited FY 2003 Performance and Accountability Report by November 2003—a full year ahead of the mandated accelerated deadline.

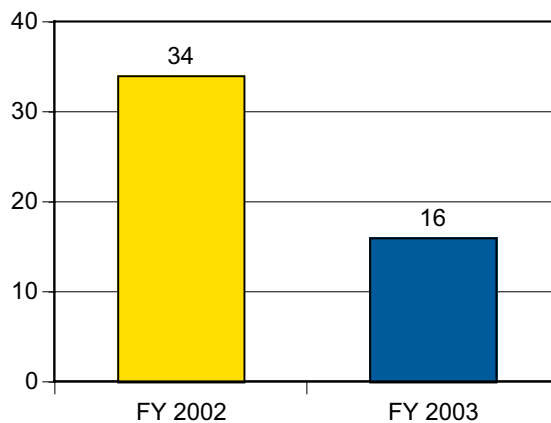
each of our bureaus. We are linking performance information to our budget formulation. We are resolving long-standing financial management issues and improving our use of electronic government to provide direct services and information to the public.

Performance Measures
Met or Exceeded



For the 7th straight year, Interior received an unqualified or clean audit opinion on its consolidated financial statements. We have corrected many material weaknesses carried forward from FY 2002.

Number of Material Weaknesses



Improving Organizational Performance

Through the end of FY 2003, Interior measured accomplishments against six overarching strategic goals that support Interior's core mission.

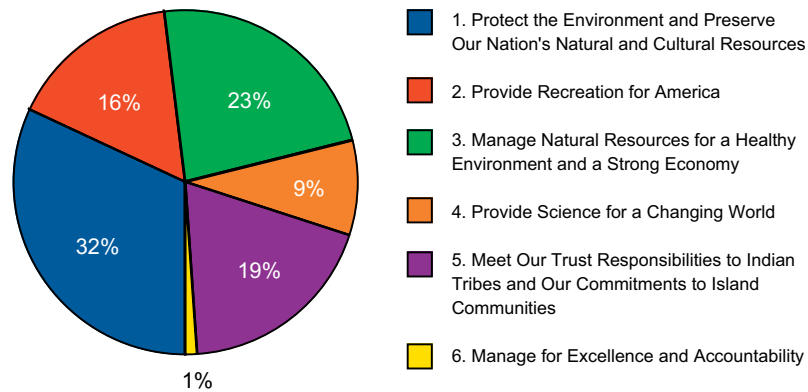
Overarching Strategic Goals



We established long-term goals linked to program activities. These goals guide the varied programs and activities of our bureaus. Each of the long-term goals describes a desired outcome, with progress toward that outcome measured annually using quantitative performance indicators.

Interior maps its budget to each of these long-term goals. The pie chart shows the percentage of Interior's total budget expended to support activities related to each strategic goal area. The table highlights the net cost in millions of dollars for both FY 2003 and FY 2002.

FY 2003 Net Cost of Operations



Interior's Costs and Performance (costs in millions)				
	FY 2002 Costs	FY 2003 Costs	FY 2002 % Goals Met/Exceeded	FY 2003 % Goals Met/Exceeded
GOAL 1: Protect the Environment and Preserve Our Nation's Natural and Cultural Resources	\$3,624	\$3,848	57%	68%
GOAL 2: Provide Recreation for America	1,998	1,944	52%	88%
GOAL 3: Manage Natural Resources for a Healthy Environment and a Strong Economy	3,409	2,773	48%	60%
GOAL 4: Provide Science for a Changing World	1,119	1,108	69%	56%
GOAL 5: Meet Our Trust Responsibilities to Indian Tribes and Our Commitments to Island Communities	2,656	2,305	54%	55%
GOAL 6: Manage for Excellence and Accountability	170	180	56%	70%
Totals	\$12,976	\$12,158	56%	66%

In FY 2003, Interior met or exceeded 66 percent of the 323 performance measures we monitored, an improvement over FY 2002 when we met or exceeded 55 percent of 351 performance measures monitored.

In FY 2003, four percent of our measures were not reportable because of insufficient data, primarily due to the early reporting goal of November 2003 that Interior set for its FY 2003 Performance and Accountability Report. In FY 2002, nine percent of our measures were not reportable due to insufficient data, despite eight additional weeks to prepare the FY 2002 report.

Interior's FY 2003 Performance Measure Scorecard						
	Number of Measures	Exceeded Goal	Met Goal	Did Not Meet Goal	No Report	Percent Meeting or Exceeding Goal
Strategic Goal 1	123	30	54	36	3	68%
Strategic Goal 2	32	13	15	4	0	88%
Strategic Goal 3	45	20	7	12	6	60%
Strategic Goal 4	16	7	2	7	0	56%
Strategic Goal 5	60	16	17	23	4	55%
Strategic Goal 6	47	7	26	11	3	70%
Total	323	93	121	93	16	66%

Performance by Goal

Goal 1: Protect the Environment and Preserve Our Nation's Natural and Cultural Resources

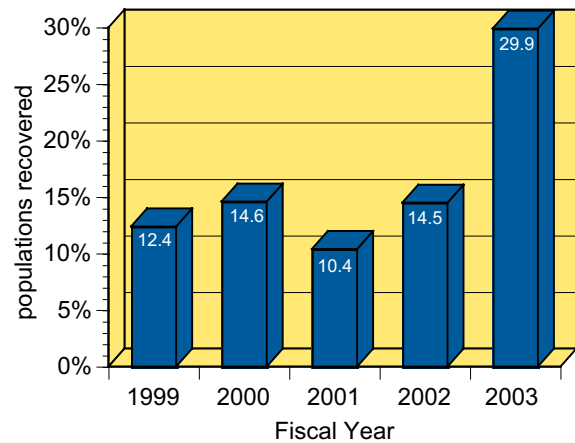
Interior serves as the Nation's premier conservation agency. Partnering with other agencies, States, Tribes, communities, and individuals, Interior helps conserve the Nation's lands and waters, protect flora and fauna, and preserve cultural and historic sites.

We capture this mission in the Department's first strategic goal: protecting the environment and preserving our Nation's natural and cultural resources. It is a conservation mission with many elements. We protect lands of national significance and work with communities to achieve their conservation goals. We restore damaged lands and re-establish natural ecosystems and habitats. We protect cultural resources and historic sites.

Our conservation mission could not be accomplished without the help of partners. The U.S. Fish and Wildlife Service's (FWS) Partners for Fish and Wildlife Program is an outstanding example of the difference government and private citizens working together can make. The Partners Program helps protect, conserve, and enhance fish and wildlife and their habitats for the continuing benefit of the American people. It recognizes that over 70 percent of the Nation's lands are privately owned. This means that the health of our fish and wildlife populations depends upon habitat found on private lands. The Partners for Fish and Wildlife Program provides financial and technical assistance to private landowners to voluntarily restore and protect wetlands and other habitats on their land. Since its launch in 1987, the Program has helped restore about 640,000 acres of wetlands, 1 million acres of prairie and other uplands, and 4,700 miles of streamside habitat through almost 29,000 landowner agreements.

Interior's conservation mandate extends to lands damaged by surface coal mining. In FY 2003, Interior's Office of Surface Mining (OSM) reclaimed 6,539 acres of abandoned coal mines through the Abandoned Mine Land program. OSM works closely with States and Tribes and recognizes outstanding reclamation efforts through the Reclamation Awards program. Five awards were presented in 2003,

Status of Endangered and Threatened Species Populations on Park Lands



Percent of targeted populations that have recovered (out of 442 populations) as a result of NPS species recovery plans on park lands.

including one that recognized reclamation of the Victory Mine Site just outside of Terre Haute, Indiana. Once the site of barren and eroded abandoned mine refuse that contributed to acid mine drainage problems of adjacent streams, the area was transformed into productive land that has become an asset to the community and an outstanding wildlife habitat. More on the award-winning reclamation efforts can be found at www.osmre.gov/pdf/aml2003.pdf.

In FY 2003, Interior established 123 performance measures for Strategic Goal 1. We achieved or exceeded goals for 84 of these. Some goals were not achieved because Interior and its bureaus diverted resources to address extreme drought and wild-land fire conditions or because full spending authority was withheld owing to late passage of Interior's budget.

Partnering to Conserve

Interior accomplishes much of its conservation mission by partnering with others including local communities. In FY 2003, for example, Interior issued the first comprehensive Federal guidelines designed to promote establishment of conservation banks—lands acquired by third parties, managed for specific endangered species, and protected by conservation easements. Dozens of conservation banks now operate in a number of States, and these have become increasingly important tools in conservation plans prepared by land developers.

Protecting and Preserving: Results at a Glance

- Restored over 600,000 acres of public lands disturbed in some manner by development, agriculture, mining or invasive species to their natural state, strengthening habitats, and creating healthier environments.
- Restored about 640,000 acres of wetlands, 1 million acres of prairie and other uplands, and 4,700 miles of streamside habitat on privately-owned lands through almost 29,000 landowner agreements under the FWS Partners for Fish and Wildlife Program.
- Reclaimed 6,539 acres of abandoned coal mines through the Abandoned Mine Land program.
- Expanded our Vital Signs Monitoring Project of the National Park Service, organizing 270 park units into 32 monitoring networks to track key indicators of change occurring on our park lands.
- Revived the Take Pride in America program, reaching out to focus public attention on volunteer opportunities for citizen stewardship.
- Conducted species recovery and habitat protection efforts that resulted in the delisting of two endangered species and reported that another 12 are stable or improving.



Goal 2: Provide Recreation for America

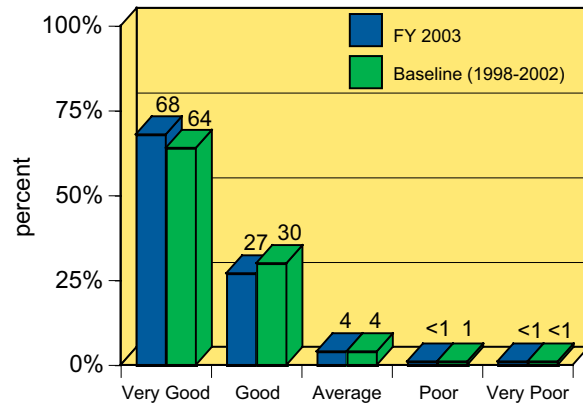
Interior manages lands and waters that offer outstanding opportunities for public recreation and enjoyment. Interior’s second strategic goal focuses on recreation—the provision of recreational opportunities consistent with other land uses and our stewardship responsibilities. Of our 32 performance measures for this strategic goal, we achieved or exceeded the goals for 28 measures (88 percent).

Interior provides access to Federal lands so that everyone may enjoy our Nation’s heritage. We want to ensure that visitors have outstanding experiences on public lands. We also want their visits to be safe.

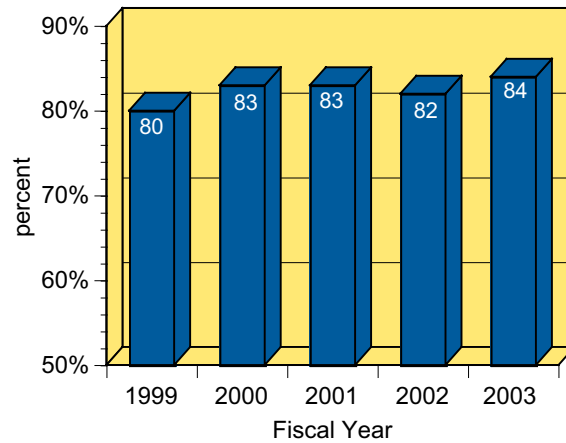
Our recreation infrastructure is aging and suffers from years of inadequate maintenance. The President has committed to address maintenance backlog challenges through funding and improved management. In FY 2003, for example, Interior’s National Park Service (NPS) accelerated its efforts to conduct facility condition assessments at all park units to provide, for the first time ever, a comprehensive inventory of maintenance needs. In 2003 condition assessments were completed for all but four of the larger parks. NPS tackled approximately 1,100 repair and rehabilitation projects in

just three years. These projects, including 60 fire suppression and safety projects, have enhanced visitor and employee safety. They have improved health protection by upgrading and repairing 186 water, wastewater, and sewer facilities. They have made buildings better and safer for visitors through over 325 general building and safety rehabilitation projects. Cracks are being repaired in the Federal Hall National Memorial in New York; the historic Many Glacier Hotel, a national landmark, is being

Overall Visitor Satisfaction with Park Facilities, Services and Recreational Opportunities



Percent of Visitors Responding They Understand and Appreciate the Significance of the Park They Are Visiting



stabilized to preserve it and ensure safety of visitors; the visitor center at Lava Beds National Monument in California is being relocated away from fragile underground resources and altered to provide space for exhibits, restrooms, a first aid station, and other services; and wastewater treatment plants are being replaced at Yellowstone National Park, which covers portions of Montana, Wyoming, and Idaho. And this is just the beginning. Another 400 projects are programmed for 2004. These efforts will make a dramatic difference for park visitors. Combined with initiatives such as the Recreation Fee Demonstration Program, they will ensure that Interior provides outstanding service to visitors of our recreation sites.

Asset Management and the President's Commitment to Address the Maintenance Backlog at National Parks



Both the President and the Secretary of the Interior are committed to providing funding and initiating management reforms and performance measurement tools to enable the National Park Service (NPS) to address maintenance backlog challenges, thereby ensuring the preservation of our natural and cultural heritage for the enjoyment of millions of Americans today and into the future.

The NPS identified several key construction projects for attention in FY 2004. These include:

- Replacing a failing wastewater treatment facility at Wind Cave National Park;
- Reconstructing historic stone guard walls along the Blue Ridge Parkway;
- Replacing and expanding the Sunset Point restroom and renovating a picnic facility at Bryce Canyon National Park;
- Installing safety rails and repairing walkways on George's Island at Boston Harbor Islands National Recreation Area; and
- Rehabilitating and replacing utilities and campgrounds at Acadia National Park.

Emphasis on management reforms and performance measures, featuring a state-of-the-art software system, is helping the NPS refine budget estimates for its maintenance and construction projects based on the actual condition of the facilities. The NPS has accelerated its efforts to conduct facility condition assessments at all park units to provide, for the first time ever, a comprehensive inventory of maintenance needs. Annual condition assessments were completed for all but four of the larger parks in FY 2003.

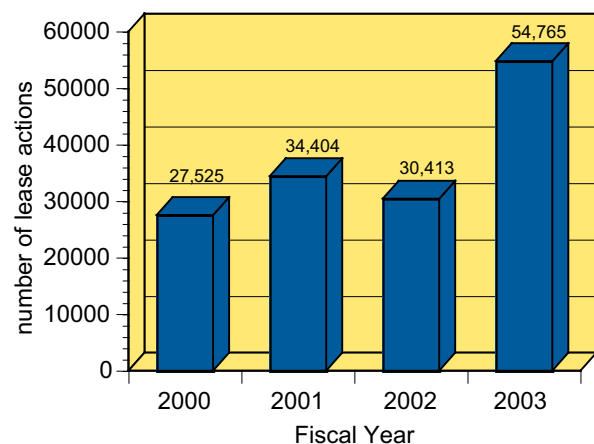
Goal 3: Manage Natural Resources for a Healthy Environment and a Strong Economy

Our third goal—managing and providing access to the vast resources of America’s public lands—has been a core Interior responsibility since the Department was founded over 150 years ago in 1849. We established 45 performance measures for this third goal in FY 2003. We achieved or exceeded goals for 60 percent of these goals.

Interior’s Bureau of Reclamation (Reclamation) is the Nation’s largest wholesale water supplier, administering 348 reservoirs with a total storage capacity of 245 million acre-feet of water that supply a third of the Western U.S. with agricultural, municipal, and industrial water. Reclamation considers many resource needs while ensuring reliable water deliveries under its contracts. For example, in FY 2003, Reclamation’s Central Valley Project in California addressed different demands simultaneously. About 7.2 million acre-feet of water was released for agriculture; 540,000 acre-feet for municipal and industrial water users; 400,000 acre feet for wildlife refuges; and 800,000 acre-feet to protect and restore the San Francisco Bay-Delta fishery, as required by the Central Valley Project Improvement Act.

The Bureau of Land Management manages one-eighth of the Nation’s land, along with more than 54,000 oil and gas leases, 400 geothermal leases, 300 coal leases, 440 other solid leasable mineral leases, and 220,000 mining claims. In FY 2003, BLM issued 2,398 grazing permits for a cumulative total of 11,360 grazing permits, exceeding its target of 1,200 permits issued in FY 2003 and a cumulative total of 10,162 permits.

Energy Mineral Lease Actions on Interior-Managed Lands



Lands and offshore areas for which Interior is responsible produce energy and power resources, minerals used for manufacturing and goods; forage for livestock; and forest resources. Interior manages dams and reservoirs that provide water to over 31 million people for municipal, agricultural, and industrial use. Interior provides irrigation water to lands that produce some 60 percent of the Nation’s vegetables. This same water infrastructure generates 17 percent (42 billion kilowatt hours) of the Nation’s hydropower, making Interior the second largest producer of hydroelectric power in the United States.

The resources produced from public lands managed by Interior's Bureau of Land Management alone contribute to virtually all sectors of the American economy with estimated direct and indirect economic impacts of about \$37 billion for FY 2003. During that same year, lands and waters managed by Interior generated \$9 billion in revenue to the Federal Treasury and other recipients.

Manage Natural Resources for a Healthy Environment and a Strong Economy: Accomplishments at a Glance

- Generated \$9 billion in revenue to the Federal Treasury and other recipients from the lands and waters Interior manages.
- Issued more than 2,300 grazing permits providing livestock with access to forage on Federal lands.
- Re-engineered ways that the Minerals Management Service (MMS) works with its customers by strengthening its partnerships with Tribes and States so that these partners can conduct required inspections, audits, and investigations of royalty-producing properties within their jurisdiction. At the same time, MMS has improved the way it works with these constituents to ensure a fair return for minerals produced on public and tribal lands. The cost benefit alone has been impressive at a 5.4 to 1 dollar return to the Federal Government.
- Improved compliance with lease terms, regulations, and laws by reducing the MMS Minerals Revenue Management business cycle from 6 years to 3 years, consistent with expected industry standards.
- Processed more than 65,000 lease actions on Federal lands, providing commercial entities the ability to process energy and non-energy minerals on these lands to the benefit of local and national economies.
- Provided commercial products (such as oil and gas, coal, other salable minerals, and timber) from lands managed by the BLM, which yielded a direct and indirect impact to the economy of about \$38 billion.



Partnering to Conserve

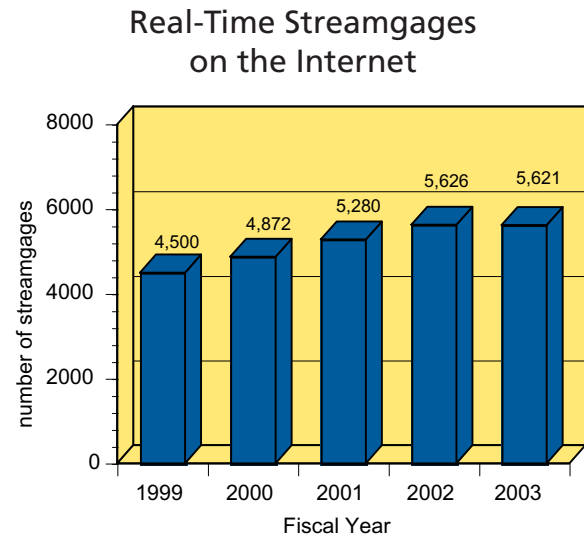
One approach used by Interior to enhance our ability to innovatively meet future water supply challenges is the Colorado River Water Delivery Agreement. The Agreement, signed by Interior Secretary Norton and officials of four California water agencies, provides assurances of long-term water supplies and clears the way for market-based transfers and other essential tools to meet the growing water needs of the region. Under Secretary Norton's leadership, California has agreed to take specific, incremental steps that will reduce its over-reliance on Colorado River water over the next 14 years, allowing the State to live within its authorized annual share of 4.4 million acre-feet. The Agreement allows the six other Colorado River Basin States to protect their authorized shares to meet future needs.

Goal 4: Provide Science for a Changing World

The Interior Department measures its performance in providing science for a changing world against two long-term measures: the extent to which we add to the environmental and physical science knowledge base, and our success in increasing knowledge and warning of natural hazards.

Interior's science programs focus on collecting data and understanding, modeling, and predicting how multiple forces affect natural systems. The data we gather, translated into useable information, help us address environmental issues and assist in effective Federal land management and natural resource decision-making. We provide our data using computer-assisted modeling tools, maps, and the Internet to ensure that decision-makers have instant access. For

example, in FY 2003, the U.S. Geological Survey (USGS), Interior's premier earth sciences agency, developed flood-inundation maps. The USGS developed a flood-mapping method that produces flood-inundation maps as much as three to five days ahead of storms, giving response personnel more time to plan and execute mitigation efforts. The USGS method combines high-accuracy elevation data, a new computer flow model, and a geographic information system to produce maps in real-time. More information is available at <http://water.usgs.gov/pubs/wri/wri024251/>.



Provide Science for a Changing World: Accomplishments at a Glance

- Created a draft Code of Science Ethics in partnership with a panel of ethicists and scientists from premiere scientific organizations. The Code underscores Interior's commitment to scientific integrity and impartiality, and that our information is used to benefit the public as a whole. The Code is similar to the codes of conduct of many scientific organizations and will cover all activities conducted or funded by Interior.



- Improved flood mitigation and response efforts through the development of a new USGS flood-mapping method. The new USGS system produces flood-inundation maps as much as three to five days ahead of a storm giving response personnel more time to plan and execute mitigation efforts. The USGS method combines high-accuracy elevation data, a new computer flow model, and a geographic information system to produce maps in real-time. Information is available at <http://water.usgs.gov/pubs/wri/wri024251/>.
- Developed a decision support system for the Hawaii Department of Agriculture (HDOA) to prevent the introduction of unwanted bird species into Hawaii. Hawaii has very strict rules regarding the importation of animal species in order to protect agricultural interests, quality of living, and the delicate and unique ecosystems within the Hawaiian islands. HDOA manages the official list of species allowed into the State, and requires a permit for non-domestic animal importation. To enforce this, HDOA performs inspection services at ports of entry. This decision support system, developed by the USGS, uses several sources of data to help inspectors quickly and accurately identify unwanted species.
- Unveiled new seismic stations in the Tennessee area that are part of the Advanced National Seismic System (ANSS), a nationwide network of modern, strong-motion seismometers that can provide emergency-response personnel with real-time information. USGS is maintaining 476 real-time earthquake sensors.

Geospatial One-Stop

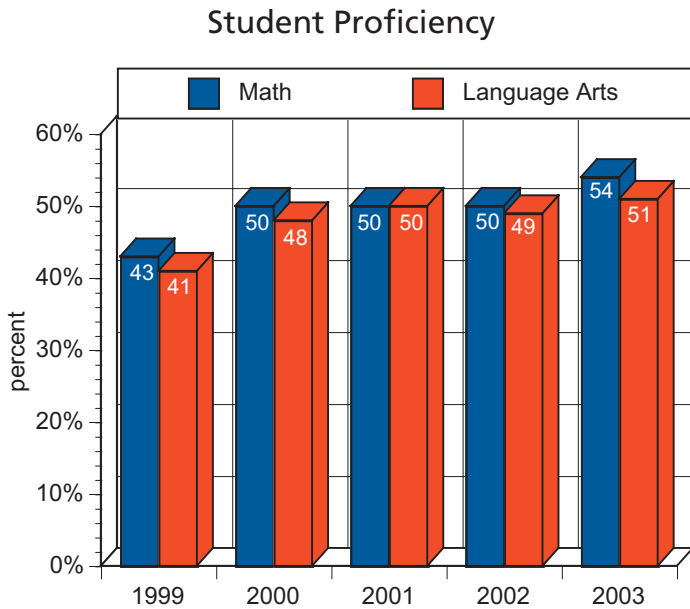
Within 48 hours notice that Hurricane Isabelle would hit the east coast of the U.S., the GeoSpatial One-Stop partnering network swung into action as Federal, State, county, and private sector organizations collected existing map services relevant to hurricane planning and response and organized the services, maps, links and relevant web sites into a new Portal channel – Hurricane Isabel. By the time the storm made land-fall on September 18 the site was in production with over one dozen services available through the Geo-spatial One Stop.

Goal 5: Meet Our Trust Responsibilities to Indian Tribes and Our Commitments to Island Communities

Through the Bureau of Indian Affairs (BIA) and other offices, Interior works with tribal groups and governments to help them protect their land and natural resources, fulfill our trust obligations, and help create the infrastructure and educational opportunities that build strong communities. Interior measures its performance in meeting its trust responsibilities and other commitments against three long-term goals. These include:

- Protecting Indian Trust Assets,
- Improving Indian quality of life, and
- Improving management of island communities.

In FY 2003, Interior met or exceeded 55 percent of 60 annual goals related to its commitments to native populations. Accomplishments included improving Indian student and teacher proficiency in areas such as math, language, and technology. Interior worked to improve tribal economic development by meet-



ing targets for education, training, and employment goals. We also implemented community-oriented policing initiatives to help reduce crime. Interior developed a Trust reorganization plan designed to improve oversight, management, and administration of Indian trust assets. That plan resulted in the first-ever unified trust budget, a budget that encompasses all of the fiduciary Indian trust programs. Re-engineering of trust business processes and support functions will continue through FY 2004. Interior is investing substantial resources for historical accounting of balances in Individual Indian Money accounts as well as tribal accounts.

Parents as Education Partners

Interior's Family and Child Education program (FACE), a comprehensive family literacy initiative that supports the President's "No Child Left Behind," goals, provides a variety of services to the American Indian Population. FACE encourages parents to become more involved with their children's education while increasing their own knowledge and skills.



Launched in 1991 with six pilot sites, today the program is offered through 39 sites in 11 States, including 17 opened over the last two years. Program results have been impressive, with significant increases in performance for both participating children and adults.

Outcomes include:

- School-parent compacts in use at three-fourths of FACE schools, compared to one-half of schools nationally.
- Attendance at classrooms/school events and parent-teacher conferences is significantly higher for FACE participant families than for those who have not participated in FACE.
- 1,550 families were served—1,900 adults and 1,850 children ages from birth to 5.
- 45 adults earned a graduate equivalent degree (GED) or high school diploma and 332 gained employment as a result of the skills they obtained through FACE involvement.
- A new initiative, Baby-FACE, was launched, targeting home-based teaching between parents and children aged birth to 3 years. Over the six-month implementation period, 119 new parent educators were involved, trained and certified to deliver the Born to Learn Curriculum. These parent educators, in turn, implemented the curriculum in 60 BIA-funded schools, serving 800 families, 1,100 adults, and 1,000 infants and toddlers.

Baby-FACE

Interior's Bureau of Indian Affairs launched a new initiative, Baby-FACE, in FY 2003. This successful program promotes home-based teaching between parents and children aged birth to 3 years. Over the six-month implementation period, 119 new parent educators were involved, trained and certified to deliver the Born to Learn Curriculum. These parent educators, in turn, implemented the curriculum in 60 BIA-funded schools, serving 800 families, 1,100 adults, and 1,000 infants and toddlers.

Goal 6: Manage for Excellence and Accountability

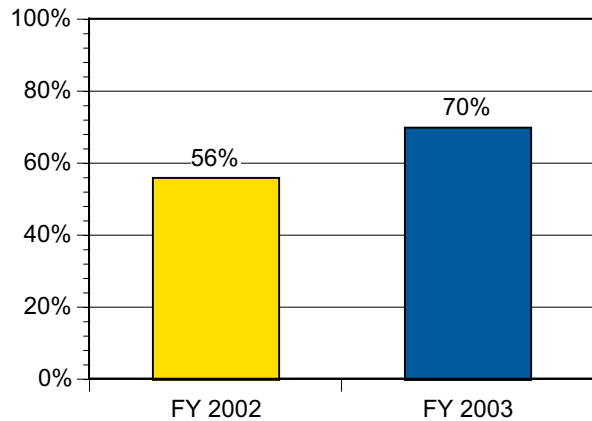
Secretary Norton set forth four management principles—customer value, accountability, integration, and modernization—to guide our implementation of the President’s Management Agenda (PMA). Released by the Office of Management and Budget (OMB) in August 2001, the PMA targets five mutually reinforcing management initiatives, each addressing clear opportunities for improvement:

- Strategic Management of Human Capital
- Improved Financial Performance
- Expanded Electronic Government
- Budget and Performance Integration
- Competitive Sourcing

By focusing on the President’s Management Agenda and the Secretary’s vision and management principles, the Department’s integrated management strategy will help us improve performance and efficiency, reduce duplication, and improve mission performance.


In FY 2003, Interior made significant progress toward this integration through its new GPRA Strategic Plan—a plan that eliminates separate plans for each of Interior’s bureaus and offices.

Percent of Goal 6 Performance Measures Met or Exceeded



Interior met or exceeded 33 of 47 management goals in FY 2003—significant progress over FY 2002. Much of our progress in FY 2003 related to improvements in workforce planning and human capital management and financial accountability. Interior’s five-year Strategic Human Capital Management and workforce plans were unveiled in FY 2003. These plans will help ensure that Interior has the right people in the right place at the right time so that we can effectively continue to carry out our mission. These plans identify gaps in three critical occupational areas: fire management, law enforcement, and Indian trust management.

Manage for Excellence: Accomplishments at a Glance

- Ensured Interior will have the right people, in the right place at the right time to address future workforce needs by implementing our five-year Strategic Human Capital Management and Workforce Plans.
- 
- Addressed human capital gaps in three critical occupational areas: fire management, law enforcement, and Indian trust management.
 - Ensured efficient and effective business practices by exceeding goals for inventorying and cataloging museum objects. Cataloging museum collections is critical to account for national important heritage assets. In FY 2003, Interior inventoried an estimated 2,766,756 museum objects. To date, all Interior collections total an estimated 146.5 million items, of which approximately 57,448,150 or 39% have been cataloged.
 - Made greater use of Performance-Based Service Contracting (PBSC), exceeding the government-wide performance requirement for FY 2003 that 30% of total eligible service contract dollars applicable to actions over \$25,000 and meeting PBSC criteria should be awarded as PBSC's. Interior awarded 56% of eligible service contract dollars as PBSC's.
 - Improved our financial performance—implementing 100% of OIG and GAO audit recommendations on time, and correcting material weaknesses.
 - Ensured we are providing value for our services by completing competitive reviews for 2,525 full-time equivalent Federal employees. The reviews identified opportunities that will provide Interior an estimated \$2.4 million annually that can be reinvested in mission accomplishment.

FIRES

Having the right people in the right place at the right time means providing appropriate recruitment and hiring tools. Interior's Fire Integrated Recruitment Employment Systems (FIRES) is a computerized employment application processing system that enables users to search and apply for available seasonal wildland fire jobs within any of the DOI fire-management bureaus: the National Park Service, the Bureau of Land Management, the U.S. Fish and Wildlife Service, and the Bureau of Indian Affairs. The web-based system electronically prescreens candidates and ranks them according to specified criteria. FIRES offers users the convenience of creating, editing, and archiving electronic resumes that can be used to apply for specific positions. The system also allows users to establish criteria to identify the types of jobs they are interested in, and will then notify potential applicants with an email message when that kind of job is open and accepting applications. More information about FIRES can be obtained by visiting www.firejobs.doi.gov.

Improving Financial Management

Sound financial management is a basic building block of good government. Interior has taken steps to ensure that we meet our new quarterly financial statement reporting requirements as well as the accelerated due date for completing our annual financial statement audit. A new Financial Management Transformation Plan, launched in FY 2003, combined with implementation of our Financial and Business Management System (FBMS), will help us fulfill our responsibility to spend wisely while producing results. These efforts will also help us provide the public with more transparent budget and performance information.

Clean Audit Opinion. In FY 2003, Interior continued to achieve an unqualified “clean” audit. For the seventh straight year, we received an unqualified or clean audit opinion on our consolidated financial statements.

All nine Interior bureaus and offices audited by the independent accounting firm also received unqualified audit opinions.

Summary of FY 2002 and FY 2003 Financial Statement Audits											
	Unqualified Opinion on Financial Statements		Clean Report on Internal Controls		Full Compliance with Laws and Regulations (Non FFMIA)		Full Compliance with Laws and Regulations (FFMIA)		Full Component Compliance with Laws and Regulations (FFMIA)		
	FY 2002	FY 2003	FY 2002	FY 2003	FY 2002	FY 2003	FY 2002	FY 2003	Systems	Accounting	SGL
Dept	Yes	Yes	No	No	No (3,4)	No (3,5,6)	No	No	No	No	No
FWS	Yes	Yes	No	No	Yes	Yes	No	No	No	No	Yes
USGS	No (1)	Yes (2)	No	No	Yes	Yes	No	No	No	No	Yes
BIA	Yes	Yes	No	No	No (3)	No (3,5,6)	No	No	No	No	No
BLM	Yes	Yes	No	No	Yes	Yes	No	No	No	No	Yes
MMS	Yes	Yes	No	No	Yes	Yes	No	No	No	Yes	No
NPS	Yes	Yes	No	No	Yes	No (6)	No	No	No	No	Yes
BOR	Yes	Yes	No	No	Yes	Yes	No	No	No	No	Yes
OSM	Yes	Yes	Yes	No	Yes	Yes	Yes	No	No	Yes	Yes
DO	Yes	Yes	No	No	No (4)	No (6)	No	No	No	No	Yes

(1) No opinion issued

(2) Balance sheet only

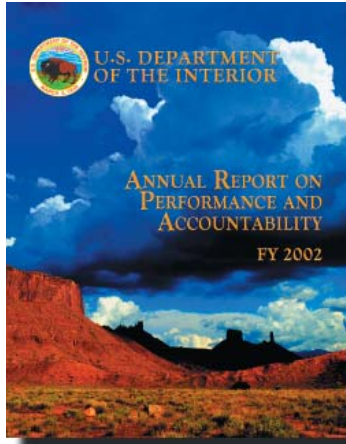
(3) Debt Collection Improvement Act

(4) P.L. 104-28 Advances to Interior Franchise Fund

(5) Prompt Payment Act

(6) Single Audit Act

For the third year in a row, Interior received the Association of Government Accountants prestigious Certificate of Excellence in Accountability Reporting award for our Fiscal Year 2002 Performance and Accountability Report.



CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING®

Presented to the

*Department
of the Interior*

In recognition of your outstanding efforts
in preparing DOI's Performance and
Accountability Report for the fiscal
year ended **September 30, 2002.**

A Certificate of Excellence in Accountability Reporting is presented by the Association of Government Accountants to federal government agencies whose annual Performance and Accountability Reports achieve the highest standards in presenting their programs and financial affairs.




John H. Hummel, CGFM
Chair, Certificate of Excellence
in Accountability Reporting Board

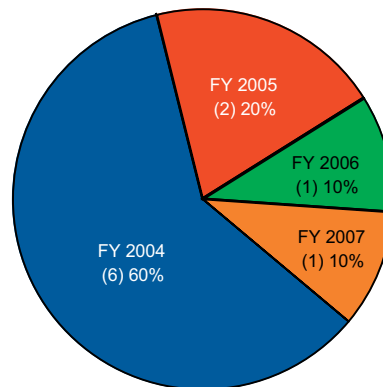

Julian Renthrope, CGFM
2003-2004 National President

Transformation. In FY 2003, Interior implemented the first phase of its Financial Management Transformation Plan by:

- Revising policies and processes to improve financial operations;
- Improving IT security to reduce vulnerability to unauthorized access, use, or loss of sensitive information in our financial management systems;
- Meeting accelerated deadlines for financial reporting; and
- Addressing internal control findings and non-compliance issues reported in the FY 2002 audit reports.

Correcting Material Weaknesses. Interior corrected or downgraded 21 of the 34 material weaknesses carried forward from FY 2002. Interior has 16 material weaknesses to address during FY 2004, including two new material weaknesses identified in FY 2003. Interior plans to correct 13 of the 16 material weaknesses by the end of FY 2004 and the remaining three material weaknesses during the next fiscal years.

Planned Correction of Material Weaknesses



Financial Statements

The principal financial statements included in the Department of the Interior's (DOI) FY 2003 Annual Report on Performance and Accountability were 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) Bulletin No. 01-09, "Form and Content of Agency Financial Statements." These statements include the following:

- Consolidated Balance Sheet
- Consolidated Statement of Net Cost
- Consolidated Statement of Changes in Net Position
- Combined Statement of Budgetary Resources
- Consolidated Statement of Financing
- 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 DOI's principal financial statements was performed by an independent certified public accounting firm, selected by the Department's Office of Inspector General.

Consolidated Balance Sheet
as of September 30, 2003 and 2002
(dollars in thousands)

	2003	2002 (As Restated)
ASSETS		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 2)	\$ 28,698,208	\$ 26,876,542
Investments, Net (Note 4)	5,609,992	5,348,939
Accounts and Interest Receivable, Net (Note 5)	390,747	597,293
Other		
Advances and Prepayments	3,624	5,508
Total Intragovernmental Assets	34,702,571	32,828,282
Cash (Note 3)	1,094	1,422
Investments, Net (Note 4)	182,637	138,602
Accounts and Interest Receivable, Net (Note 5)	1,223,406	1,304,010
Loans and Interest Receivable, Net (Note 6)	233,656	225,831
Inventory and Related Property (Note 7)	338,714	363,089
General Property, Plant and Equipment, Net (Note 8)	16,955,915	16,764,926
Other		
Advances and Prepayments	126,866	122,662
Other Assets, Net (Note 9)	201,544	208,134
Stewardship Assets (Note 10)		
TOTAL ASSETS (Note 11)	\$ 53,966,403	\$ 51,956,958
LIABILITIES		
Intragovernmental Liabilities:		
Accounts Payable	\$ 67,838	\$ 54,217
Debt (Note 12)	1,364,452	1,454,963
Other		
Accrued Payroll and Benefits	185,437	182,442
Advances and Deferred Revenue (Note 13)	1,236,739	596,951
Deferred Credits	19,326	35,898
Custodial Liability	763,387	818,081
Aquatic Resource Amounts Due to Others	389,762	371,122
Judgment Fund	179,725	148,870
Other Liabilities	121,757	93,203
Total Intragovernmental Liabilities	4,328,423	3,755,747
Public Liabilities:		
Accounts Payable	965,509	852,913
Loan Guarantee Liability (Note 6)	52,185	49,097
Federal Employees Compensation Act Liability (Note 14)	712,250	658,501
Environmental Cleanup Costs (Note 15)	121,045	227,629
Other		
Accrued Payroll and Benefits	434,225	557,188
Deferred Credits	498,545	424,895
Contingent Liabilities (Note 15)	771,587	1,033,838
Other Liabilities	569,769	642,715
Total Public Liabilities	4,125,115	4,446,776
TOTAL LIABILITIES (Note 16)	8,453,538	8,202,523
Commitments and Contingencies (Notes 15 and 17)		
Net Position (Note 21)		
Unexpended Appropriations	3,929,302	3,914,862
Cumulative Results of Operations	41,583,563	39,839,573
Total Net Position	45,512,865	43,754,435
TOTAL LIABILITIES AND NET POSITION	\$ 53,966,403	\$ 51,956,958

Consolidated Statement of Net Cost
for the years ended September 30, 2003 and 2002
(dollars in thousands)

	2003	2002
	(As Restated)	
Protect the Environment and Preserve Our Nation's Natural and Cultural Resources		
Cost - Services provided to the Public	\$ 4,286,288	\$ 3,910,734
Revenue Earned from the Public	442,178	290,406
Net Cost of Services to the Public	3,844,110	3,620,328
Cost - Services provided to Federal Agencies	139,500	114,253
Revenue Earned from Federal Agencies	135,265	110,715
Net Cost of Services provided to Federal Agencies	4,235	3,538
Net Program Costs	3,848,345	3,623,866
Provide Recreation for America		
Cost - Services provided to the Public	2,112,924	2,144,885
Revenue Earned from the Public	170,729	147,984
Net Cost of Services to the Public	1,942,195	1,996,901
Cost - Services provided to Federal Agencies	31,760	35,683
Revenue Earned from Federal Agencies	30,268	34,699
Net Cost of Services provided to Federal Agencies	1,492	984
Net Program Costs	1,943,687	1,997,885
Manage Natural Resources for a Healthy Environment and a Strong Economy		
Cost - Services provided to the Public	3,375,407	3,894,743
Revenue Earned from the Public	608,884	491,568
Net Cost of Services to the Public	2,766,523	3,403,175
Cost - Services provided to Federal Agencies	387,775	417,082
Revenue Earned from Federal Agencies	381,241	411,001
Net Cost of Services provided to Federal Agencies	6,534	6,081
Net Program Costs	2,773,057	3,409,256
Provide Science for a Changing World		
Cost - Services provided to the Public	1,264,688	1,286,902
Revenue Earned from the Public	166,654	176,938
Net Cost of Services to the Public	1,098,034	1,109,964
Cost - Services provided to Federal Agencies	186,508	179,330
Revenue Earned from Federal Agencies	176,478	170,419
Net Cost of Services provided to Federal Agencies	10,030	8,911
Net Program Costs	1,108,064	1,118,875
Meet Our Trust Responsibilities to Indian Tribes and Our Commitments to Island Communities		
Cost - Services provided to the Public	2,420,119	2,775,680
Revenue Earned from the Public	117,692	121,012
Net Cost of Services to the Public	2,302,427	2,654,668
Cost - Services provided to Federal Agencies	204,025	158,422
Revenue Earned from Federal Agencies	201,491	156,917
Net Cost of Services provided to Federal Agencies	2,534	1,505
Net Program Costs	2,304,961	2,656,173
Reimbursable Activity and Other		
Cost - Services provided to the Public	216,330	180,966
Revenue Earned from the Public	38,273	30,423
Net Cost of Services to the Public	178,057	150,543
Cost - Services provided to Federal Agencies	1,394,950	610,741
Revenue Earned from Federal Agencies	1,392,827	591,316
Net Cost of Services provided to Federal Agencies	2,123	19,425
Net Program Costs	180,180	169,968
Costs Not Associated with Programs		
Asset Impairment (Note 18)	81,100	-
Total		
Cost - Services provided to the Public	13,675,756	14,193,910
Revenue Earned from the Public	1,544,410	1,258,331
Net Cost of Services to the Public	12,131,346	12,935,579
Cost - Services provided to Federal Agencies	2,344,518	1,515,511
Revenue Earned from Federal Agencies	2,317,570	1,475,067
Net Cost of Services provided to Federal Agencies	26,948	40,444
Costs Not Associated with Programs	81,100	-
Net Cost of Operations (Notes 18, 19, 20 & 21)	\$ 12,239,394	\$ 12,976,023

Consolidated Statement of Changes in Net Position
for the years ended September 30, 2003 and 2002
(dollars in thousands)

	2003	2002
	(As Restated)	
UNEXPENDED APPROPRIATIONS		
Beginning Balance, as restated (Note 21)	\$ 3,914,862	\$ 3,725,984
Cumulative Effect of Change in Accounting (Note 21)	(68,544)	(53,576)
Beginning Balances, as restated and adjusted	3,846,318	3,672,408
Budgetary Financing Sources		
Appropriations Received, General Funds	9,610,818	9,207,436
Appropriations Transferred In/Out	81,820	293,474
Appropriations-Used	(9,519,709)	(9,211,142)
Other Budgetary Financing Sources	(89,945)	(47,314)
Total Budgetary Financing Sources	82,984	242,454
Ending Balance - Unexpended Appropriations	\$ 3,929,302	\$ 3,914,862
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balance, as restated (Note 21)	\$ 39,839,573	\$ 39,062,514
Cumulative Effect of Change in Accounting (Note 21)	68,544	(2,694)
Beginning Balances, as restated and adjusted	39,908,117	39,059,820
Budgetary Financing Sources		
Appropriations-Used	9,519,709	9,211,142
Royalties Retained (Note 22)	2,582,663	2,541,126
Transfers In/Out without Reimbursement	127,338	108,566
Non-Exchange Revenue		
Tax Revenue	659,217	656,923
Abandoned Mine Fees	282,411	285,580
Donations and Forfeitures of Cash and Cash Equivalents	39,833	20,635
Other Non-Exchange Revenue	130,544	150,263
Other Budgetary Financing Sources and Adjustments	13,361	(1,799)
Other Financing Sources		
Imputed Financing from Financing absorbed from others (Note 20)	570,544	541,025
Transfers In/Out without Reimbursement	(57,643)	237,851
Donations and Forfeitures and Property	46,863	4,464
Total Financing Sources	13,914,840	13,755,776
Net Cost of Operations	(12,239,394)	(12,976,023)
Ending Balance - Cumulative Results of Operations	\$ 41,583,563	\$ 39,839,573

Combined Statement of Budgetary Resources
for the years ended September 30, 2003 and 2002
(dollars in thousands)

	2003		2002 (As Restated)	
	Total Budgetary Accounts	Non-Budgetary Credit Program Financing Accounts	Total Budgetary Accounts	Non-Budgetary Credit Program Financing Accounts
Budgetary Resources:				
Budget Authority:				
Appropriations Received	\$ 14,003,754	\$ -	\$ 13,141,468	\$ -
Borrowing Authority	-	18,906	-	11,944
Net Transfers, Current Year Authority	(70,350)	-	198,154	-
Unobligated Balance: (Note 24)				
Beginning of Fiscal Year (Note 21)	4,478,411	55,779	3,837,803	56,818
Net Transfers, Unobligated Balance, Actual	(29,833)	-	13,324	-
Spending Authority From Offsetting Collections:				
Earned				
Collected	4,784,999	8,322	3,108,129	7,298
Receivable From Federal Sources	(146,516)	(475)	79,348	(381)
Change in Unfilled Customer Orders				
Advance Received	517,626	-	333,166	-
Without Advance From Federal Sources	(159,721)	-	272,191	-
Recoveries of Prior Year Obligations	304,691	137	334,138	195
Temporarily Not Available Pursuant to Public Law	-	-	(23,502)	-
Permanently Not Available	(207,623)	2,487	(73,342)	(5,220)
Total Budgetary Resources (Notes 21 and 24)	\$ 23,475,438	\$ 85,156	\$ 21,220,877	\$ 70,654
Status of Budgetary Resources:				
Obligations Incurred:				
Direct	\$ 14,035,601	\$ 17,478	\$ 13,385,903	\$ 14,877
Reimbursable	4,534,566	-	3,356,563	-
Total Obligations Incurred (Note 24)	18,570,167	17,478	16,742,466	14,877
Unobligated Balance: (Note 24)				
Apportioned	4,738,941	66,160	4,297,332	55,777
Exempt From Apportionment	41,349	-	46,873	-
Unobligated Balance not Available (Note 24)	124,981	1,518	134,206	-
Total Status of Budgetary Resources (Note 21)	\$ 23,475,438	\$ 85,156	\$ 21,220,877	\$ 70,654
Relationship of Obligations to Outlays:				
Obligations Incurred	\$ 18,570,167	\$ 17,478	\$ 16,742,466	\$ 14,877
Obligated Balance, Net, Beginning of Fiscal Year (Notes 21 and 24)	4,953,205	11,601	4,522,627	20,139
Obligated Balance, Net, End of Fiscal Year:				
Accounts Receivable	331,195	-	477,712	475
Unfilled Customer Orders From Federal Sources	523,353	-	683,075	-
Undelivered Orders	(5,345,138)	(8,063)	(4,798,537)	(12,040)
Accounts Payable	(1,250,384)	-	(1,315,453)	(36)
Less: Spending Authority Adjustments	1,546	338	(685,678)	185
Outlays:				
Disbursements	17,783,944	21,354	15,626,212	23,600
Collections	(5,302,624)	(8,322)	(3,441,296)	(7,298)
Subtotal	12,481,320	13,032	12,184,916	16,302
Less: Offsetting Receipts	(3,661,729)	-	(2,869,967)	-
Net Outlays (Note 21)	\$ 8,819,591	\$ 13,032	\$ 9,314,949	\$ 16,302

Consolidated Statement of Financing
for the years ended September 30, 2003 and 2002
(dollars in thousands)

	2003	2002 (As Restated)
Resources Used to Finance Activities (Note 21):		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 18,587,645	\$ 16,757,343
Less: Spending Authority From Offsetting Collections/Adjustments	(5,309,063)	(4,134,084)
Obligations Net of Offsetting Collections and Adjustments	13,278,582	12,623,259
Less: Offsetting Receipts	(3,661,729)	(2,869,967)
Net Obligations	9,616,853	9,753,292
Other Resources:		
Donations and Forfeitures of Property	46,863	4,658
Transfers In/Out Without Reimbursement	(57,643)	237,851
Imputed Financing From Costs Absorbed by Others	570,544	541,025
Other	-	-
Net Other Resources Used to Finance Activities	559,764	783,534
Total Resources Used to Finance Activities	10,176,617	10,536,826
Resources Used to Finance Items Not Part of the Net Cost of Operations (Note 21):		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	(47,223)	(131)
Resources That Fund Expenses Recognized in Prior Periods	(264,012)	134,217
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	15,408	(10,797)
Offsetting Receipts Not Part of the Net Cost of Operations	2,547,888	1,908,000
Resources That Finance the Acquisition of Assets	(870,147)	(1,055,297)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	(20,454)	14,163
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	1,361,460	990,155
Total Resources Used to Finance the Net Cost of Operations	11,538,077	11,526,981
Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period (Note 21):		
Components Requiring or Generating Resources in Future Periods:		
Increase (Decrease) in Annual Leave Liability	12,013	16,587
Increase (Decrease) in Environmental and Disposal Liability	(102,365)	(45,933)
Upward/Downward Re-estimates in Credit Subsidy Expense	1,510	2,735
Increase (Decrease) in Exchange Revenue Receivable From the Public	(10,978)	3,844
Other	(115,399)	625,373
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	(215,219)	602,606
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	455,939	475,529
Revaluation of Assets or Liabilities	81,100	14,830
Components of Net Cost of Operations Related to Transfer Accounts Where Budget Amounts are Reported by Other Federal Entities (Note 25)	367,938	350,823
Other	11,559	5,254
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	916,536	846,436
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	701,317	1,449,042
Net Cost of Operations	\$ 12,239,394	\$ 12,976,023

Statement of Custodial Activity
for the years ended September 30, 2003 and 2002
(dollars in thousands)

	2003	2002
Revenues on Behalf of the Federal Government		
Mineral Lease Revenue		
Rents and Royalties	\$ 6,716,830	\$ 5,445,180
Offshore Lease Sales	485,841	884,859
Strategic Petroleum Reserve (Note 23)	1,044,350	262,752
Total Revenue	\$ 8,247,021	\$ 6,592,791
Disposition of Revenue		
Distribution to Department of the Interior		
National Park Service Conservation Funds	\$ 1,049,000	\$ 1,047,980
Bureau of Reclamation	753,374	544,826
Minerals Management Service	1,070,294	794,779
Bureau of Land Management	72,843	8,270
Fish and Wildlife Service	2,909	891
Distribution to Other Federal Agencies		
Department of the Treasury	4,208,092	4,138,702
Department of Agriculture	22,920	16,091
Department of Energy (Note 23)	1,044,350	262,752
Distribution to Indian Tribes and Agencies	79,544	61,338
Distribution to States and Others	65,488	30,443
Change in Untransferred Revenue	(121,793)	(313,281)
Total Disposition of Revenue	\$ 8,247,021	\$ 6,592,791



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

November 28, 2003

Memorandum

To: The Secretary

From: Earl E. Devaney
Inspector General

Subject: Independent Auditors' Report on the U.S. Department of the Interior's Fiscal Year 2003 Annual Report on Performance and Accountability
(Report No. X-IN-MOA-80-2003)

INTRODUCTION

This report presents the results of the audit of Department of the Interior's (DOI) financial statements as of September 30, 2003 and for the year then ended. We contracted with KPMG LLP (KPMG), an independent certified public accounting firm, to perform the audit. The contract required that KPMG perform its audit in accordance with the Comptroller General of the United States of America's *Government Auditing Standards*, the Office of Management and Budget's Bulletin 01-02 *Audit Requirements for Federal Financial Statements*, and the General Accounting Office/President's Council on Integrity and Efficiency's *Financial Audit Manual*. Also, we identify the top management challenges for DOI in this report.

FINDINGS

In its audit report dated November 28, 2003 (Attachment 1), KPMG issued an unqualified opinion on DOI's financial statements for fiscal years 2003 and 2002. The report identified 13 internal control weaknesses over financial reporting, 2 internal control weaknesses over required supplementary information and required supplementary stewardship information, and 4 instances of noncompliance with laws and regulations. Details follow:

✓ INTERNAL CONTROLS OVER FINANCIAL REPORTING

Deficiencies in internal controls are described as reportable conditions, with the most serious conditions identified as material weaknesses.

Material weaknesses are significant deficiencies in the design or operation of one or more components of internal controls which do not reduce to a relatively low level the risk that a material misstatement to the financial statements could occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. KPMG identified material internal control weakness in the following areas:

- A. Recording, classifying, and accounting for property, plant, and equipment
- B. Recording transactions promptly and properly in financial reports
- C. Reconciling intra-governmental transactions
- D. Recording promptly and properly Indian trust funds transactions

Reportable conditions are significant deficiencies in the design or operation of the internal control over financial reporting that could adversely affect an organization's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. KPMG identified reportable conditions in the following areas:

- E. Safeguarding electronic information in the financial management systems
- F. Calculating accruals
- G. Recording and disclosing legal claims and assessments
- H. Estimating environmental liabilities
- I. Accounting for and classifying revenue transactions
- J. Monitoring grants
- K. Reconciling intra-departmental transactions
- L. Recording promptly and properly budgetary transactions
- M. Using charge cards

✓ ***INTERNAL CONTROLS OVER REQUIRED SUPPLEMENTARY INFORMATION AND REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION***

KPMG identified significant deficiencies in internal control over required supplementary information and required supplementary stewardship information which it believes could adversely affect DOI's ability to collect, process, record, and summarize information in the following areas:

- N. Reporting deferred maintenance
- O. Maintaining and approving support for and performing annual inventories of stewardship assets

✓ ***NONCOMPLIANCE WITH LAWS AND REGULATIONS***

KPMG identified noncompliance with the following laws and regulations:

- P. *Single Audit Act Amendments of 1996*
- Q. *Debt Collection Improvement Act of 1996*

- R. *Prompt Pay Act*
- S. *Federal Financial Management Improvement Act of 1996*

✓ **DOI CORRECTIVE ACTIONS**

Although DOI has made progress in correcting financial management weaknesses, significant changes are still needed in its financial management infrastructure. These changes include: (1) acquiring and implementing a new financial management system, (2) developing DOI-wide financial policies that all finance and program offices are required to implement and follow, (3) ensuring that DOI's policy-setting representatives have the authority to enforce financial policies and that sufficient resources are available to monitor compliance with the policies, and (4) enhancing the depth and breadth of its financial management personnel. In its response, which has been incorporated into the report, DOI indicated general concurrence with the findings and recommendations.

KPMG is responsible for the auditors' report and for the conclusions expressed in the report. We do not express opinions on the DOI's financial statements; conclusions on the effectiveness of internal control; conclusions on whether DOI's financial management systems substantially complied with FFMIA; or conclusions on compliance with laws and regulations.

MANAGEMENT CHALLENGES

We identified, in accordance with Public Law 106-531, *Reports Consolidation Act of 2000*, the most serious management challenges facing the DOI. The challenges, which are discussed in detail in "Management Challenges" (Attachment 2), are in the following areas:

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

The legislation, as amended, creating the Office of Inspector General, (5 U.S.C.A. App. 3) requires semiannual reporting to 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.

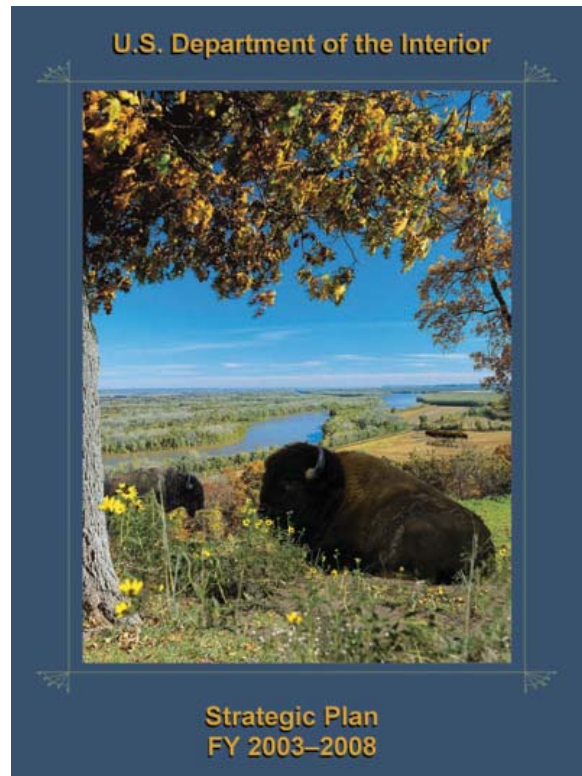
We appreciate the cooperation and assistance of DOI personnel during the audit. If you have any questions, please contact me at (202) 208-5745.

Attachments (2)

Part 3: Interior and the Future—Our New Strategic Plan

Interior's new Government Performance and Results Act (GPRA) Strategic Plan for FY 2003-2008 takes, for the first time, a Departmental approach to budget and performance integration. The Department created an integrated planning document that fosters common measures for shared responsibilities. It is the starting point for integrating our budget, performance, and financial information, organizing our goals and Departmental performance measures into four mission areas, with bureau outcomes, outputs and inputs linked to these measures. The mission areas and measures will be reflected in next year's Performance and Accountability Report. We will implement the new strategic plan in the same manner in which it was developed, using collaboration and cooperation among our bureaus and the American public.

Our new Strategic Plan changes what we measure. Instead of tracking the costs of inputs, like salaries, tires, or office supplies, we will measure the cost of outputs such as the cost of operating a wildlife refuge or removing an acre of invasive plants or processing and managing grazing permits.



These numbers will enable managers to link budget spending with performance results, as envisioned by the President's Management Agenda (PMA).

This linkage creates a powerful management tool to recognize superior performance, focus attention on achievement and innovation, and move more quickly to spread best practices throughout the organization.

Interior's responsibilities have never been greater. Our management challenges have never been more demanding. Our new strategic plan offers clear guidance for the road ahead.

For More Information

Like everything the Department of the Interior undertakes, our performance planning and measurement is an iterative process: we learn as we go, we listen to interested citizens and customers, and we emphasize cooperation, communication, and consultation.

We'd like to hear from you about both our full FY 2003 Annual Report on Performance and Accountability, and the highlights presented here. Did we present information in a way you could use? Where did we succeed? Where could we do better?

You can send written comments to:

Department of the Interior
Office of Planning and Performance Management
Mail Stop 5258
1849 C Street, N.W.
Washington, DC 20240

Or, if you prefer, visit www.doi.gov/ppp/feedback.html and submit your comments to us electronically.

An electronic version of this report and the full FY 2003 Performance and Accountability Report (a separate publication) are available at www.doi.gov/pfm/par2003. We encourage you to visit www.doi.gov/about.html where you will find links to other documents that describe the Department's ongoing journey towards 21st Century Stewardship: Our new integrated and outcome-oriented strategic plan, the Secretary's Citizen-Centered Governance Plan, our FY 2002 Performance and Accountability Report, and our Strategic Plan for Human Capital Management. Our Department web site also summarizes key recent accomplishments.

We encourage you to read—and respond—to all of these reports. Let us hear from you about how we can serve you better.

To request additional copies of this report or of the executive summary, please contact:

Department of the Interior
Office of Financial Management
Mail Stop 5412
1849 C Street, N.W.
Washington, DC 20240
(202) 208-6295



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